CR01303-2019

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

BELLE CORPORATION

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

Metro Manila, Philippines

4. SEC Identification Number

52412

5. BIR Tax Identification Code

043-000-156-01

6. Address of principal office

5th Floor Tower A, Two E-com Center, Palm Coast Avenue, Mall of Asia Complex CBP-1A, Pasay City

Postal Code

1300

7. Registrant's telephone number, including area code

(632) 662-8888

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

April 22, 2019 at 2:00 p.m. at Function Rm 1, SMX Convention Center Manila, MOA Complex, Pasay City

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

Mar 20, 2019

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
Common Stock, ¿1.00 par value	9,763,126,297

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:

The Philippine Stock Exchange, Inc.

Belle Corporation

BEL

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

Date of Stockholders' Meeting	Apr 22, 2019
Type (Annual or Special)	Annual
Time	2:00 p.m.
Venue	Function Room 1, SMX Convention Center Manila, Mall of Asia Complex, Pasay City 1300
Record Date	Mar 14, 2019

Inclusive Dates of Closing of Stock Transfer Books

Start Date	N/A
End date	N/A

Other Relevant Information

Amended to redact the personal information in the attachment.

Filed on behalf by:

Name	Elizabeth Tan
Designation	Manager-Governance & Corp Affairs/Investor Relations

BELLE
CORPORATION

SECURITIES AND EXCHANGE COMMISSION
RECEIVED
MAR 15 2019
MARKET REGULATION DEPT.
BY: Ozye TIME: 4:15

15 March 2019

SECURITIES AND EXCHANGE COMMISSION
Secretariat Building,
PICC Complex, Roxas Boulevard, Pasay City
1307

Attention: **Mr. Vicente Graciano P. Felizmenio, Jr.**
Director
Markets and Securities Regulation Department

Re: Definitive Information Statement for the 2019 Annual Stockholders' Meeting of Belle Corporation (the "Corporation")

Gentlemen:

We submit the Corporation's Definitive Information Statement (SEC Form 20-IS) for its 2019 Annual Stockholders' Meeting, incorporating the following amendments as requested in your letter on this matter dated 11 March 2019:

Remarks	**Compliance**
Failed to indicate the positions of Messrs Manuel A. Gana, Armin Raquel-Santos, Jackson T. Ongsip, Rogelio I. Robang, Michelle Hernandez	See updated compensation disclosure table

We trust that your concerns have sufficiently been addressed.

Thank you very much.

Very truly yours,

Rosemarie R. Abueva
Senior Assistant Vice President

BELLE
CORPORATION

NOTICE OF ANNUAL STOCKHOLDERS' MEETING

TO: ALL STOCKHOLDERS

NOTICE is hereby given that there will be an annual meeting of the stockholders of Belle Corporation on **Monday, 22 April 2019** at 2 o'clock in the afternoon, at Function Room 1, SMX Convention Center, Mall of Asia Complex, Pasay City, Metro Manila, to consider the following:

AGENDA

1. Call to Order
2. Proof of Notice of Meeting
3. Certification of Quorum
4. Approval of the Minutes of the Previous Meeting of Stockholders
5. Approval of 2018 Operations and Results
6. Ratification of all Acts of the Board of Directors and Management from the date of the last Annual Stockholders' Meeting to the date of this meeting
7. Election of Directors for 2019 – 2020
8. Appointment of External Auditors
9. Other Matters
10. Adjournment

Attached are the rationale for the above agenda items for reference.

In accordance with the rules of the Philippine Stock Exchange, the close of business on **14 March 2019** has been fixed as the record date for the determination of the stockholders entitled to notice of and vote at said meeting and any adjournment thereof.

Registration for those who are personally attending the meeting will start at 1:00 p.m. and end promptly at 1:45 p.m. All stockholders who will not, are unable, or do not expect to attend the meeting in person are encouraged to fill out, date, sign the attached Proxy Form, and send a proxy to the Corporation at 5th Floor Tower A, Two E-com Center, Palm Coast Avenue, Mall of Asia Complex CBP-1A, Pasay City, Philippines. All proxies should be received by the Corporation **at least seven (7) days** before the meeting, or on or before **11 April 2019**. Proxies submitted shall be validated by a Committee of Inspectors on **12 April 2019** at 10:00 o'clock in the morning at 5th Floor Tower A, Two E-com Center, Palm Coast Avenue, Mall of Asia Complex CBP-1A, Pasay City. For corporate stockholders, the proxies should be accompanied by a Secretary's Certification on the appointment of the corporation's authorized signatory.

For your convenience in registering your attendance at the meeting, you (or your proxy) are requested to bring valid identification paper(s) containing a photograph and signature, e.g. passport, driver's license, or Company ID.

City of Pasig, Metro Manila, March 15, 2019.

A. BAYANI K. TAN
Corporate Secretary

RATIONALE FOR AGENDA ITEMS:

1. **Call to Order.** The Chairman of the Board of Directors, Mr. Emilio S. de Quiros, Jr., will call the meeting to order.

2. **Proof of Notice of Meeting.** The Corporate Secretary, Atty. A. Bayani K. Tan, will certify that copies of this Notice were sent to Stockholders of record as of **March 14, 2019.**

3. **Certification of Quorum.** The Corporate Secretary will also certify the number of attendees, whether in person or by proxy, for the purpose of determining the existence of quorum to validly transact business.

4. **Approval of the Minutes of the Previous Meeting of Stockholders held on April 23, 2018.** The Draft Minutes of the April 23, 2018 Annual Stockholders' Meeting are available on the Corporation's website: http://www.bellecorp.com/investor-relations/disclosures/asm-minutes-and-results-asm and copies will also be made available during the ASM. Stockholders will be asked to approve the Minutes of the 2018 Annual Stockholders' Meeting as recommended by the Board of Directors.

5. **Approval of 2018 Operations and Results.** A report on the highlights of the performance of the Corporation for the year ended 2018 will be presented to Stockholders. The same was reviewed by the Audit Committee and the Board of Directors, and have been audited by the external auditors who declared an unqualified opinion on the Audited Financial Statements (AFS). A summary of the 2018 AFS shall be also be presented to the Stockholders. Stockholders, after identifying themselves, will be given an opportunity to raise questions regarding the operations and report of the Corporation.

6. **Ratification of all Acts of the Board of Directors and Management from the date of the last Annual Stockholders' Meeting to the date of this meeting.** All actions, proceedings and contracts entered into, as well as resolutions made and adopted by the Board of Directors and of Management from the date of the Stockholders Meeting held on April 23, 2018 to the date of this meeting shall be presented for confirmation, approval, and ratification.

7. **Election of Directors for 2019-2020.** The incumbent set of Board of Directors, as nominated, reviewed, qualified and recommended by the Corporate Governance Committee, shall be presented for election. Their proven expertise and qualifications based on current regulatory standards and the Corporation's own norms, will help sustain the Company's solid performance that will result to its stockholders' benefit. The profiles of the Directors are available in the Company website and on pages 4 – 7 and 13 – 15 of this SEC Form 20-IS. If elected, they shall serve as such from April 22, 2019 until their successors shall have been duly qualified and elected.

8. **Appointment of External Auditors.** The Audit Committee has pre-screened and recommended, and the Board has endorsed for consideration of the stockholders to re-appoint SyCip Gorres & Velayo (SGV & Co.) as the Corporation's External Auditor for 2019-2020. SGV & Co. is one of the leading auditing firms in the country and is duly accredited by the Securities and Exchange Commission. The Stockholders will also be requested to delegate to the Board the authority to approve the appropriate audit fee for 2019.

9. **Other Matters.** The Chairman will open the floor for comments and questions by the stockholders. Stockholders may raise other matters or issues that may be properly taken up at the meeting.

10. **Adjournment.** After all business has been considered and resolved, the Chairman shall declare the meeting adjourned.

PROXY FORM

The undersigned stockholder of Belle Corporation (the "Company") hereby appoints ______________________ or in his absence, the Chairman of the meeting, as attorney and proxy, with power of substitution, to represent and vote all shares registered in his/her/its name as proxy of the undersigned stockholder, at the Annual Meeting of Stockholders of the Company on April 22, 2019 and at any of the adjournments thereof for the purpose of acting on the following matters:

1. Election of Directors.
____ 1.1. Vote for all nominees listed below:

1.1.1. Emilio S. de Quiros, Jr.
1.1.2. Willy N. Ocier
1.1.3. Elizabeth Anne C. Uychaco
1.1.4. Manuel A. Gana
1.1.5. Aurora Cruz Ignacio
1.1.6. Jacinto C. Ng, Jr.
1.1.7. Jose T. Sio
1.1.8. Virginia A. Yap
1.1.9. Gregorio U. Kilayko (Independent Director)
1.1.10. Amando M. Tetangco, Jr. (Independent Director)
1.1.11. Cesar E.A. Virata (Independent Director)

____ 1.2. Withhold authority for all nominees listed above
____ 1.3 Withhold authority to vote for the nominees listed below:

_________________ _________________
_________________ _________________
_________________ _________________

2. Approval of minutes of previous Annual Stockholders' Meeting.
___ Yes ___ No ___ Abstain

3. Approval of 2018 Annual Report.
___ Yes ___ No ___ Abstain

4. Ratification of all acts and resolutions of the Board of Directors and Management from date of last Stockholders' Meeting to April 22, 2019.
___ Yes ___ No ___ Abstain

5. Election of SyCip Gorres Velayo & Co. as external auditor.
___ Yes ___ No ___ Abstain

6. At their discretion, the proxies named above are authorized to vote upon such other matters as may be properly come before the meeting.
___ Yes ___ No ___ Abstain

____
Printed Name of Stockholder

____
Signature of Stockholder /
Authorized Signatory

____
Date

THIS PROXY FORM SHOULD BE RECEIVED BY THE CORPORATE SECRETARY AT LEAST SEVEN (7) DAYS BEFORE THE DATE SET FOR THE ANNUAL MEETING AS PROVIDED IN THE BY-LAWS.
This Proxy Form shall be valid for five (5) years from date of signing.

SECRETARY'S CERTIFICATE

I, ____________________, Filipino, of legal age and with office address at ____________________________, do hereby certify that:

1. I am the duly appointed Corporate Secretary of ____ (the "Corporation"), a corporation duly organized and existing under and by virtue of the laws of the Republic of the Philippines, with office address at ____;

2. Based on the records, during the lawfully convened meeting of the Board of Directors of the Corporation held on ______________________, the following resolution was passed and approved:

"RESOLVED, That ____, ________________________________, be authorized and appointed, as he is hereby authorized and appointed, as the Corporation's Proxy (the "Proxy") to attend all meetings of the stockholders of Belle Corporation (BELLE) whether the meeting is regular or special, or at any meeting postponed or adjourned therefrom, with full authority to vote the shares of stock of the Corporation held in BELLE and to act upon all matters and resolution that may come before or presented during meetings, or any adjournments thereof, in the name, place and stead of the Corporation.

"RESOLVED, FINALLY, That BELLE be furnished with a certified copy of this resolution and BELLE may rely on the continuing validity of this resolution until receipt of written notice of its revocation."

3. The foregoing resolution has not been modified, amended or revoked in accordance with the records of the Corporation presently in my custody.

IN WITNESS WHEREOF, I have signed this instrument in ____________ on _______________.

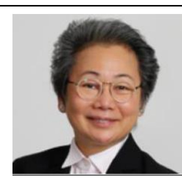
____
Printed Name and Signature of the
Corporate Secretary

SUBSCRIBED AND SWORN TO BEFORE ME on __________________ in _________________. Affiant exhibited to me his Competent Evidence of Identity by way of _____________________ issued on
_______________ at ________________.

Doc. No. ______;
Page No. ______;
Book No. ______;
Series of _______.

<table>
<tr><td>EMILIO S. DE QUIROS, JR.</td><td></td></tr>
<tr><td>EDUCATION / EXPERIENCE</td><td>Mr. De Quiros, 70, is the Chairman of the Board of Belle Corporation. He served as a Director since Sept 2010 and elected as Chairman of the Board from August 2016 until April 2017. He was re-elected as Director on December 04, 2017. He is also an independent director of Atlas Consolidated Mining and Development Corporation and RCBC Savings Bank. Previously, he was the President and Chief Executive Officer of the Social Security System and Director of UnionBank of the Philippines and Philhealth Insurance Corporation. Prior to that, he was an Executive Vice President of Bank of the Philippine Islands, and President of Ayala Life Insurance Inc., Ayala Plans Inc. and BPI Bancassurance, Inc.

Mr. De Quiros graduated from Ateneo de Naga with a Bachelor of Arts in Economics degree (Cum Laude), and holds a Master of Arts in Economics degree from University of the Philippines.</td></tr>
<tr><td>WILLY N. OCIER</td><td></td></tr>
<tr><td>EDUCATION / EXPERIENCE</td><td>Mr. Ocier, 62, is an Executive Director and Co-Vice Chairman of Belle Corporation. He is also the Chairman and Director of Premium Leisure Corp., APC Group, Inc., PremiumLeisure and Amusement, Inc. and the Vice Chairman of Tagaytay Highlands International Golf Club, Inc. He is the Chairman and President of Pacific Online Systems Corporation, Chairman of Tagaytay Midlands Golf Club, Inc., The Country Club at Tagaytay Highlands, Inc. and The Spa and Lodge, Inc., and Vice Chairman of Highlands Prime, Inc. He also sits as Chairman and Chief Executive Officer of Philippine Global Communications, Inc., Chairman of Total Gaming and Technologies, Inc., and Director of Leisure and Resorts World Corporation, Vantage Equities, Philequity Management, Inc. Philequity Funds, AbaCore Capital Holdings, Inc. and Toyota Corporation Batangas.

He graduated from Ateneo de Manila University with a Bachelor of Arts degree in Economics. In recognition of Mr. Ocier's corporate leadership and role in providing employment opportunities to Filipinos, the University of Batangas conferred him a degree in Doctor of Humanities, honoris causa.</td></tr>
<tr><td>ELIZABETH ANNE C. UYCHACO</td><td></td></tr>
<tr><td>EDUCATION / EXPERIENCE</td><td>Ms. Uychaco, 63, is a Board Director and Co-Vice Chairperson of Belle Corporation. She is also a Senior Vice President of SM Investments Corporation, and a Board Director of Republic Glass Holdings Corporation, BDO Life Assurance Company, Inc, Goldilocks Bakeshop, Inc., The Net Group and ACE Hardware Philippines, Inc.

Ms. Uychaco graduated from St. Scholastica's College in 1978 with a Bachelor of Arts Degree. She obtained a Master's Degree in Business Economics from the University of</td></tr>
</table>

	Asia and the Pacific and a Master's Degree in Business Administration from the Ateneo School of Business.
AURORA CRUZ IGNACIO	
EDUCATION / EXPERIENCE	Ms. Aurora Cruz Ignacio, 62, is a Director of the Company who was elected to the Board on February 28, 2019. She is the first woman chairperson of the Social Security Commission (SSC), the governing body of the Social Security System (SSS). She is a member of various committees of the SSC, including the Investment Oversight, Governance, Media Affairs, Coverage and Collection, Risk Management, Information Technology, and Audit Committees. Prior to her appointment at SSC, Ms. Ignacio served as Assistant Secretary for Special Projects under the Office of the President of the Republic of the Philippines, and was designated as the Focal Person for Anti-Illegal Drugs pursuant to Presidential Directive No. 5. In addition, she was also tasked to handle Special Projects for the Office of the President, while at the same time attending to her duties as Principal Member of the Task Force on the Establishment of Rehabilitation and Treatment Centers for Drug Users. She was a Guest Member of the Dangerous Drugs Board and a council member of the National Food Authority. Prior to her government stint, Ms. Ignacio worked in the Bank of the Philippine Islands as a corporate banking employee. Ms. Ignacio obtained her Bachelor of Science Degree in Commerce Major in Banking and Finance from Centro Escolar University.
JOSE T. SIO	
EDUCATION / EXPERIENCE	Mr. Jose T. Sio, 79, is a Board Director of Belle Corporation and concurrently the Chairman of the Board of Directors of SM Investment Corporation. He was the Chairman of the Board of Directors of Belle Corporation from April 24, 2017 to April 23, 2018. He is a member of the Board of Directors of China Banking Corporation, Atlas Consolidated Mining and Development Corporation, NLEX Corporation and OCLP Holdings, Inc. He is also an Adviser to the Board of Directors of BDO Unibank, Inc. and Premium Leisure Corp. Mr. Sio was a Senior Partner of Sycip Gorres Velayo & Co. (SGV). He is a Certified Public Accountant and obtained his Master's degree in Business Administration (MBA) from New York University, USA.
MANUEL A. GANA	
EDUCATION / EXPERIENCE	Mr. Gana, 61, is an Executive Board Director and the President and Chief Executive Officer of Belle Corporation since March 15, 2017. Mr. Gana was appointed as the Vice President

	and Chief Financial Officer of the Company in September 2000, and was promoted to Executive Vice President and Chief Financial Officer in August 2007. He joined Belle in 1997 as Vice President for Corporate Development and Special Projects, during which time he was also assigned as the Vice President-Finance and Chief Financial Officer for MagiNet Corporation, then a subsidiary of Sinophil Corporation (now called Premium Leisure Corp.). He is also a Director of Tagaytay Highlands International Golf Club, Inc. Previously, he was Director of Investment Banking at Nesbitt Burns Securities Inc. In New York. He also previously worked for Bank of Montreal and Merrill Lynch Capital Markets (both in New York), and for Procter & Gamble Philippine Manufacturing Corporation. Mr. Gana holds a Master of Business Administration degree from the Wharton School of the University of Pennsylvania, and degrees in Accounting and Economics from De La Salle University. He is a Certified Public Accountant.
GREGORIO U. KILAYKO	
EDUCATION / EXPERIENCE	Mr. Kilayko, 63, is an Independent Director of Belle Corporation and serves as an Independent Director of SM Prime Holdings, Inc. and Philequity Fund, Inc. He is the former Chairman of ABN Amro's banking operations in the Philippines. He was the founding head of ING Barings' stock brokerage and investment banking business in the Philippines, and a Philippine Stock Exchange Governor in 1996 and 2000. He was a director of the Philippine Stock Exchange in 2003. Mr. Kilayko holds a Master of Business Administration degree from the Wharton School of the University of Pennsylvania.
JACINTO C. NG, JR.	
EDUCATION / EXPERIENCE	Mr. Ng, 50, is a Board Director of Belle Corporation and concurrently a Director of Highlands Prime, Inc. He is the Chairman of Elanvital Enclaves, Inc., and Quantuvis Resources Corporation and also the President of Extraordinary Enclaves, Inc. and Everyhome Enclaves, Inc. Mr. Ng is the Chairman of Joy~Nostalg Foundation, and member of the Rebisco Foundation and XS86 Men for Others Foundation. Also, he is the Chairman of Xavier School Educational Trust Fund and a member of Xavier School Inc. Board of Trustees. Mr. Ng holds a Bachelor of Science degree in Architecture from the University of the Philippines.
AMANDO M. TETANGCO, JR.	
EDUCATION / EXPERIENCE	Mr. Tetangco, 66, is an Independent Director of Belle Corporation who was elected on December 4, 2017. He is concurrently an Independent Director of Philippine Airlines and Manila Hotel, and also serves as Trustee of St. Luke's Medical Center and Tan Yan Kee

	Foundation. He was the third Governor of the Bangko Sentral ng Pilipinas (BSP) and served for two consecutive 6-year terms from July 2005 to July 2017. Under his leadership, the BSP managed to deliver the institution's primary mandate of maintaining price and financial stability in the country, supporting sustained economic growth during the period. The BSP also initiated and further strengthened regulatory reforms in the banking system to improve risk management, governance, capitalization and asset quality of banks, among others. At the same time, greater importance was given to financial inclusion which became not just an advocacy but a corporate objective of the BSP. A career central banker, he occupied different positions at the BSP where he started as a statistician at the BSP's Department of Economic Research and rose thru the ranks. Before joining the monetary authority in 1974, Mr. Tetangco was connected with the Management Services Division of Sycip Gorres Velayo & Co. Mr. Tetangco graduated from Ateneo de Manila University with an AB Economics degree (Cum Laude), where he also took up graduate courses in Business Administration. As a BSP scholar, he obtained his MA in Public Policy and Administration (Development Economics) in 1978 at the University of Wisconsin-Madison, in Wisconsin, USA.
CESAR E.A. VIRATA	
EDUCATION / EXPERIENCE	Mr. Virata, 88, is an Independent Director of Belle Corp. He is currently the Vice Chairman of Rizal Commercial Banking Corporation (RCBC); and Director of RCBC subsidiaries and some affiliates. He is also an Independent Director of Lopez Holdings Corporation, City & Land Developers, Inc. and Business World Publishing Corporation. He is a Director of Cavitex Holdings Corporation, The World Trade Center Management Corporation and Micah Quality Property Development Corporation. Mr. Virata was formerly the Chairman of the Board of Investments, Minister of Finance and Prime Minister of the Philippines. He was Dean of the University of the Philippines College of Business Administration, now named the UP Virata School of Business. Mr. Virata holds an MBA from the Wharton School of the University of Pennsylvania and B.S. in Mechanical Engineering and B.S. in Business Administration degrees from the University of the Philippines.
VIRGINIA A. YAP	
EDUCATION / EXPERIENCE	Ms. Yap, 68, is a Director of the Company. She is also a member of the Company's Executive, Corporate Social Responsibility and Environmental and Social Committees. Ms. Yap is Senior Vice President in several companies within the SM Group. She is also a Director of the APC Group, Inc. She holds a Bachelor of Science in Commerce (Major in Accounting) degree from the University of Mindanao. She holds a Bachelor of Science in Commerce (Major in Accounting) degree from the University of Mindanao.

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: **BELLE CORPORATION**

3. Province, country or other jurisdiction of incorporation or organization: **Metro Manila, Philippines**

4. SEC Identification Number: **52412**

5. BIR Tax Identification Number: **043-000-156-011**

6. Address of principal office: **5th Floor Tower A, Two E-com Center, Palm Coast Avenue, Mall of Asia Complex CBP-1A, Pasay City 1300**

7. Registrant's telephone number, including area code: **(632) 662-8888**

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

Date	**:**	**22 April 2019 (Monday)**
Time	**:**	**2:00 PM**
Venue	**:**	**Function Room 1, SMX Convention Center, Mall of Asia Complex, Pasay City, Metro Manila**

9. Approximate date on which the Information Statement is to be sent or given to security holders: ***March 20, 2019.***

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

Title of Each Class	Number of Shares of Common Stock Outstanding
Common Stock, ₱1.00 par value	**9,763,126,297** ***(as of 28 February 2019)***
	Amount of Debt Outstanding **₱7.5 Billion** ***(as of December 31, 2018)***

11. Are any or all of Registrant's securities listed on a Stock Exchange?

    Yes [✔] No [ ]

If so disclose name of the Exchange	:	**The Philippine Stock Exchange, Inc.**
Class of securities listed	:	**Common Shares**

Statement that proxies are not solicited:

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

GENERAL INFORMATION

Date, time and place of meeting of security holders

(a) Date - 22 April 2019 (Monday)
Time - 2:00 P.M.
Place - Function Room 1, SMX Convention Center, Mall of Asia Complex, Pasay City, Metro Manila

(b) The approximate date on which the Information Statement will be sent or given to security holders is on March 20, 2019.

(c) The complete mailing address of the principal office of Belle Corporation (the 'Company') is:
5th Floor Tower A, Two E-com Center, Palm Coast Avenue, Mall of Asia Complex CBP-1A, Pasay City 1300

Dissenters' Right of Appraisal

The matters to be voted upon in the Annual Stockholders' Meeting on **22 April 2019** are not among the instances enumerated in Sections 42 and 81 of the Corporation Code whereby the right of appraisal, defined to be the right of any stockholder to dissent and demand payment of the fair value of his shares, may be exercised. The instances where the right of appraisal may be exercised are as follows:

1. In case any amendment to the Articles of Incorporation has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those outstanding shares of any class, or of extending or shortening the term of corporate existence;

2. In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Corporation Code;

3. In case the Company decides to invest its funds in another corporation or business outside of its primary purpose; and

4. In case of merger or consolidation.

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

(a) No person who has been a director or officer or any nominee for election as director of the Company or associate of such persons, have substantial interest, direct or indirect, in any matter to be acted upon other than the election of directors for the year *2019*.

(b) The Company is not aware of any director or security holder who intends to oppose any action to be taken by the registrant during the stockholders' meeting.

CONTROL AND COMPENSATION INFORMATION

Voting Securities and Principal Holders Thereof

(a) As of *February 28, 2019*, the Registrant had 9,763,126,297 common shares outstanding and each share is entitled to one vote.

(b) The record date with respect to the determination of the stockholders entitled to notice of and vote at the Annual Stockholders' Meeting is ***March 14, 2019.***

(c) With respect to the election of eleven (11) directors, each stockholder may vote such number of shares for as many as eleven (11) persons he may choose to be elected from the list of nominees, or he may cumulate said shares and give one candidate as many votes as the number of his shares multiplied by eleven (11) 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 multiplied by eleven (11).

(d) Security ownership of certain record and beneficial owners and management.

(1) Security Ownership of Certain Record and Beneficial Owners

The following persons or groups are known to the Company as directly or indirectly the record or beneficial owners of more than five percent (5%) of the Company's voting securities as of February 28, 2019:

Title of Class	Name and Address of Record Owner and Relationship with issuer	Name and Address of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percent
Common	Belleshares Holdings, Inc. Makati Stock Exchange Building Ayala Avenue, Makati City	Belleshares Holdings	Filipino	2,604,740,622	24.664
Common	PCD Nominee Corporation(1) G/F Makati Stock Exchange 6767 Ayala Avenue, Makati City	(see footnote)	Filipino	2,578,753,017	24.418
Common	PCD Nominee Corporation(1) G/F Makati Stock Exchange 6767 Ayala Avenue, Makati City	(see footnote)	Non-Filipino	2,039,937,999	19.316
Common	Sysmart Corporation(2) Makati Stock Exchange Building Ayala Avenue, Makati City	Sysmart Corporation	Filipino	1,629,353,802	15.428
Common	Sybase Equity Investments Corporation(2) Makati Stock Exchange Building Ayala Avenue, Makati City	Sybase (see footnote)	Filipino	531,320,577	5.031

(1) PCD Nominee Corporation ("PCDNC") is a wholly-owned subsidiary of Philippine Central Depository, Inc. ("PCD"). The beneficial owners of such shares registered under the name of PCDNC are PCD's participants who hold the shares in their own behalf or in behalf of their clients. The PCD is prohibited from voting these shares; instead, the participants have the power to decide how the PCD shares in Belle are to be voted. The participants of PCD who owns more than 5% of the Company's outstanding capital are:

a. Citibank N. A. – with ownership of 1,131,270,093 or 10.712%;
b. BDO Securities Corporation – with ownership of 834,906,348 or 7.906%; and
c. The Hong Kong Shanghai Banking Corporation Limited– Clients' Account – with ownership of 800,441,141 shares or 7.579%.

(2) Mr. Henry Sy, Sr. is the single largest shareholder of Belleshares Holdings, Sysmart Corporation, and Sybase Equity Investments Corporation.

The shares held by Belleshares Holdings Inc., Sysmart Corporation, Sybase Equity Investments Corporation, Citibank N.A., BDO Securities Corporation and The Hong Kong Shanghai Banking Corporation-Client's Account, shall be voted or disposed by the persons who shall be duly authorized by these record or beneficial shareholders for the purpose. The natural person/s that has/have the power to vote on the shares of the foregoing companies shall be determined upon the submission of its proxy form to the Company, which is not later than seven (7) days before the date of the meeting.

Apart from the foregoing, there are no other persons holding more than 5% of the Company's outstanding capital stock.

(2) Security Ownership of Management

The following table shows the shares beneficially owned by the directors and executive officers of the Company as of February 28, 2019:

Title of Class	Name and Citizenship	Amount and nature of beneficial ownership		Percent of Class
Common	Jacinto C. Ng, Jr. (Filipino)	154,153,999	Direct	1.460
Common	Willy N. Ocier (Filipino)	48,541,702	Direct / Indirect	0.460
Common	Nancy O. Hui (Filipino)	3,500,000	Direct	0.033
Common	A. Bayani K. Tan (Filipino)	347,341	Direct	0.003
Common	Virginia A. Yap (Filipino)	160,000	Direct / Indirect	0.002
Common	Manuel A. Gana (Filipino)	51,000	Direct	0.000
Common	Emilio S. De Quiros, Jr. (Filipino)	50,001	Direct	0.000
Common	Rogelio I. Robang (Filipino)	20,000	Direct	0.000
Common	Jose T. Sio (Filipino)	1,000	Direct	0.000
Common	Elizabeth Anne C. Uychaco (Filipino)	1,000	Indirect	0.000
Common	Amando M. Tetangco, Jr. (Filipino)	1,000	Indirect	0.000
Common	Gregorio U. Kilayko (Filipino)	1	Indirect	0.000
Common	Cesar E. A. Virata (Filipino)	1	Direct	0.000
Common	Aurora C. Ignacio (Filipino)	1	Direct	0.00
Common	All directors and executive officers as a group	206,827,046		1.956

(3) Voting Trust Holders of Five Percent (5%) or More

There is no party known to the Company as holding any voting trust or any similar arrangement for five percent (5%) or more of the Company's voting securities.

Changes in Control

There is no arrangement that may result in a change in control of the Company.

Directors and Executive Officers

The names, ages, and periods of service of all incumbent Directors and Executive Officers of the Company are as follows:

Directors:

	Name	Citizenship	Age as of 12.31.2018	Position
1	**Emilio S. De Quiros, Jr.**	Filipino	70	Chairman
2	**Willy N. Ocier**	Filipino	62	Vice Chairperson
3	**Elizabeth Anne C. Uychaco**	Filipino	63	Vice Chairperson
4	**Manuel A. Gana**	Filipino	61	Director / President and CEO
5	**Jose T. Sio**	Filipino	79	Director
6	**Virginia A. Yap**	Filipino	68	Director
7	**Arthur L. Amansec *(a)***	Filipino	71	Director *(Until January 7, 2019)*
8	**Aurora Cruz Ignacio *(b)***	Filipino	62	Director *(Starting February 28, 2019)*
9	**Jacinto C. Ng, Jr.**	Filipino	50	Director
10	**Gregorio U. Kilayko**	Filipino	63	Director (Independent)
11	**Amando M. Tetangco, Jr.**	Filipino	66	Director (Independent)
12	**Cesar E.A. Virata**	Filipino	88	Director (Independent)

Executive Officers:

Name	Citizenship	Age as of 12.31.2018	Position
Manuel A. Gana	Filipino	61	President and CEO
Jackson T. Ongsip	Filipino	45	EVP and CFO
Armin Raquel A. Santos	Filipino	51	EVP – Integrated Resorts
Shirley C. Ong	Filipino	58	BU Head – Resort Residences
Mary Eleanor A. Mendoza	Filipino	55	BU Head – Real Estate Group
Maria Clara T. Kramer	Filipino	58	BU Head – Estate Services
A. Bayani K. Tan	Filipino	63	Corporate Secretary
Arthur A. Sy	Filipino	49	Asst. Corporate Secretary
Nancy O. Hui	Filipino	60	VP for Administration
Rogelio I. Robang	Filipino	59	VP for Corporate Raw Land
Michelle T. Hernandez	Filipino	47	VP for Governance
Tristan B. Choa	Filipino	48	VP for Investor Relations
Zenia K. Sy	Filipino	57	VP for Sales

a) Mr. Amansec served as a Director until he passed away on January 7, 2019
b) Ms. Aurora Cruz Ignacio was elected as a Director on February 28, 2019, replacing Mr. Arthur L. Amansec

Board of Directors

The information on the business affiliations and experiences of the following directors and officers are current and/or within the past five (5) years.

The following are the incumbent members of the Board of Directors who, are also nominated herein, as certified by the Corporate Governance Committee composed of Messrs. Amando M. Tetangco, Jr. (Chairman), Cesar E.A. Virata and Gregorio U. Kilayko, for re-election as members of the Board of Directors for 2019-2020.

On February 27, 2019, the Company's Corporate Governance Committee endorsed the respective nominations for the three (3) independent directors. These nominations were given in favor of Mr. Amando A. Tetangco, Jr. by Mr. Manuel A. Gana, Mr. Cesar E. A. Virata by Mr. Emilio S. De Quiros, Jr. and Mr. Gregorio U. Kilayko by Mr. Jacinto C. Ng, Jr. The nominees, Messrs. Tetangco, Virata and Kilayko are not related to the nominating stockholders, Messrs. Gana, De Quiros and Ng, Jr., respectively.

Emilio S. De Quiros, Jr.

Mr. De Quiros, 70, is the Chairman of the Board of Belle Corporation. He served as a Director since Sept 2010 and elected as Chairman of the Board from August 2016 until April 2017. He was re-elected as Director on December 04, 2017. He is also an independent director of Atlas Consolidated Mining and Development Corporation and RCBC Savings Bank. Previously, he was the President and Chief Executive Officer of the Social Security System and Director of UnionBank of the Philippines and Philhealth Insurance Corporation. Prior to that, he was an Executive Vice President of Bank of the Philippine Islands, and President of Ayala Life Insurance Inc., Ayala Plans Inc. and BPI Bancassurance, Inc. Mr. De Quiros graduated from Ateneo de Naga with a Bachelor of Arts in Economics degree (Cum Laude), and holds a Master of Arts in Economics degree from University of the Philippines.

Willy N. Ocier

Mr. Ocier, 62, is an Executive Director and Co-Vice Chairman of Belle Corporation. He is also the Chairman and Director of Premium Leisure Corp., APC Group, Inc., PremiumLeisure and Amusement, Inc. and the Vice Chairman of Tagaytay Highlands International Golf Club, Inc. He is the Chairman and President of Pacific Online Systems Corporation, Chairman of Tagaytay Midlands Golf Club, Inc., The Country Club at Tagaytay Highlands, Inc. and The Spa and Lodge, Inc., and Vice Chairman of Highlands Prime, Inc. He also sits as Chairman and Chief Executive Officer of Philippine Global Communications, Inc., Chairman of Total Gaming and Technologies, Inc., and Director of Leisure and Resorts World Corporation, Vantage Equities, Philequity Management, Inc. Philequity Funds, AbaCore Capital Holdings, Inc. and Toyota Corporation Batangas. Mr. Ocier graduated from Ateneo de Manila University with a Bachelor of Arts degree in Economics. In recognition of Mr. Ocier's corporate leadership and role in providing employment opportunities to Filipinos, the University of Batangas conferred him a degree in Doctor of Humanities, honoris causa.

Elizabeth Anne C. Uychaco

Ms. Uychaco, 63, is a Board Director and Co-Vice Chairperson of Belle Corporation. She is also a Senior Vice President of SM Investments Corporation, and a Board Director of Republic Glass Holdings Corporation, BDO Life Assurance Company, Inc, Goldilocks Bakeshop, Inc., The Net Group and ACE Hardware Philippines, Inc.

Ms. Uychaco graduated from St. Scholastica's College in 1978 with a Bachelor of Arts Degree. She obtained a Master's Degree in Business Economics from the University of Asia and the Pacific and a Master's Degree in Business Administration from the Ateneo School of Business.

Manuel A. Gana

Mr. Gana, 61, is an Executive Board Director and the President and Chief Executive Officer of Belle Corporation since March 15, 2017. Mr. Gana was appointed as the Vice President and Chief Financial Officer of the Company in September 2000, and was promoted to Executive Vice President and Chief Financial Officer in August 2007. He joined Belle in 1997 as Vice President for Corporate Development and Special

Projects, during which time he was also assigned as the Vice President-Finance and Chief Financial Officer for MagiNet Corporation, then a subsidiary of Sinophil Corporation (now called Premium Leisure Corp.). He is also a Director of Tagaytay Highlands International Golf Club, Inc. Previously, he was Director of Investment Banking at Nesbitt Burns Securities Inc. In New York. He also previously worked for Bank of Montreal and Merrill Lynch Capital Markets (both in New York), and for Procter & Gamble Philippine Manufacturing Corporation. Mr. Gana holds a Master of Business Administration degree from the Wharton School of the University of Pennsylvania, and degrees in Accounting and Economics from De La Salle University. He is a Certified Public Accountant.

Jose T. Sio

Mr. Jose T. Sio, 79, is a Non-Executive Director and was Chairman of the Board of Directors of Belle Corporation. He is concurrently the Chairman of the Board of Directors of SM Investments Corporation. He is a member of the Board of Directors of China Banking Corporation, Atlas Consolidated Mining and Development Corporation, NLEX Corporation and OCLP Holdings, Inc. He is also an Adviser to the Board of Directors of BDO Unibank, Inc. and Premium Leisure Corp. Mr. Sio was a Senior Partner of Sycip Gorres Velayo & Co. (SGV). He is a Certified Public Accountant and obtained his Master's degree in Business Administration (MBA) from New York University, USA

Virginia A. Yap

Ms. Yap, 68, is a Director of the Company. She is also a member of the Company's Executive, Corporate Social Responsibility and Environmental and Social Committees. Ms. Yap is Senior Vice President in several companies within the SM Group. She is also a Director of the APC Group, Inc. She holds a Bachelor of Science in Commerce (Major in Accounting) degree from the University of Mindanao.

Arthur L. Amansec

Mr. Amansec was a Director of the Company until his demise on January 7, 2019. He was a Commissioner of the Social Security System since his appointment in October 2016. He served as Labor Arbiter for the National Labor Relations Commission – National Capital Region (NLRC-NCR) before his appointment to the Social Security System. Mr. Amansec previously worked for the Siguion-Reyna, Montecillo and Ongsiako Law Offices and as counsel for the National Mines and Allied Workers' Union. He was also the founder and the first National President of the Christian Labor Organization of the Philippines. Mr. Amansec graduated from the University of the Philippines in 1967 with a Bachelor of Arts degree, and obtained his Bachelor of Laws degree at the San Beda College in 1972. He held a Master of Laws degree from the University of South Wales in Sydney, Australia.

Aurora Cruz Ignacio

Ms. Aurora Cruz Ignacio, 62, is a Director of the Company who was elected to the Board on February 28, 2019. She is the first woman chairperson of the Social Security Commission (SSC), the governing body of the Social Security System (SSS). She is a member of various committees of the SSC, including the Investment Oversight, Governance, Media Affairs, Coverage and Collection, Risk Management, Information Technology, and Audit Committees. Prior to her appointment at SSC, Ms. Ignacio served as Assistant Secretary for Special Projects under the Office of the President of the Republic of the Philippines, and was designated as the Focal Person for Anti-Illegal Drugs pursuant to Presidential Directive No. 5. In addition, she was also tasked to handle Special Projects for the Office of the President, while at the same time attending to her duties as Principal Member of the Task Force on the Establishment of Rehabilitation and Treatment Centers for Drug Users. She was a Guest Member of the Dangerous Drugs Board and a council member of the National Food Authority. Prior to her government stint, Ms. Ignacio worked in the Bank of the Philippine Islands as a corporate banking employee. Ms. Ignacio obtained her Bachelor of Science Degree in Commerce Major in Banking and Finance from Centro Escolar University.

Jacinto C. Ng, Jr.

Mr. Ng, 50, is a Board Director of Belle Corporation and concurrently a Director of Highlands Prime, Inc. He is the Chairman of Elanvital Enclaves, Inc., and Quantuvis Resources Corporation and also the President of Extraordinary Enclaves, Inc. and Everyhome Enclaves, Inc. Mr. Ng is the Chairman of Joy~Nostalg Foundation, and member of the Rebisco Foundation and XS86 Men for Others Foundation. Also, he is the Chairman of Xavier School Educational Trust Fund and a member of Xavier School Inc. Board of Trustees.

Mr. Ng holds a Bachelor of Science degree in Architecture from the University of the Philippines.

Gregorio U. Kilayko*

Mr. Kilayko, 63, is an Independent Director of Belle Corporation and concurrently serves as an Independent Director of SM Prime Holdings, Inc. and Philequity Fund, Inc. He is the former Chairman of ABN Amro's banking operations in the Philippines. He was the founding head of ING Barings' stock brokerage and investment banking business in the Philippines, and a Philippine Stock Exchange Governor in 1996 and 2000. He was a director of the Philippine Stock Exchange in 2003. Mr. Kilayko holds a Master of Business Administration degree from the Wharton School of the University of Pennsylvania.

Cesar E. A. Virata*

Mr. Virata, 88, is an Independent Director of Belle Corp. He is currently the Vice Chairman of Rizal Commercial Banking Corporation (RCBC); and Director of RCBC subsidiaries and some affiliates. He is also an Independent Director of Lopez Holdings Corporation, City & Land Developers, Inc. and Business World Publishing Corporation. He is a Director of Cavitex Holdings Corporation, The World Trade Center Management Corporation and Micah Quality Property Development Corporation. Mr. Virata was formerly the Chairman of the Board of Investments, Minister of Finance and Prime Minister of the Philippines.

He was Dean of the University of the Philippines College of Business Administration, now named the UP Virata School of Business. Mr. Virata holds an MBA from the Wharton School of the University of Pennsylvania and B.S. in Mechanical Engineering and B.S. in Business Administration degrees from the University of the Philippines.

Amando M. Tetangco, Jr.*

Mr. Tetangco, 66, is an Independent Director of Belle Corporation who was elected on December 4, 2017. He is concurrently an Independent Director of Philippine Airlines and Manila Hotel, and also serves as Trustee of St. Luke's Medical Center and Tan Yan Kee Foundation. He was the third Governor of the Bangko Sentral ng Pilipinas (BSP) and served for two consecutive 6-year terms from July 2005 to July 2017. Under his leadership, the BSP managed to deliver the institution's primary mandate of maintaining price and financial stability in the country, supporting sustained economic growth during the period. The BSP also initiated and further strengthened regulatory reforms in the banking system to improve risk management, governance, capitalization and asset quality of banks, among others. At the same time, greater importance was given to financial inclusion which became not just an advocacy but a corporate objective of the BSP. A career central banker, he occupied different positions at the BSP where he started as a statistician at the BSP's Department of Economic Research and rose thru the ranks. Before joining the monetary authority in 1974, Mr. Tetangco was connected with the Management Services Division of Sycip Gorres Velayo & Co.

Mr. Tetangco graduated from Ateneo de Manila University with an AB Economics degree (Cum Laude), where he also took up graduate courses in Business Administration. As a BSP scholar, he obtained his MA in Public

Policy and Administration (Development Economics) in 1978 at the University of Wisconsin-Madison, in Wisconsin, USA.

*** Independent Directors.** The nomination, pre-screening and election of independent directors were made in compliance with the requirements of the Code of Corporate Governance and the Securities and Exchange Commission's Guidelines on the Nomination and Election of Independent Directors, which have been adopted and made part of the Corporation's By-Laws.

The nomination, pre-screening and election of independent directors were made in compliance with the requirements of the Code of Corporate Governance and the Securities and Exchange Commission's Guidelines on the Nomination and Election of Independent Directors, which have been adopted and made part of the Corporation's By-Laws.

The Corporate Governance Committee, composed of Messrs. Amando M. Tetangco, Jr. (Chairman), Cesar E.A. Virata, and Gregorio U. Kilayko, determine that the nominees for independent directors possess all the qualifications and have none of the disqualifications for independent directors as set forth in the Company's Manual on Corporate Governance and Rule 38 of the Implementing Rules of the Securities Regulation Code (SRC).

All new directors undergo an orientation program soon after date of election. This is intended to familiarize the new directors on their statutory / fiduciary roles and responsibilities in the Board and its Committees, Belle's strategic plans, enterprise risks, group structures, business activities, compliance programs, Code Business Conduct and Ethics and the Manual on Corporate Governance.

All directors are also encouraged to participate in continuing education programs annually at Belle's expense to promote relevance and effectiveness and to keep them abreast of the latest developments in corporate directorship and good governance.

Executive Officers

Manuel A. Gana

Mr. Gana, 61, is an Executive Board Director and concurrently the President and Chief Executive Officer of Belle Corporation since March 15, 2017. Mr. Gana was appointed as the Vice President and Chief Financial Officer of the Company in September 2000, and was promoted to Executive Vice President and Chief Financial Officer in August 2007. He joined Belle in 1997 as Vice President for Corporate Development and Special Projects, during which time he was also assigned as the Vice President-Finance and Chief Financial Officer for MagiNet Corporation, then a subsidiary of Sinophil Corporation (now called Premium Leisure Corp.). He is also a Director of Tagaytay Highlands International Golf Club, Inc. Previously, he was Director of Investment Banking at Nesbitt Burns Securities Inc. In New York. He also previously worked for Bank of Montreal and Merrill Lynch Capital Markets (both in New York), and for Procter & Gamble Philippine Manufacturing Corporation. Mr. Gana holds a Master of Business Administration degree from the Wharton School of the University of Pennsylvania, and degrees in Accounting and Economics from De La Salle University. He is a Certified Public Accountant.

Jackson T. Ongsip

Mr. Ongsip, 45, was appointed as Executive Vice President and Chief Financial Officer on March 15, 2017. He is concurrently the Vice President for Portfolio Investments of SM Investments Corporation; a Director, the President and Chief Executive Officer of APC Group, Inc., and the Vice President for Finance and Chief Financial Officer of Premium Leisure Corp. He is a Certified Public Accountant with an extensive audit and finance background accumulated from 5 years in external audit with SyCip, Gorres, Velayo & Co. (SGV) and 11 years with Globe Telecom. He graduated from University of Santo Tomas with a degree of Bachelor of Science in Accountancy.

Armin B. Raquel-Santos

Mr. Raquel-Santos, 51, is concurrently the Executive Vice President – Integrated Resorts of Belle Corporation, Director, and the President and Chief Executive Officer of both Premium Leisure Corp. and its subsidiary PremiumLeisure and Amusement, Inc. He is also a Director of Pacific Online Systems Corporation and Tagaytay Highlands International Golf Club, Inc., and a member of the Board of Trustees of Melco Resorts (Philippines) Foundation Corporation. Formerly, he was Chief Finance Officer of Aboitizland Inc., Cebu Industrial Park, Inc. and Mactan Economic Zone II. His experience include stints with multinational companies such as Securities 2000 Inc. (Singapore Technologies Group) and First Chicago Trust Company of New York. He holds a Master of Arts in Liberal Studies from Dartmouth College, U.S.A. and Bachelor of Science in Business Administration Major in Finance from Iona College, U.S.A.

Shirley C. Ong

Ms. Ong, 58, is the Business Unit Head of Resort Residences at Belle Corporation, and has concurrently served as the Executive Vice President of Residential – Leisure and Business Unit Head for Leisure and Resorts at SM Prime Holdings, Inc. since 2013. She is a Director of Tagaytay Midlands Golf Club, Inc. and The Country Club at Tagaytay Highlands. She also served as Senior Vice President of Operations at Highlands Prime, Inc. since 2010. Prior to this, she was First Vice President for Business Development at Filinvest Alabang, Inc. Ms. Ong has over 26 years of experience, 21 years of which has been in various areas of real estate development including finance, marketing, sales and property management. Ms. Ong holds a Bachelor of Arts degree, Major in Economics (Cum Laude) from the University of Santo Tomas and is a candidate for Masters in Economics at the Institute of Economic Policy Research of the University of Asia & Pacific.

Mary Eleanor A. Mendoza

Ms. Mendoza, 55, is the Business Unit Head of the Real Estate group and the Project Development, Sales and Marketing group at Belle Corporation. She also serves as Senior Vice President for SM Prime Holdings, Inc. and Senior Vice President for Leisure at Highlands Prime, Inc. Prior to this, Ms. Mendoza served as Vice President of Business Development and of Leisure and Resorts at Eton Properties, Philippines, Inc. She was also a Vice President at Filinvest Land, Inc. Ms. Mendoza holds a Bachelor of Science degree in Business Administration and Management from the University of the Philippines, and a Masters' degree in Business Management from the Asian Institute of Management.

Maria Clara T. Kramer

Ms. Kramer, 58, is the Business Unit Head of Estate Services at Belle Corporation and presently the General Manager of Tagaytay Highlands International Golf Club, Inc., The Country Club at Tagaytay Highlands, Inc., Tagaytay Midlands Golf Club, Inc. and The Spa and Lodge, Inc. Her more than 20 years of experience in the Hotel Industry started in Manila Hotel, after which, she joined L'Fisher Hotel upon moving to Bacolod City. While in Bacolod City, Ms. Kramer was a member of a religious social organization and was a resource speaker on Marriage, Family and Parenting. She was a Dean's Lister in Assumption College, Makati where she earned her Bachelor of Science Degree in Commerce, Major in Business Management.

A. **Bayani K. Tan**

Atty. Tan, 63, has been the Corporate Secretary of the Corporation since May 1994. He is a Non-Executive Director of Premium Leisure Corp. and is also a Director of the following listed companies: Discovery World Corporation, I-Remit, Inc., TKC Metals Corporation. He is a Director, Corporate Secretary or both of the following companies: Pacific Online Systems Corporation, Vantage Equities, Inc., Coal Asia Holdings, Inc., Philequity Dividend Yield Fund, Inc., Philequity Dollar Income Fund, Inc., Philequity Fund, Inc., Philequity MSCI Philippines Index Fund, Inc., Philequity Peso Bond Fund, Inc., Philequity PSE Index Fund, Inc., Tagaytay Highlands International Golf Club, Inc., Tagaytay Midlands Golf Club, Inc., The Country Club at Tagaytay Highlands, Inc., The Spa and Lodge at Tagaytay Highlands, Inc.

Atty. Tan is also a Director and the Corporate Secretary of Sterling Bank of Asia, Inc. He is the Managing Partner of the law offices of Tan Venturanza Valdez, and the Managing Director / President of Shamrock Development Corporation. He is a Director of Destiny LendFund, Inc., Pascual Laboratories, Inc. and Pure Energy Holdings Corporation. He is the President of Catarman Chamber Elementary School Foundation, Inc., Managing Trustee of SC Tan Foundation, Inc., Trustee and Treasurer of Rebisco Foundation, Inc. and Trustee and Corporate Secretary of St. Scholastica's Hospital, Inc.

Atty. Tan holds a Master of Laws degree from New York University (Class of 1988) and earned his Bachelor of Laws degree from the University of the Philippines (Class of 1980), where he was a member of the Order of the Purple Feather (U.P. College of Law Honor Society) and ranked ninth in his class. Atty. Tan passed the bar examinations in 1981, where he placed sixth. He has a Bachelor of Arts degree, major in Political Science, from the San Beda College (Class of 1976), from where he graduated Class Valedictorian and was awarded the medal for Academic Excellence.

Arthur A. Sy

Atty. Sy, 49, is an Assistant Corporate Secretary of the Company. He is also the Senior Vice President, Corporate Legal Affairs of SM Investments Corporation. He is the Corporate Secretary of various corporations within the SM Group of Companies. He is also the Corporate Secretary of the National University. He holds a Juris Doctor degree from Ateneo de Manila University and is a member of the New York Bar.

Nancy O. Hui

Ms. Hui, 60, is the Vice President for Administration and concurrently in-charge of the Logistics and Purchasing Division of the Company. Before joining the Company, Ms. Hui was the Managing Director of Guatson International Travel and Tours. An advocate for environmental concerns, Ms. Hui has a bachelor's degree in Biology and a degree in veterinary medicine from the University of the Philippines.

Rogelio I. Robang

Mr. Robang, 59, is a Vice President in the Corporate Raw Land Department. His functions include the acquisition and management of raw land, community and governmental relations. A BS Geodetic Engineering graduate, with studies in Civil Engineering, from the University of the Philippines, he joined the Company as the Assistant Project Director for the Tagaytay Highlands Golf Club project and also supervised the construction of the Tagaytay Midlands project. He served as Belle's Construction Project Director for the City of Dreams Manila project. He also served as Technical Assistant to the President, and, subsequently, to the Vice Chairman. Prior to joining Belle, Mr. Robang was the Manager for Mining Tenements at Surigao Consolidated Mining Company. Mr. Robang, a board topnotcher, also holds a Master in Business Administration degree from De La Salle University.

Michelle T. Hernandez

Ms. Hernandez, 47, is the Vice President for Governance, in which capacity she is mainly responsible for developing, implementing and managing various strategies, processes and policies related to Corporate Governance, Enterprise Risk Management and Corporate Affairs for the Company and its subsidiaries. She has a bachelor's degree in Tourism (Cum Laude) from the University of Sto. Tomas. Before joining the Company, she worked in Thomas Cook Philippines, Inc., a member of Metrobank's Group of Companies.

Tristan B. Choa

Mr. Choa, 48, was appointed as Vice President for Investor Relations on 23 February 2018. He is an industrial engineer by education. Prior to joining Belle Corporation, he was Vice President in the Portfolio Investments Group at SM Investments Corporation where he was seconded as Chief Finance Officer of Philippines Urban Living Solutions and as the Executive Vice President of General Support Services at Carmen Copper Corporation, a wholly-owned subsidiary of Atlas Consolidated Mining and Development Corporation. He has held senior roles in corporate finance, HR, IT and marketing in various companies such as Prudential Corporation Asia, Coca Cola Export Corporation and Asian Alliance Investment Corporation. He obtained his Bachelor of Science degree in Industrial and Management Engineering from Rensselaer Polytechnic Institute of Troy, New York (Magna Cum Laude), and his master's degree in Business Administration from Columbia University.

Zenia K. Sy

Ms. Sy, 57, has more than 26 years of extensive experience in the real estate industry; specifically, in Sales and Marketing in an executive position. A Certified Public Accountant from the University of Santo Tomas and a Licensed Real Estate Appraiser and Broker, she is responsible for the sales performance of the leisure properties in Tagaytay Highlands and organization of the Sales Divisions. She is well exposed to global business having spent five years in her capacity as Head of the International Sales with Federal Land, Inc. in addition to her regular functions overseeing the sales operations in Italy, Spain, France, UK, US, Guam, Canada, Japan, Singapore and the Middle East. She has held the position of President and a member of the board of the various Condominium Corporations of companies she has worked for in the past.

Period of Officership:

	Name	Office	Period Served
1	Manuel A. Gana	President and CEO	From March 15, 2017 to Present
		EVP and CFO	From September 2000 to March 15, 2017
		VP for Corporate Finance and Special Projects	From July 1997 to September 2000
2	Jackson T. Ongsip	EVP and CFO	From March 15, 2017 to Present
3	Armin B. Raquel-Santos	EVP – Integrated Resorts	From September 2011 to Present
4	Shirley C. Ong	Business Unit Head – Resort Residences	From April 2018 to Present
5	Mary Eleanor A. Mendoza	Business Unit Head – Real Estate Group	From April 2018 to Present
6	Maria Clara T. Kramer	Business Unit Head – Estate Services	From April 2018 to Present
7	A. Bayani K. Tan	Corporate Secretary	From May 1994 to Present
8	Arthur A. Sy	Asst. Corporate Secretary	From April 2010 to Present
9	Nancy O. Hui	VP for Administration	From June 2001 to Present
10	Rogelio I. Robang	VP for Corporate Raw Land	From January 2002 to Present
11	Michelle T. Hernandez	VP for Governance	From April 1996 to Present
12	Tristan B. Choa	VP for Investor Relations	From February 2018 to Present
13	Zenia K. Sy	VP for Sales	From February 2012 to Present

The following will be nominated as Officers at the Organizational meeting of the Board of Directors:

	Name	Office
1	Manuel A. Gana	President and CEO
2	Jackson T. Ongsip	EVP and CFO
3	Armin B. Raquel-Santos	EVP – Integrated Resorts
4	Shirley C. Ong	Business Unit Head – Resort Residences
5	Mary Eleanor A. Mendoza	Business Unit Head – Real Estate Group
6	Maria Clara T. Kramer	Business Unit Head – Estate Services
7	A. Bayani K. Tan	Corporate Secretary
8	Arthur A. Sy	Asst. Corporate Secretary
9	Nancy O. Hui	VP for Administration
10	Rogelio I. Robang	VP for Corporate Raw Land
11	Michelle T. Hernandez	VP for Governance
12	Tristan B. Choa	VP for Investor Relations
13	Zenia K. Sy	VP for Sales

Directorships in Other Publicly Listed Companies:

As of December 31, 2018, the following are directorships held by Directors and Officers in other reporting companies in the last five years:

Directors' and Officers' Names	Name of Listed Company	Type of Directorship (Executive, Non-executive, Independent). Indicate if Director is also the Chairman
Jose T. Sio	SM Investments Corporation	Chairman of the Board of Directors
	China Banking Corporation	Non-Executive Director
	Atlas Consolidated Mining & Devt Corp	Non-Executive Director
Willy N. Ocier	Premium Leisure Corp.	Chairman, Executive Director
	Pacific Online Systems Corporation	Chairman and President
	APC Group, Inc.	Chairman, Executive Director
	AbaCore Capital Holdings, Inc.	Non-Executive Director
	Leisure & Resorts World Corp.	Non-Executive Director
	Vantage Equities, Inc.	Non-Executive Director
Elizabeth Anne C. Uychaco	Republic Glass Holdings Corp.	Non-Executive Director
	Megawide Construction Corp.	Non-Executive Director
	Premium Leisure Corp.	Non-Executive Director
Virginia A. Yap	APC Group, Inc.	Non-Executive Director
Cesar E.A. Virata	Rizal Commercial Banking Corporation	Vice – Chairman, Non-Executive Director
	Lopez Holdings Corporation	Independent Director
	City & Land Developers, Inc.	Independent Director
Gregorio U. Kilayko	SM Prime Holdings, Inc.	Independent Director
Atty. A. Bayani K. Tan	Premium Leisure Corp.	Non-Executive Director
	Discovery World Corporation	Non-Executive Director
	I-Remit, Inc.	Non-Executive Director
	TKC Metals Corporation	Non-Executive Director
	First Abacus Financial Holdings Corp.	Non-Executive Director (until September 2017)
	Coal Asia Holdings, Inc.	Non-Executive Director (until August 2017)
	Asia United Bank	Non-Executive Director

		(until July 2016)

(2) Significant Employees

There are no other significant employees.

(3) Family Relationships

Mr. Willy N. Ocier, Vice Chairperson, and Ms. Nancy O. Hui, Vice President for Administration are siblings.

(4) Involvement in Certain Legal Proceedings

As a result of the delay in the delivery of the facilities of the Universal Leisure Club, Inc., some of its members initiated a Complaint for Estafa (I.S. No. 08K-89713) against ULC, the Universal Rightfield Property Holdings, Inc. and the Universal Leisure Corp., as well as their respective officers and directors, including their former Corporate Secretary, Atty. A. Bayani K. Tan, the Corporate Secretary of the Corporation. The Complaint was submitted for resolution in 2009 and was acted upon and dismissed by the City Prosecutor of Manila (OCP) only on March 18, 2013. Complainants belatedly filed a motion for reconsideration for which reason, among others, the OCP denied the motion on June 16, 2014. A Petition for Review dated March 31, 2014 was filed by the Complainant before the Department of Justice (DOJ). On August 7, 2014, Atty. Tan filed his Comment to the said Petition. In a Resolution dated April 17, 2015, the Petition for Review was denied and the DOJ dismissed the complaint for estafa.

Offense charged / investigated was Other Deceits under Art. 318 of RPC for alleged non-declaration of machineries of SM Seaside City Cebu (NPS Docket No. VII-09-INV-17B-00240) with the Department of Justice. The City Government of Cebu filed a complaint against the directors and officers of SM Prime Holdings, Inc. in their official capacities, including their incumbent independent director Mr. Gregorio U. Kilayko, who is also an independent director of Belle Corporation. The case was for the alleged non-declaration of machineries of SM Seaside City Cebu in connection with its real property tax assessment. The Complaint was dismissed due to insufficiency of evidence. The Cebu City Government filed a Motion for Reconsideration which was denied by the Department of Justice – Manila. The Cebu City Government then filed a Petition for Review with the Regional Prosecution Office, Cebu City (RPO). The respondents filed their respective Comments to the Petition. The Petition for Review and the Comments have been elevated by the RPO to DOJ. On 9 November 2018, the DOJ indorsed the case back to RPO. On 23 November 2018, the RPO inhibited from the case and returned the case to DOJ.
The matter is currently pending with the DOJ.

Except as provided above, the Company is not aware of any of the following events wherein any of its directors, nominees for election as director, executive officers, underwriter or control person were involved during the past five (5) years:

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

(b) any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting the involvement of any of the above persons in any type of business, securities, commodities or banking activities; and,

(c) any finding by a domestic or foreign court of competent jurisdiction (in civil action), the SEC or comparable foreign body, or a domestic of foreign exchange or electronic marketplace or self-regulatory organization, that any of the above persons has violated a securities or commodities law, and the judgment has not been reversed, suspended or vacated.

Item 10. Executive Compensation

Summary Compensation Table (Annual Compensation)

	Position	Year	Salary	Bonus	Retirement Benefits
Manuel A. Gana	CEO and President				
Armin B. Raquel-Santos	EVP - Integrated Resorts				
Jackson T. Ongsip	EVP and CFO				
Rogelio I. Robang	VP - Corporate Rawland				
Michelle T. Hernandez	VP - Governance				
President and 4 Most Highly Compensated Executive Officers		2019(Estimate)	48,660,869	10,760,145	3,516,193
		2018	45,906,480	10,151,080	3,317,163
		2017	43,308,000	9,518,000	3,129,399
All other officers and Directors as		2019(Estimate)	36,165,080	2,573,680	4,123,715
a group unnamed		2018	61,165,080	2,573,680	4,123,715
		2017	34,118,000	2,428,000	3,890,297

Compensation of Directors

All independent directors get a per diem of Fifty Thousand Pesos (₱50,000.00) each per meeting attended, while the other directors get a per diem of Twenty Thousand Pesos (₱20,000.00) each per meeting attended.

As of December 31, 2018, there were no outstanding warrants or options held by any of the Company's directors and officers.

Employment Contracts and Termination of Employment and Change-in-Control Arrangements

There was no compensatory plan or arrangement with respect to named executive officers that resulted or will result from the resignation, retirement or termination of such executive officer or from a change-in-control in the Company.

Stock Warrants and Options Outstanding

There were no outstanding stock warrants and options held by directors and officers as of December 31, 2018.

Pursuant to Section 5.2 of the Amended Stock Option Plan, the number of shares granted under the Plan shall be correspondingly adjusted in the event of any merger, consolidation, reorganization, recapitalization, reclassification of stock, stock dividends, splits, rights, or any other change in the corporate structure or capitalization of the Company's common stock as presently constituted.

The Company will not be taking any action as regards its existing Stock Option Plan.

OTHER MATTERS

Action with Respect to Reports

The Company will seek the approval by the stockholders of the Minutes of the previous Stockholders' Meeting during which the following were taken up: (1) Call to Order; (2) Proof of Notice of Meeting; (3) Certification of Quorum; (4) Approval of the Minutes of the Previous Meeting of Stockholders; (5) Approval of 2018 Operations and Results; (6) Ratification of all Acts of the Board of Directors and Officers; (7) Election of Directors; (8) Appointment of SyCip Gorres Velayo & Co. as External Auditors; (9) Other Matters; and (10) Adjournment.

The Company will also seek approval by the stockholders of the 2018 Operations and Reports, contained and discussed in the Annual Report attached and made part of this Information Statement. Approval of the reports will constitute approval and ratification of the acts of management and of the Board of Directors for the past year.

Two inspectors, who are officers or employees of the Company, shall be appointed by the Board of Directors to count the votes to be cast before or at each meeting of the stockholders, if no such appointment shall have been made or if the inspectors appointed by the Board of Directors refused to act or fail to attend then the appointment shall be made by the presiding officer of the meeting.

Representatives of Alberto, Pascual and Associates, an accountancy firm accredited by the Board of Accountancy, shall be present during the Annual Stockholders Meeting for the purpose of validating and tallying the votes cast.

Matters Not Required to be Submitted

No action is to be taken with respect to any matter, which is not required to be submitted to a vote of security holders.

Other Proposed Actions

The following are to be proposed for approval during the Annual Stockholders' Meeting:

1. Minutes of the Previous Meeting of Stockholders;
2. 2018 Operations and Results;
3. Ratification of all Acts of the Board of Directors and Management from date of last Stockholders' Meeting up to April 22, 2019;
4. Election of Directors for 2019-2020;
5. Appointment of SyCip Gorres Velayo & Co. as External Auditors;
6. Other Matters.

The items covered with respect to the ratification of the acts of the Board of Directors and officers for the past year up to the date of the meeting are those items entered into in the ordinary course of business, with those of significance having been covered by appropriate disclosures such as:

1. Membership in the relevant committees such as the Executive Committee, Audit Committee, Corporate Governance Committee; Risk Oversight Committee, Related Party Transactions Committee, Compensation & Remuneration Committee, Corporate Social Responsibility Committee, and Environmental & Social Committee;
2. Designation of authorized signatories;
3. Financing activities;
4. Opening of accounts;
5. Appointments in compliance with corporate governance policies; and
6. Funding support for projects.

Management reports which summarize the acts of management for the year 2018 are included in the Company's Annual Report to be sent to the stockholders together with this Information Statement and shall be submitted for approval by the stockholders at the meeting. Accordingly, approval of the Annual Report will constitute approval and ratification of the acts of Management stated in the Management Report during the period covered thereby.

Voting Procedures

(a) Actions to be taken at the Annual Stockholders' Meeting shall require the vote of the stockholders representing at least a majority of the Company's outstanding capital stock.

(b) Two inspectors, who are officers or employees of the Company, shall be appointed by the Board of Directors before or at each meeting of the stockholders, at which an election of directors shall take place. If no such appointment shall have been made or if the inspectors appointed by the Board of Directors refused to act or fail to attend, then the appointment shall be made by the presiding officer of the meeting. For purposes of the Annual Stockholders' Meeting on **April 22, 2019,** the Corporate Secretary and/or his representative together with the Audit Partner of the External Auditor and/or his representative, have been designated as inspectors who have been tasked to oversee the counting of votes.

(b.1) The Company appointed a third party validator, Alberto, Pascual and Associates, a firm accredited by the Board of Accountancy, who shall be present during the Annual Stockholders Meeting for the purpose of validating and tallying the votes cast.

(c) Stockholders may vote at all meetings either in person or by proxy duly given in writing in favor of any person of their confidence and each stockholder shall be entitled to one vote for each share of stock standing in his name in the books of the Company; provided, however, that in the election of Directors, each stockholder shall be entitled to cumulate his votes in the manner provided for by law.

(d) The By-Laws of the Company was amended to indicate the method by which votes are to be counted. In practice, the same is done by ballot.

(e) With respect to the election of eleven (11) directors, each stockholder may vote such number of shares for as many as eleven (11) persons he may choose to be elected from the list of nominees, or he may cumulate said shares and give one candidate as many votes as the number of his shares multiplied by eleven (11) 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 multiplied by eleven (11).

(f) Upon confirmation by the inspectors that there is a mathematical impossibility for certain nominees to be elected into office based on proxies held and votes present/represented in the meeting, the actual casting and counting of votes for the election of Directors may be dispensed with.

Omitted Items

Items 2, 4, 11, 12, 14, 15 and 16 are not responded to in this report, the Company having no intention to take any action with respect to the information required therein.

SIGNATURE

After reasonable inquiry and to the best of our knowledge and belief, we hereby certify that the information set forth in this report are true, complete and correct.

This report is signed in the City of Pasay, Metro Manila on __________________.

A. BAYANI K. TAN
Corporate Secretary

BELLE CORPORATION

BUSINESS AND GENERAL INFORMATION

Background

Belle Corporation ("Belle" or the “Company”) was incorporated in 1973 as Belle Mining and Oil Exploration, Incorporated (“Belle Resources”) and, in 1977, was listed on the Philippine Stock Exchange. In 1989, Belle Resources developed a golf club named Tagaytay Highlands International Golf Club, Incorporated (“Tagaytay Highlands”), which became its initial foray into the property development sector. In 1994, Belle Resources changed its name to Belle Corporation to underscore the shift in its principal activity.

In early 2001, Belle decided to spin-off some of its property development assets. The spin-off involved the transfer of approximately 534 hectares of undeveloped land, 70 developed subdivision lots and 25 finished residential units into a newly formed subsidiary, Highlands Prime, Incorporated (“Highlands Prime”). Highlands Prime was registered with the Securities and Exchange Commission on February 15, 2001, and its shares became listed on the Philippine Stock Exchange on April 23, 2002, at which time Belle sold approximately 64% of its interest in Highlands Prime to investors. In August 2013, Belle exchanged its 809 million shares in Highlands Prime for approximately 109.2 million shares in SM Prime Holdings, Inc. (“SMPH”), pursuant to the tender offer with SM Land, Inc. for the shares of Highlands Prime and SM Development Corp. Belle sold 47.4 million of its SMPH shares from 2015 to 2017, and held 61.8 million shares as of December 31, 2018.

On April 14, 2011, Belle acquired all the shares of PremiumLeisure & Amusement, Inc. (“PLAI”) through the issuance of 2.7 billion new common shares. PLAI is a grantee by Philippine Amusement and Gaming Corporation (“PAGCOR”) of a Certificate of Affiliation and License (the “License”) to operate integrated resorts, including casinos, in the vicinity of the Bagong Nayong Pilipino Manila Bay Entertainment City (“Entertainment City” or “PAGCOR City”). PLAI’s License, which was issued by PAGCOR as a Provisional License in 2008, runs concurrent with the PAGCOR’s Congressional Franchise, which expires in 2033 unless renewed for another 25 years by the Philippine Congress. Belle started construction of foundation and structure of the integrated resorts in 2010 on 6.2 hectares of land along the entrance of Entertainment City. In October 2012, Belle and PLAI entered into a Cooperation Agreement with Melco Crown Entertainment Limited, now called Melco Resorts & Entertainment Limited, and its Philippine affiliates (collectively, “Melco”). The Cooperation Agreement placed Belle as a co-licensee and the owner of the land and buildings and Melco’s Philippine affiliate, Melco Resorts & Entertainment (Philippines) Corporation (“MRP”), as a co-licensee, developer and operator of all facilities within the integrated resort, which was subsequently branded as “City of Dreams Manila”. City of Dreams Manila had its soft opening on December 14, 2014 and its Grand Launch on February 2, 2015. Belle, PLAI and MRP fully complied with the all PAGCOR requirements under the License as of the date of the soft opening and, in May 2015, City of Dreams Manila became the first integrated resort in Entertainment City to have its License converted from Provisional to Regular status by PAGCOR.

Development of the Business of the Registrant and its Subsidiaries/Affiliates during the Past 3 Years

Belle, the registrant, shifted its principal activity from mining and oil exploration to property development when it developed Tagaytay Highlands in 1989. Its property development projects are located in Tagaytay City and Batangas, and include the following: Alta Mira, Fairfield, Lakeside Fairways, Lakeview Heights, Nob Hill, Pinecrest Village, Plantation Hills, Tagaytay Highlands International Golf Club, Tagaytay Midlands Golf Club, The Belle View, The Country Club at Tagaytay Highlands, The Parks at Saratoga Hills, The Spa and Lodge at Tagaytay Highlands, The Verandas at Saratoga Hills, The Villas, and The Woodlands.

Lakeside Fairways comprises Belle’s largest development area in Batangas, and was introduced by Belle in April 2007. This project consists of subdivision lots located south of the existing 27-hole Tagaytay

Midlands golf course in Talisay, Batangas. As of December 31, 2017, Belle's projects in Lakeside Fairways, comprised of Kew Gardens, Terrazas de Alava, Lakeside Enclave and Tivoli Place, Cotswold, Yume and Katsura were 100% complete. As of December 31, 2018, the first three phases of the newest project in Lakeside Fairways, Sycamore Heights, was 100% complete, while the fourth phase was 98% complete.

Pacific Online Systems Corporation ("Pacific Online"), incorporated in 1993, leases online betting equipment to the Philippine Charity Sweepstakes Office ("PCSO") for their lottery operations. Pacific Online has been consistently profitable since its fiscal year 2002. Pacific Online listed its shares on the Philippine Stock Exchange with a successful initial public offering on April 12, 2007. A total of 39.8 million shares were offered to the public at P8.88 per share. Because of high demand for Pacific Online shares, it opened in the market at P13.25 per share on the listing date. Belle's subsidiary, Premium Leisure Corp., owned 50.1% of all issued shares in Pacific Online as of December 31, 2018.

Premium Leisure Corp. ("PLC") comprises the group's vehicle for gaming investments. It was originally incorporated as Sinophil Oil Exploration Co., Inc. in 1993 with the primary purpose of engaging in oil and gas exploration and development activities. On June 3, 1997, its name was changed to Sinophil Corporation with a primary purpose of being an investment holding company and, on July 18, 2014, its stockholders approved a further change in its name to Premium Leisure Corp. with its primary purpose being investments in gaming-related businesses. On July 24, 2014, Belle completed transfers to PLC of its 100% stake in PLAI and approximately 102 million shares in Pacific Online (comprising about 34% of issued common shares in Pacific Online), with the Company transferring to Belle various real estate assets and corporate securities. PLC also increased its authorized capital stock from 16.1 billion shares to 43.6 billion shares, with Belle subscribing to 24.7 billion new common shares that increased its consolidated ownership therein from 3.6 billion shares or 54.3% to 28.3 billion shares or approximately 90%. During September and October 2014, Belle, its subsidiaries and affiliates sold a total of approximately 3.5 billion shares in PLC in the secondary market, in order to increase PLC's public float. These share sales reduced Belle's consolidated ownership in PLC to 24.9 billion shares or 78.7%, which level is unchanged as of December 31, 2018. On August 5, 2015, Belle sold its remaining 47.9 million shares in Pacific Online to PLC.

As the owner of 100% of the outstanding shares of PLAI, PLC will directly benefit from PLAI's share in gaming operations of City of Dreams Manila. Under the operating agreement between Belle, PLAI and Melco, PLAI will be entitled to receive from MRP agreed-upon monthly payments, after the opening of gaming operations in City of Dreams Manila, consisting of the following:

- The higher of (i) one-half of mass market gaming earnings before interest, taxes, depreciation and amortization (after adjusting for certain agreed deductions and for adding back expenses related to the lease agreement with Belle) or (ii) 15% of net mass market gaming revenues (after deductions for PAGCOR's non-VIP license fees), whichever is higher; and
- The higher of (i) one-half of VIP gaming earnings before interest, taxes, depreciation and amortization (after adjusting for certain agreed deductions and for adding back expenses related to the lease agreement with Belle) or (ii) 5% of net mass market gaming revenues (after deductions for PAGCOR's VIP license fees, VIP commissions and incentives, as well as VIP bad debts expenses), whichever is higher.

The Board of Directors of PLC has set a policy for PLC to declare as dividends to its shareholders in every year at least 80% of its unrestricted retained earnings as of the previous financial year that are qualified to be paid as dividends. PLC paid dividends to its stockholders at approximately 99% of dividendable retained in 2016, 80% of dividendable retained earnings in 2017, and 81% of dividendable retained earnings in 2018.

Investment Agreement on PLAI, and Lease and Cooperation Agreement with MCE

On April 14, 2011, Belle acquired PLAI through the issuance of 2.7 billion new common shares of Belle. PLAI is a grantee by PAGCOR of a License to operate integrated resorts, including casinos in the vicinity of Entertainment City. PLAI's License, which was issued by PAGCOR as a Provisional License in 2008, runs concurrent with PAGCOR's Congressional Franchise, which expires in 2033 unless renewed for another 25 years by the Philippine Congress. On October 16, 2010, the transfer and valuation of Belle and PLAI shares was approved by the Securities and Exchange Commission ("SEC"). The Certificate Authorizing Registration ("CAR") from the Bureau of Internal Revenue ("BIR"), which triggered the completion of the transfer, was approved on October 4, 2011.

The PAGCOR License stipulates certain requirements and guidelines that licensees will have to achieve by the opening date of their integrated resorts (the "PAGCOR Guidelines"). Among these are:

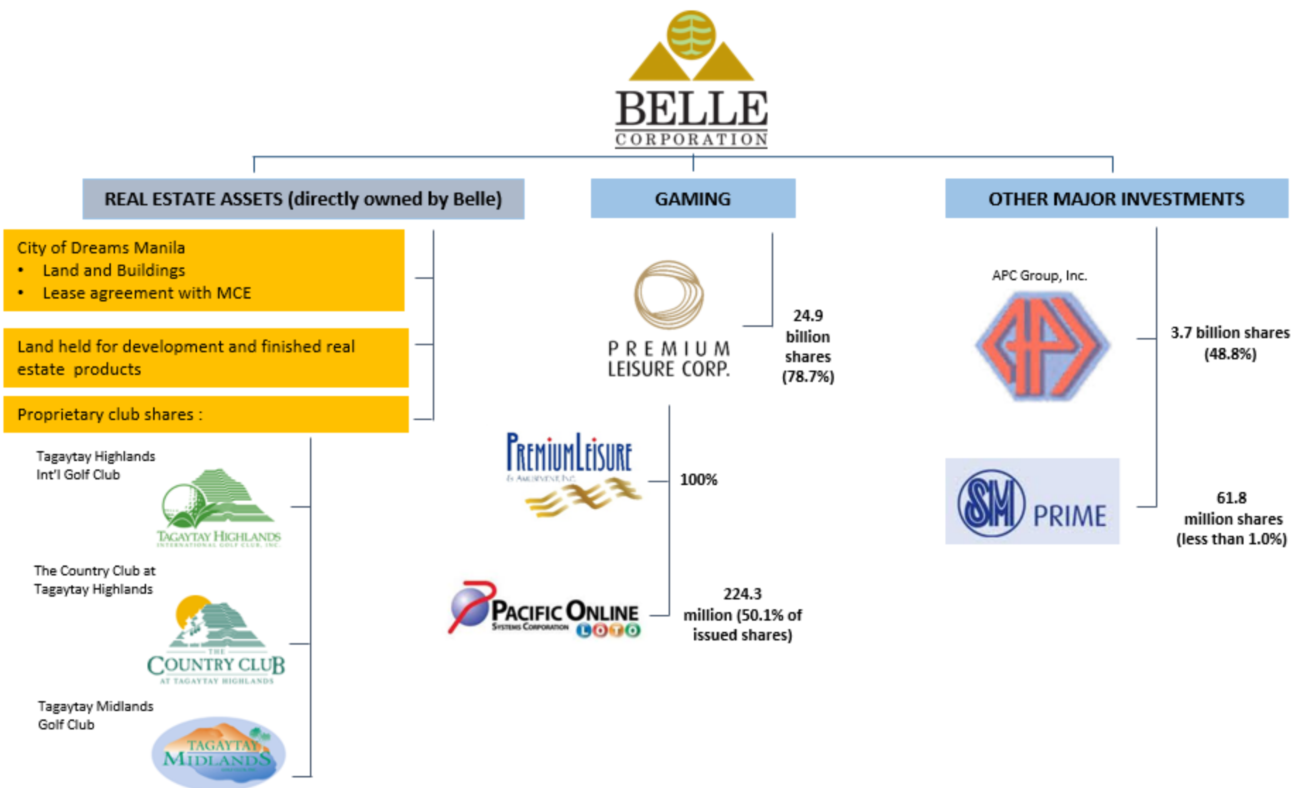
- Total investment commitment of US$1 billion, with at least US$650 million as of the opening date of the integrated resort (including up to US$150 million in market value of land used for the resort) and the balance of US$350 million within three years of such opening date;
- At least 800 hotel rooms, with an average floor area of at least 40 square meters;
- Total gross floor area of at least 250,000 square meters;
- At least 20,000 square meters of gross floor area available for retail and food/beverage outlets;
- An entertainment feature that costs at least P1 billion to construct;
- Total gaming space not to exceed 7.5% of the resort's total gross floor area;
- Maximum number of gaming tables and slot machines/electronic table games to be set using a formula based on the total number of hotel rooms in the resort and the quality of such rooms.

In October 2012, Belle and PLAI entered into a Cooperation Agreement with Melco, which places Belle as a co-licensee and the owner of the land and buildings and Melco's Philippine affiliate MRP as a co-licensee, developer and operator of all the facilities within the resort complex with March 13, 2013 as its effectivity date. As a result, both Belle and MRP were expected to make equal investment contributions to the $1 billion minimum investment for the project. Melco is the developer and owner of integrated resorts focused on the Macau Market, with its landmark project to date being the highly successful "City of Dreams". On October 25, 2012, the Belle, as a lessor, entered into a lease agreement with MRP for the lease of land and building structures to be used in the integrated casino development project. The lease period started on March 13, 2013 and is co-terminus with the operating agreement between the Company and MRP, which is in turn co-terminus with the License from PAGCOR, and provides for monthly rentals (with annual escalation) to be paid by MRP to Belle in respect of the land and buildings. PLAI and Melco also entered into an operating agreement that is similarly co-terminus with the License from PAGCOR, whereby MCE was given full management discretion on the operation of the integrated resort and PLAI was accorded a share of earnings from gaming operations in the resort.

On October 9, 2013, MRP announced that the integrated resort will be branded as "City of Dreams Manila", the namesake of Melco's flagship integrated resort in Macau, City of Dreams. MCE subsequently announced the branding of three hotels in City of Dreams Manila as Nobu, Hyatt and Crown Towers (re-branded as "Nuwa" in 2017). MCE also announced plans for "DreamPlay", City of Dreams Manila's fully immersive, technology-rich family entertainment center developed in collaboration with DreamWorks Animation, which is the first of its kind in the world.

City of Dreams Manila was substantially completed as of December 2014, with all requirements under the PAGCOR Guidelines being met by Belle and MRP, including the full US$1 billion investment commitment. The resort's soft opening was held on December 14, 2014, on which date most of the resort's facilities, including its mass market gaming operations, were officially open to the public. The Grand Launch of City of Dreams Manila was held on February 2, 2015. In May 2015, City of Dreams Manila became the first integrated resort in Entertainment City to have its License converted from Provisional to Regular status by PAGCOR.

BELLE CORPORATION
CORPORATE STRUCTURE AND MAJOR LINES OF BUSINESS/SUBSIDIARIES
AS OF DECEMBER 31, 2018



Bankruptcy, Receivership or Similar Proceedings

None for any of the companies above.

Material Reclassification, Merger, Consolidation or Purchase or Sale of a Significant Amount of Assets (Not Ordinary)

Acquisition of Lucky Circle Corporation ("LCC")

On July 1, 2017, LCC, a subsidiary of Pacific Online Systems Corporation ("Pacific Online"), acquired nine (9) entities engaged in lotto/keno outlets and retail scratch it tickets for approximately ₱94.9 million.

Products

Belle is principally engaged in real estate development, gaming (through subsidiaries) and other leisure and resort activities. Since 2010, Belle has allocated significant resources to the development of its mixed-use gaming facility, the City of Dreams Manila integrated resort, which opened its doors to the public on December 14, 2014.

Belle's investments in companies engaged in gaming and gaming-related activities are indicated below. In the Philippines, the gaming industry is relatively untapped by the private sector, creating opportunities for experienced leisure operators. Belle's gaming businesses are undertaken, or will be undertaken, mainly by the following subsidiaries/affiliates:

1. Premium Leisure Corp. ("PLC"), a 78.7%-owned publicly listed subsidiary of Belle with a primary purpose of investing gaming-related businesses. PLC owns 100% of PLAI and approximately 50.1% of issued shares of Pacific Online.

2. PremiumLeisure and Amusement Inc. ("PLAI") is a grantee by PAGCOR of Certificate of Affiliations and Provisional License to operate integrated resorts, including casinos, in the vicinity of PAGCOR Entertainment City. The License runs concurrent with PAGCOR's Congressional Franchise, which expires in 2033, unless renewed for another 25 years by the Philippine Congress. PLAI is a wholly-owned unlisted subsidiary of Belle's PLC subsidiary.

3. Pacific Online Systems Corporation ("Pacific Online") is a publicly listed subsidiary of PLC that leases on-line betting equipment to the Philippine Charity Sweepstakes Office ("PCSO") for their lottery operations in the Visayas and Mindanao regions. PLC owns a total of 50.1% of all issued shares of Pacific Online.

Revenues and Other Income

The following are the major revenue items in 2018 and 2017:

	2018		2017	
	Amount in Thousands	**% of Total Revenue**	Amount in Thousands	% of Total Revenue
Revenues and Other Income				
Gaming revenue share - net	**3,211,857**	37.5%	**2,609,353**	31.7%
Interest income on finance lease	**1,663,824**	19.4%	**2,069,841**	25.2%
Equipment rental and instant scratch ticket sales	**1,935,944**	22.6%	**2,319,993**	28.2%
Sale of real estate and club shares	**670,527**	7.8%	**596,667**	7.3%
Lease income	**724,431**	8.4%	**190,021**	2.3%
Revenue from property management	**186,194**	2.2%	**115,939**	1.4%
Interest income	**58,251**	0.7%	**29,577**	0.4%
Gain on sale of AFS financial assets	**-**	0.0%	**76,546**	0.9%
Other revenues	**122,235**	1.4%	**216,026**	2.6%
Total	**8,573,263**	**100.0%**	**8,223,963**	**100.0%**

Distribution Methods of Products

Belle's high-end real estate products are sold principally to the A and B property market segments. The Company has its own in-house staff responsible for marketing and sales of the Company's products, as well as after-sales service. The Company also accredits and taps the services of external brokers to complement its in-house marketing and sales teams.

Status of Projects

Real Estate:

In 2018, revenues from real estate development operations came mainly from sales of Lakeside Fairways lots (mainly Sycamore, Katsura, Yume, Tivoli, Kew Gardens and Cotswold), sales of Saratoga Hills properties (mainly Fairfield, Nob Hill and The Verandas), sales of Plantation Hills lots and sales of Tagaytay Midlands club shares.
The Belle View:
This project was completed and fully sold in 1998.

The Woodlands:
Belle started the delivery of units to homeowners in 1998. The project was completed in 1999.

Alta Mira:
The project was completed in 2000.

Fairfield:
As of December 31, 2013, Fairfield was 100% complete. The project was launched in October 2009.

Nob Hill:
As of December 31, 2015, Nob Hill was 100% complete. The project was launched in April 2010.

Lakeview Heights:
The project was completed in 2002.

Lakeside Fairways:
As of December 31, 2018, the first seven phases (Kew Gardens, Terrazas de Alava, Lakeside Enclave,Tivoli Place, Cotswold, Katsura and Yume) of the project were already 100% completed. In 2011, Belle launched its newest subdivision within Lakeside Fairways, Sycamore Heights, with its first three phases having more than 23 hectares in gross land area, comprising 352 residential lots averaging 360 sqm per lot. As of December 31, 2018, Sycamore Heights Phases 1-3 were already 100% complete, while the fourth phase of Sycamore Heights is at 98% complete.

Plantation Hills:
Only a few remaining lots in The Sanctuary, The Ridge, The Meadows, The Heights (Phases 1, 2, 3 and 5 of Plantation Hills, respectively) were unsold, and construction of these phases was fully completed, as of December 31, 2007. Plantation Hills is a farm lots subdivision.

The Parks at Saratoga Hills:
The Parks at Saratoga Hills (“The Parks”), located in Tanauan, Batangas, was launched in 2005. As of December 31, 2007, land development for The Parks was fully completed.

The Verandas at Saratoga Hills:
The Verandas at Saratoga Hills (“The Verandas”), located in Tanauan, Batangas beside The Parks, was launched in 2006. It was fully completed as of December 31, 2007.

Tagaytay Midlands Golf Club, Inc.:
The golf clubhouse and a 27-hole golf course were completed and fully operational.

The Spa and Lodge at Tagaytay Highlands:
The Spa and Lodge was completed in 2001. The Spa and Lodge structure is a hotel-like facility that boasts 25 five-star suites and spa facilities.

The Country Club at Tagaytay Highlands, Inc.:
The project was completed in 1996.

Gaming:

On April 14, 2011, the Company acquired PLAI, which holds a License from PAGCOR, through the issuance of 2.7 billion new common shares, then valued at P1.95 per share, in exchange for 100% of the outstanding capital stock of PLAI. This marked the Company’s strategic entry into the Integrated Resort industry. In October 2012, the Company entered into a Cooperation Agreement with Melco, which placed Belle as a co-licensee and owner of the land and buildings and Melco’s Philippine affiliate MRP as co-licensee, developer and operator of the integrated resort, which was subsequently branded as “City of Dreams Manila”. City of Dreams Manila is sited on 6.2 hectares of prime land at the corner of Roxas Boulevard and Aseana Avenue in Parañaque City, at the entrance of PAGCOR’s Entertainment City complex. The construction of the integrated resort was substantially complete as of its Grand Launch on February 2, 2015, with approximately 300 hectares of gross floor area containing approximately 2.2 hectares of gaming areas, more than 2 hectares of retail and restaurant facilities, with more than 900 hotel rooms of 4-star, 5-star and 6-star quality and other entertainment facilities. City of Dreams Manila is only about 1 kilometer away from the Mall of Asia complex.

Melco's major shareholder is Melco International Development Limited, a developer and owner of integrated resort facilities focused on the Macau market. Its operating complex in Macau's Cotai Strip, known as the "City of Dreams", is a highly successful project that houses a gaming facility, four luxury hotels (the Morphius Hotel, Nuwa Hotel, a Grand Hyatt Hotel and the Countdown Hotel) and an upscale retail operation, along with a mix of bars and restaurants that are drawing crowds mainly from Hong Kong and China. The "City of Dreams" is also known for its spectacular show called "The House of Dancing Water", which has become one of Macau's major tourist attractions. During 2015, Melco launched its second integrated resort in Macau, called "Studio City".

Pacific Online, incorporated in 1993, leases online betting equipment to the PCSO for their lottery operations. It has been consistently profitable since 2002, and listed its shares on the Philippine Stock Exchange on April 12, 2007.

Competition

Property development has been Belle's historical core business area. Belle believes that, at present, there is no other company in the Philippines that has successfully launched large-scale, self-contained and community-type leisure properties akin to its developments around Tagaytay Highlands and Tagaytay Midlands. In general, Belle competes somewhat with developers such as Ayala Land, Inc., Landco Pacific Corporation, Fil-Estate Realty Corporation and Brittany Corporation, with respect to its residential and subdivision projects. Some of these developers, like Ayala Land, Inc., are bigger in size than Belle. Nevertheless, Belle is able to effectively compete with the above companies primarily on the basis of product quality, reliability to deliver the projects as promised, project location, and high-end property development expertise. Furthermore, Belle has a market base of more than 7,000 wealthy individuals who are existing members of Tagaytay Highlands, Tagaytay Highlands Country Club and Tagaytay Midlands, which provides a marketing advantage over developers of similar properties.

In gaming, City of Dreams Manila is competing against casinos operated by PAGCOR and the other three licensees that are already operating – Resorts World Manila of Travelers International Hotel Group, Inc. ("Travelers"), Solaire Resort and Casino of Bloomberry Resorts Corporation and Okada Manila of Universal Entertainment Corporation. Travelers has also broken ground on its planned Westside City (formerly known as Resorts World Bayshore) project in PAGCOR City, with the opening thereof reportedly estimated by Travelers in late 2021.

Suppliers

The Company has a broad base of local and foreign suppliers. As is the case with most property development companies, there is a risk that contractual arrangements with contractors may not meet the Company's performance standards. To serve as safeguards to these eventualities, therefore, performance bonds are normally required for these contractors.

Customers

Belle's market base includes wealthy local and foreign individual and institutional clients. The Company has historically sold its real estate projects (residential units) to its golf or country club members.

Transactions with and/or Dependence on Related Parties

Please refer to Item 12 of this report ("Certain Relationships and Related Transactions").

Licenses

Please refer to last section of Item 1 ("Government Regulations").

Government Approvals/Regulations

As part of its normal course of real estate operation, the Company secures government approvals such as the Environment Compliance Certificate, Development Permits, DAR Clearances, and Licenses to Sell, etc.

The Company is also subject to the regulations of PAGCOR for its Gaming License and Philippine Economic Zone Authority (PEZA) as the developer of the City of Dreams Manila.

Effect of Existing or Probable Government Regulations on the Business

Belle has complied with all the government requirements necessary for its operations.

Future government regulations are perceived to have no material impact to the normal operations of the Company.

Amount Spent on Research and Development Activities and Compliance with Environmental Laws

Consultancy fees, engineering and architectural design, surveying, ECC, permits and licenses, etc. are being added to the cost of the project. Generally, these costs represent about 4% of gross revenues.

Number of Employees

As of December 31, 2018, Belle had one hundred thirty six (136) employees, all of whom are full-time employees. Belle employees are not subject to Collective Bargaining Agreements. Belle's management had generally not encountered any significant difficulties with its labor force, and no major strikes had been staged in the past.

The following are the breakdown of Belle employees according to type:

Officers	14
Senior Managers to Managers	37
Supervisors and Rank and File	85
Total	136

Aside from the basic salary and 13th month pay, other supplemental benefits or incentives that are being provided by Belle to its employees include: health card, life and accident insurance, retirement plan and salary loan facilities, among others.

Risks

Some of the risks that the Company and its related subsidiaries and affiliates may be exposed to are the following:

Economic and Political Conditions

The Company's business is mainly the development and sale of high-end leisure properties in the Philippines which is generally influenced by the Philippine political and macroeconomic climate. Events and conditions that may negatively impact the Philippine economy as a whole may also adversely affect the Company's ability to sell its real estate projects.

Competition

The degree of competition in the property industry varies considerably by sector and geography. In general, Belle may compete with other developers for purchases of land, as well as clientele for its residential and club projects.

Changes in Local and International Interest Rates

Belle's local and foreign-denominated borrowings may be adversely affected by drastic increases in interest rates.

Changes in the Value of the Peso

The Company is not exposed to the risk of depreciation of the Peso since it does not have material financial assets and liabilities denominated in foreign currencies.

Contractors and Suppliers

As is the case with most property development companies, there is a risk that contractual arrangements with contractors may not meet the Company's performance standards. To serve as safeguards to these eventualities, therefore, performance bonds are normally required for these contractors.

Government Regulations

Belle's property development business is subject to certain laws and regulations of various branches of the government, such as the local governments, the Department of Environment and Natural Resources ("DENR") and the Housing and Land Use Regulatory Board ("HLURB"). Belle has complied with the licensing and regulatory requirements necessary for its operations.

Belle's gaming businesses are also subject to certain laws and regulations. Belle's involvement in the lottery run by the PCSO is via its ownership in Pacific Online, which holds an equipment lease agreement with the PCSO for the operation of on-line lottery system in the Visayas-Mindanao regions. Belle's subsidiary PLC owns PLAI, which holds a License granted to it by PAGCOR to operate integrated resorts, including casinos, within Entertainment City.

Changes to the Philippine Laws and Regulations

Although laws and regulations are enacted for the common benefit, changes to these laws and regulations may create negative effects to the operating and financial condition of Belle, including its subsidiaries and affiliates.

In order to mitigate the risks mentioned above, the Company will continue to exercise fiscal prudence and adopt what it considers conservative financial and operational controls.

Working Capital

Belle finances its working capital requirements through a combination of internally-generated funds, pre-selling and borrowings.

Credit risks

Customers who wish to purchase Belle properties on credit terms are subject to credit verification procedures, and receivable balances are monitored to reduce exposure to bad debts.

Information Technology

With the current business environment, Information Technology risks are ever increasing. These cover unauthorized access to confidential data, loss or release of critical information, corruption of data, regulatory violations, and possible increase in costs and inefficiencies.

In order to address these risks, Belle has a co-location arrangement with redundant capability and automatic fail-over set-up for disaster recovery. It also continues to implement enterprise security solutions to manage external and internal threats. Annual review of technology roadmap to ensure the alignment between the business and information technology is performed.

Data Privacy

Belle may be at risk for breach of data privacy as detailed information is gathered from customers and prospective buyers, suppliers, contractors and other business partners. This risk is mitigated through company-wide orientation on the Data Privacy Act, the topics of which include legal bases and implementing rules and regulations, rights of the individuals owning the information, exercising breach reporting procedures and other advisories.

Enterprise Risk Management Committee

The Company has an Enterprise Risk Management Committee (ERMC), comprised of certain Directors and Executives of the Company, which is an oversight committee created to act as the monitoring body for the individual risk management activities of the Corporation. The ERMC has the responsibility of developing a formal framework to assist the Company in managing its risks and is mandated to report regularly to the Risk Oversight Committee of the Board of Directors on any risk concerns.

DISAGREEMENT WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURES

No principal accountant or independent accountants of the registrant has resigned, was dismissed, or has ceased to perform services during the two (2) most recent fiscal years or any subsequent interim period.

There have been no disagreements with any accountant on any matter of accounting principles or practices, financial statement disclosure or auditing scope of procedure.

MANAGEMENT DISCUSSION AND ANALYSIS OF OPERATING PERFORMANCE AND FINANCIAL CONDITION

December 31, 2018 versus December 31, 2017 Results of Operations (in thousands)

	For year ended December 31		Horizontal Analysis		Vertical Analysis	
	2018	2017	Increase (Decrease)		2018	2017
REVENUE						
Gaming revenue share	P 3,211,857	P 2,609,353	602,504	23.1%	37.7%	32.6%
Interest income on finance lease accounting	1,663,824	2,069,841	(406,017)	-19.6%	19.5%	25.8%
Equipment rental and instant scratch ticket sales (POSC)	1,448,318	1,840,521	(392,203)	-21.3%	17.0%	23.0%
Sale of real estate	670,527	596,667	73,860	12.4%	7.9%	7.4%
Lease income - Building	532,539	-	532,539	n/a	6.3%	0.0%
Distribution and commission income (POSC)	487,626	479,472	8,154	1.7%	5.7%	6.0%
Revenue from property management	186,194	115,939	70,255	60.6%	2.2%	1.4%
Lease income	191,892	190,021	1,871	1.0%	2.3%	2.4%
Others	122,235	110,246	11,989	10.9%	1.4%	1.4%
TOTAL REVENUES	8,515,012	8,012,060	502,952	6.3%	100.0%	100.0%
COST OF GAMING OPERATIONS	(178,264)	(234,630)	(56,366)	-24.0%	-2.1%	-2.9%
COST OF LEASE INCOME	(341,600)	(196,831)	144,769	-73.5%	-4.0%	-2.5%
COST OF LOTTERY SERVICES	(1,270,160)	(1,238,442)	31,718	-2.6%	-14.9%	-15.5%
COST OF REAL ESTATE SOLD	(363,568)	(256,500)	107,068	41.7%	-4.3%	-3.2%
COST OF PROPERTY MANAGEMENT SERVICES	(134,960)	(68,907)	66,053	95.9%	-1.6%	-0.9%
GENERAL AND ADMINISTRATIVE EXPENSES	(1,668,051)	(1,467,255)	200,796	13.7%	-19.6%	-18.3%
TOTAL COSTS AND EXPENSES	(3,956,603)	(3,462,565)	494,038	14.3%	-46.5%	-43.2%
INCOME FROM OPERATIONS	4,558,409	4,549,495	8,914	-0.2%	53.5%	56.8%
UNREALIZED GAIN (LOSS) ON FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS	(11,903)	67,705	(79,608)	-117.6%	-0.1%	0.8%
INTEREST EXPENSE AND OTHER FINANCE CHARGES	(464,861)	(503,665)	(38,804)	-7.7%	-5.5%	-6.3%
INTEREST INCOME	58,251	29,577	28,674	96.9%	0.7%	0.4%
NET FOREIGN EXCHANGE LOSS	(683)	(1,641)	958	-58.4%	0.0%	0.0%
OTHER INCOME (CHARGES)	(325,169)	166,149	(491,318)	-295.7%	-3.8%	2.1%
INCOME BEFORE INCOME TAX	3,814,044	4,307,620	(493,576)	-11.5%	44.8%	53.8%
PROVISION FOR INCOME TAXES						
Current	225,415	316,330	(90,915)	-28.7%	2.6%	3.9%
Deferred	363,495	480,649	(117,154)	-24.4%	4.3%	6.0%
	588,910	796,979	(208,069)	-26.1%	6.9%	9.9%
NET INCOME	P 3,225,134	P 3,510,641	(285,507)	-8.1%	37.9%	43.8%
Net profit attributable to:						
Equity holders of the parent	P 2,647,757	P 2,872,412	(224,655)	-7.8%	31.1%	35.9%
Non-Controlling Interests	577,377	638,229	(60,852)	-9.5%	6.8%	8.0%
	P 3,225,134	P 3,510,641	(285,507)	-8.1%	37.9%	43.8%

Belle Corporation (“Belle” or the “Company”) reported consolidated revenues of ₱8,515.0 million for 2018, up 6% compared to ₱8,012.1 million in 2017. Belle’s consolidated net income decreased 8% to ₱3,225.1 million in 2018, from ₱3,510.6 million the previous year; however, excluding capital gains on sales of non-core investments and extraordinary items, Belle’s recurring net income of ₱3,610.6 million for 2018 was 10% higher than recurring net income of ₱3,287.8 million for 2017. Belle’s revenues and recurring net income for 2018 were both record levels, driven primarily by growth in gaming revenues.

Through its subsidiary Premium Leisure Corp. (“PLC”), Belle reported a 23% increase in its share of gaming earnings from City of Dreams Manila, rising to ₱3,211.9 million in 2018 from ₱2,609.4 million a year earlier.

Belle’s real estate business also contributed to its banner year with ₱3,367.2 million in revenues, up 9% from ₱3,082.7 million in 2017. Of this, ₱2,388.3 million came from Belle’s lease of land and building to Melco Resorts and Entertainment (Philippines) Corporation, a 6% improvement over 2017 levels. Belle’s real estate sales and property management activities at its Tagaytay and Midlands residential and leisure complexes contributed the balance of ₱979.0 million, 19% more than previous year.

The strong 2018 results enabled Belle to declare a regular dividend of ₱0.12 per share on February 28, 2019, for a total dividend payment of approximately ₱1,171.5 million, payable on March 28, 2019 to shareholders of record as of March 14, 2019.

Revenues

Total revenues of ₱8,515.0 million for the year ended December 31, 2018 were higher by ₱503.0 million (6%), compared to ₱8,012.1 million for the year ended December 31, 2017, mainly due to: an increase in revenue from the share of PLC in gaming earnings of City of Dreams Manila by ₱602.5 million (23%), from ₱2,609.4 million for the 2017 period to ₱3,211.9 million for the 2018 period; an increase in lease revenue from the City of Dreams Manila buildings by ₱128.4 million (6%), from ₱2,259.9 million in the 2017 to ₱2,388.3 million during the 2018; an increase in distribution and commission income of Pacific Online Systems Corp. ("Pacific Online") by ₱8.2 million (2%), from ₱479.5 million in 2017 period to ₱487.6 million in the 2018 period; and an increase in revenue from real estate development and management activities by ₱156.1 million (19%), from ₱822.9 million in the 2017 period to ₱979.0 million in the 2018 period. This was offset by a ₱392.2 million (21%) decrease in revenues from Lotto and Keno equipment rental and instant scratch ticket sales of Pacific Online, from ₱1,840.5 million for the 2017 period to ₱1,448.3 million for the 2018 period.

Costs of Gaming Operations

The costs of gaming operations at PLC decreased by ₱56.4 million (24%) to ₱178.3 million for the 2018 period, from ₱234.6 million for the 2017 period, due to lower consultancy fees and other costs at PLC's wholly-owned subsidiary, PremiumLeisure and Amusement Inc. ("PLAI"). PLAI has a direct economic participation in the gaming operations at City of Dreams Manila, by virtue of an operating agreement with Melco's Philippine affiliate, Melco Resorts and Entertainment (Philippines) Corporation ("MRP"), that accords PLAI a share of gaming revenue on earnings. Melco is a Hong-Kong based corporation which develops, owns and operates gaming and entertainment facilities around the world, mostly in Macau.

Costs of Lease Income

Costs of lease income, in respect of the City of Dreams Manila property, increased by ₱144.8 million (74%), to ₱341.6 million in the 2018 period from ₱196.8 million in the 2017 period, mainly due to depreciation recognized as a result of a change in the accounting basis for the lease of the buildings of City of Dreams Manila, from finance lease to operating lease, as well as to higher insurance and property taxes on the City of Dreams Manila.

Costs of Lottery Services

Costs of lottery services at Pacific Online increased by ₱31.7 million (3%), to ₱1,270.2 million in the 2018 period from ₱1,238.4 million in the 2017 period, mainly due to an increase in depreciation expenses for lottery equipment and professional fees.

Costs of Real Estate sold

Costs of real estate sold increased by ₱107.1 million (42%) to ₱363.6 million in the 2018 period, from ₱256.5 million in the 2017 period, due to the higher revenue therefrom recognized during the period.

Costs of Property Management Services

Costs of property management services increased by ₱66.1 million (96%), to ₱135.0 million for the 2018 period, from ₱68.9 million for the 2017 period, due to higher power and water usage by customers during the period.

General and Administrative Expenses

General and administrative expenses increased by ₱200.8 million (14%), to ₱1,668.0 million for the 2018 period from ₱1,467.3 million for the 2017 period, due to higher general expenses at PLC.

Financial Income (Expense)
Interest expense and other finance charges decreased by ₱38.8 million (8%) to ₱464.9 million for 2018 period, from ₱503.7 million for the 2017 period. This lower interest expense was due to the Company's debt principal repayments in 2018. Interest income increased by ₱28.7 million (97%), to ₱58.3 million in the 2018 period, from ₱29.6 million in the 2017 period, due to higher average yields on short-term investments.

Provision for Income Taxes
The provision for income taxes decreased by ₱208.1 million (26%) in 2018, to ₱588.9 million from ₱796.8 million in 2017, due to lower taxable income consolidated from Pacific Online in 2018.

Net Income
As a result of the foregoing, the Company realized consolidated net income of ₱3,225.1 million for the year ended December 31, 2018, which was ₱285.5 million (8%) lower than consolidated net income of ₱3,510.6 million for the year ended December 31, 2017. Excluding capital gains from sales of non-core investments and extraordinary items, Belle realized recurring net income of ₱3,610.6 million for the year ended December 31, 2018, which was ₱322.8 million (10%) higher than recurring net income of ₱3,287.8 million for the year ended December 31, 2017. Belle's consistent profitability allowed the Company to pay a regular cash dividend to its shareholders on March 23, 2018 in the amount of ₱1,267.3 million (₱0.12 per outstanding share).

December 31, 2018 vs December 31, 2017 Statement of Financial Position (in thousands)

	December 31, 2018	December 31, 2017	Horizontal Analysis		Vertical Analysis	
	Audited	Audited	Inc (Dec)	%	2018	2017
ASSETS						
Current Assets						
Cash and cash equivalents	P 2,653,717	P 3,711,248	(1,057,531)	-28.5%	6.2%	8.5%
Financial assets at fair value through profit or loss	155,705	2,279,666	(2,123,961)	-93.2%	0.4%	5.2%
Receivables	1,309,181	1,706,269	(397,088)	-23.3%	3.1%	3.9%
Contract assets	417,164	-	417,164	n/a	1.0%	0.0%
Real estate for sale	475,785	643,265	(167,480)	-26.0%	1.1%	1.5%
Land held for future development	2,998,577	3,099,166	(100,589)	-3.2%	7.1%	7.1%
Current portion of finance lease receivable	-	1,689,973	(1,689,973)	-100.0%	0.0%	3.9%
Other current assets	1,763,057	1,347,963	415,094	30.8%	4.1%	3.1%
	9,773,186	14,477,550	(4,704,364)	-32.5%	23.0%	33.1%
Noncurrent Assets						
Receivables - net of current portion	-	389,515	(389,515)	-100.0%	0.0%	0.9%
Contract assets - net of noncurrent portion	640,569	-	640,569	100.0%	1.5%	0.0%
Financial assets at fair value through other comprehensive income (Available-for-sale financial assets)	4,770,772	2,475,287	2,295,485	92.7%	11.2%	5.7%
Intangible asset	4,581,040	5,001,237	(420,197)	-8.4%	10.8%	11.4%
Investment properties	20,094,843	1,869,025	18,225,818	975.2%	47.3%	4.3%
Goodwill	1,721,327	1,832,261	(110,934)	-6.1%	4.1%	4.2%
Property and equipment	363,939	648,444	(284,505)	-43.9%	0.9%	1.5%
Investments in and advances to associates - net	78,017	77,975	42	0.1%	0.2%	0.2%
Pension asset	7,856	13,414	(5,558)	-41.4%	0.0%	0.0%
Deferred tax asset	8,864	15,440	(6,576)	-42.6%	0.0%	0.0%
Finance lease receivable - net of current portion	-	16,393,208	(16,393,208)	-100.0%	0.0%	37.5%
Other noncurrent assets	450,673	540,337	(89,664)	-16.6%	1.1%	1.2%
	32,717,900	29,256,143	3,461,757	11.8%	77.0%	66.9%
TOTAL ASSET	P 42,491,086	P 43,733,693	(1,242,607)	-2.8%	100.0%	100.0%
LIABILITIES AND EQUITY						
Current Liabilities						
Trade and other current liabilities	P 2,110,143	P 2,011,183	98,960	4.9%	5.0%	4.6%
Loans payable	1,500,017	2,500,017	(1,000,000)	-40.0%	3.5%	5.7%
Income tax payable	9,415	29,434	(20,019)	-68.0%	0.0%	0.1%
Contract liability -current						
Estimated liability on construction costs	-	18,646	(18,646)	-100.0%	0.0%	0.0%
Current portion of:						
Long-term debt	2,091,319	1,056,944	1,034,375	97.9%	4.9%	2.4%
Obligations under finance lease	19,379	39,489	(20,110)	-50.9%	0.0%	0.1%
	5,730,273	5,655,713	74,560	1.3%	13.5%	12.9%
Noncurrent portion of:						
Long-term debt	3,911,111	5,202,431	(1,291,320)	-24.8%	9.2%	11.9%
Obligations under finance lease	15,995	35,374	(19,379)	-54.8%	0.0%	0.1%
Pension liability	8,582	24,102	(15,520)	-64.4%	0.0%	0.1%
Deferred tax liabilities	2,667,581	2,220,559	447,022	20.1%	6.3%	5.1%
Other noncurrent liabilities	312,313	234,340	77,973	33.3%	0.7%	0.5%
	6,915,582	7,716,806	(801,224)	-10.4%	16.3%	17.6%
TOTAL LIABILITIES	12,645,855	13,372,519	(726,664)	-5.4%	29.8%	30.6%
Equity						
Attributable to equity holders of parent:						
Common stock	10,561,000	10,561,000	-	0.0%	24.9%	24.1%
Additional paid-in capital	5,503,731	5,503,731	-	0.0%	13.0%	12.6%
Treasury stock	(2,476,700)	(181,185)	(2,295,515)	1266.9%	-5.8%	-0.4%
Equity share in cost of Parent Company shares held by associates	(2,501)	(2,501)	-	0.0%	0.0%	0.0%
Cost of Parent Company common and preferred shares held by subsidiaries	(1,695,369)	(1,585,336)	(110,033)	6.9%	-4.0%	-3.6%
Unrealized gain on financial asset af fair value through other comprehensive income	1,047,057	1,365,375	(318,318)	-23.3%	2.5%	3.1%
Other reserves	3,059,718	3,045,886	13,832	0.5%	7.2%	7.0%
Excess of net asset value of an investment over cost	252,040	252,040	-	0.0%	0.6%	0.6%
Retained Earnings	10,221,830	8,194,187	2,027,643	24.7%	24.1%	18.7%
Total equity attributable to equity holders of the Parent	26,470,806	27,153,197	(682,391)	-2.5%	62.3%	62.1%
Non-controlling interests	3,374,425	3,207,977	166,448	5.2%	7.9%	7.3%
Total Equity	29,845,231	30,361,174	(515,943)	-1.7%	70.2%	69.4%
TOTAL LIABILITIES AND EQUITY	P 42,491,086	P 43,733,693	(1,242,607)	-2.8%	100.0%	100.0%

ASSETS
Total assets of the Company decreased by ₱1,242.6 million (3%) to ₱42,491.1 million as of December 31, 2018, from ₱43,733.7 million as of December 31, 2017.

Cash and Cash equivalents
Cash and cash equivalents decreased by ₱1,057.5 million (29%), to ₱2,653.7 million as of December 31, 2018 from ₱3,711.2 million as of December 31, 2017, due mainly to the regular cash dividend payment of ₱1,267.3 million on March 23, 2018.

Financials Assets at Fair Value through Profit or Loss (“FVTPL”)
The Company’s FVTPL decreased by ₱2,124.0 million (93%), to ₱155.7 million as of December 31, 2018 from ₱2,279.7 million as of December 31, 2017. Due to the adoption of Philippine Financial Reporting Standars (PFRS 9) *Financial Instruments*, Parent Company investments in the shares of Tagaytay Highlands International Golf Club, Inc. (“Tagaytay Highlands”), Tagaytay Midlands Golf Cub Inc. (“Midlands”) and The Country Club at Tagaytay Highlands, Inc. (“Country Club”) were reclassified to Financial Assets at Fair Value through Comprehensive Income (“FVOCI”). As at December 31, 2018, the Company’s consolidated FVTPL consists of investments in Pacific Online in listed shares of Leisure and Resorts World Corporation, Vantage Equities, Inc., and Philippine Long Distance Telephone Company.

Finance Lease Receivables
Due to requirements under Philippine Accounting Standards 17 (PAS 17), the Company accounted its lease agreement with MRP for the City of Dreams Manila buildings as a finance lease until October 2018, even though there is neither a requirement nor any intention to transfer title therefor to Melco or MRP. The Company thus recorded a finance lease receivable in March 2013 equivalent to the estimated fair value of the leased property, amounting to ₱9.4 billion for the Phase 1 building structure of City of Dreams Manila. In January 2015, the Company recorded a finance lease receivable, amounting to ₱5.3 billion for the estimated fair value of the Phase 2 building structure of City of Dreams Manila. Fair valuation was determined by discounting minimum lease payments at the inception date of the lease agreement.

On October 14, 2018, MRP converted a portion of the leased parking spaces to a food and entertainment area. Consequently, the change in the usage of leased premises prompted the Company to reassess its lease accounting of the City of Dreams Manila building. After considering the impact of the changes introduced by the change in usage of leased premises, the Company has changed its lease accounting from finance lease to operating lease effective October 14, 2018. In accordance with PAS 17, the balance of Finance Lease Receivables as of the date of change amounting to ₱18,342.3 million was reclassified to Investment Property, and was considered as the new carrying amount of the City of Dreams Manila building.

Receivables and Contract Assets
Receivables and Contract Assets increased by ₱271.1 million (13%), to ₱2,366.9 million as of December 31, 2018 from ₱2,095.8 million as of December 31, 2017. The increase was mainly due to increases in trade receivables from lease income and real estate sales.

Real Estate for Sale
Real estate for sale decreased by ₱167.5 million (26%), to ₱475.8 million as of December 31, 2018 from ₱643.3 million as of December 31, 2017, due to real estate sales.

Financials Assets at Fair Value through Other Comprehensive Income (“FVOCI”)
The Company’s FVOCI increased by ₱2,295.5 million (93%), to ₱4,770.8 million as of December 31, 2018 from ₱2,475.3 million as of December 31, 2017, due to the adoption of PFRS 9 *Financial Instruments,* under which the Company reclassified its investments in shares of Tagaytay Highlands, Midlands and Country Club from FVPL to FVOCI.

Intangible Asset

This pertains to the cost of the PAGCOR License to operate integrated resorts that was granted by PAGCOR to PLAI. Belle and MRP are Co-Licensees under PLAI's PAGCOR License. As part of PLAI's practice of regular and continuous review of existing contracts, PLAI implemented an initiative to change its amortization policy to align the life of the license with the PAGCOR charter, which is renewable for another 25 years upon its expiration in 2033. Amortization of the intangible asset on the License started on December 14, 2014, which is the effectivity date of the Notice to Commence Casino Operations granted by PAGCOR. Amortization expense for the year ended December 31, 2018 amounted to ₱115.8 million.

Goodwill

The Company's recognized goodwill decreased by ₱110.9 million (6%) from ₱1,832.6 million as of December 31, 2017 to ₱1,721.3 million as of December 31, 2018 due to the goodwill impairment recognized by Pacific Online in its investment in Falcon Resources Inc.

Other Assets

Other assets increased by ₱325.4 million (24%), to ₱2,213.7 million as of December 31, 2018 from ₱1,888.3 million as of December 31, 2017, mainly due to an increase in advances to contractors.

LIABILITIES

Total liabilities decreased by ₱726.7 million (5%), to ₱12,645.8 million as of December 31, 2018 from ₱13,372.5 million as of December 31, 2017, due mainly to net repayments of borrowings from local banks.

Trade and Other Current Liabilities

Trade and other current liabilities increased by ₱99.0 million (5%) to ₱2,110.1 million as of December 31, 2018, from ₱2,011.2 million as of December 31, 2017, due mainly to an increase in trade payables.

Loans Payable and Long-Term Debt

Total debt, amounting to ₱7,537.8 million as of December 31, 2018, consists of ₱7,502.4 million in Peso-denominated borrowings of Belle from various local financial institutions, with an average interest rate of approximately 5.81% per annum during 2018, and ₱35.4 million in finance lease obligations of Pacific Online. The outstanding amount of total debt decreased by ₱1,296.4 million (15%) from ₱8,834.6 million as of December 31, 2017 due to scheduled repayments of principal of long term-debt. Pacific Online's finance lease obligations pertain to its lottery equipment under finance lease accounting. This decreased by ₱39.5 million (53%), from ₱74.9 million as of December 31, 2017 to ₱35.4 million as of December 31, 2018, due to the amortization of principal therein.

EQUITY

The Company's shareholders' equity as of December 31, 2018 of ₱29,845.2 million was lower by ₱515.9 million (2%), compared to its shareholders' equity of ₱30,361.2 million as of December 31, 2017, due to the Company's ₱1,267.3 million regular cash dividend paid to its shareholders on March 23, 2018 and purchase of treasury stock in the amount of ₱2,295.5 million in August 2018, offset by the consolidated net income recognized for the year ended December 31, 2018 amounting to ₱3,225.1 million. Excluding the dividend, the Company's shareholders' equity as of December 31, 2018 would have been ₱31,112.5 million, or approximately ₱751.3 million (2%) higher than at December 31, 2017.

Below are the comparative key performance indicators of the Company and its subsidiaries:

	December 31, 2018	December 31, 2017
Asset to equity ratio	**1.42 : 1.00**	1.44 : 1.00
Current or Liquidity ratio	**1.71 : 1.00**	2.56 : 1.00
Debt-to-equity ratio	**0.25 : 1.00**	0.29 : 1.00
Net debt-to-equity ratio	**0.16 : 1.00**	0.17 : 1.00
Interest rate coverage ratio	**9.08 :1.00**	9.49 :1.00
Return on assets	**7.5%**	8.2%
Return on equity	**10.7%**	12.1%

Premium Leisure Corp. (consolidated)

	December 31, 2018	December 31, 2017
Asset to equity ratio	**1.09 : 1.00**	1.09 : 1.00
Current or Liquidity ratio	**4.40 : 1.00**	3.93 : 1.00
Debt-to-equity ratio	**0.00 : 1:00**	0.00 : 1:00
Net debt-to-equity ratio	**(0.17) : 1.00**	(0.17) : 1.00
Interest rate coverage ratio	**428.6 : 1:00**	239.2 : 1:00
Return on assets	**12.21%**	11.27%
Return on equity	**13.34%**	12.04%

Pacific Online Systems Corporation (consolidated)

	December 31, 2018	December 31, 2017
Asset to equity ratio	**1.19 : 1.00**	1.30 : 1.00
Current or Liquidity ratio	**4.00 : 1.00**	2.16 : 1.00
Debt-to-equity ratio	**0.19 : 1.00**	0.30 : 1.00
Net debt-to-equity ratio	**(0.30) : 1.00**	(0.18) : 1.00
Interest rate coverage ratio	**79.04 : 1.00**	67.46 : 1.00
Return on assets	**14.46%**	18.71%
Return on equity	**17.27%**	24.40%

The above performance indicators are calculated as follows:

Current Ratio	Current Assets / Current Liabilities
Debt to Equity Ratio	Interest-bearing debt / Total Equity
Asset-to-equity Ratio	Total Assets / Total Equity
Return on Equity	Net Income / Average equity during the period
Return on Assets	Net Income / Average assets during the period
Interest Coverage Ratio	Income Before Interest & Tax / Interest Expense
Net debt-to-equity ratio	Interest-bearing debt less cash and cash equivalents / Total Equity

The Company does not foresee any cash flow or liquidity problems over the next twelve months. As of December 31, 2018, consolidated total debt of the Company of ₱7,537.8 million was comprised of borrowings from renewable short-term bank loans of ₱1,500.0 million, amortizing term loans from banks of ₱6,002.4 million and obligations under finance leases of ₱35.4 million. Belle has real estate projects, lease agreements and interests in subsidiaries from which it expects to generate cash flow sufficient for its foreseeable requirements. Meanwhile, the Company continues to be in compliance with the terms of all of its debt obligations.

As of December 31, 2018, except for what has been noted in the preceding, there were no material events or uncertainties known to management that had a material impact on past performance, or that would have a material impact on the future operations, in respect of the following:

(i) Any Known Trends, Events or Uncertainties (Material Impact on Liquidity) Material commitments for capital expenditures that are reasonably expected to have a material impact on the Company's short-term or long-term liquidity;

(ii) Events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.

(iii) All material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period.

(iv) Description of any material commitments for capital expenditures, general purpose of such commitments, expected sources of funds for such expenditures:

(v) Any Known Trends, Events or Uncertainties (Material Impact on Sales)

(vi) Any Significant Elements of Income or Loss (from continuing operations)

December 31, 2017 versus December 31, 2016 Results of Operations (in thousands)

	Years Ended December 31		Horizontal Analysis		Vertical Analysis	
	2017	2016	Increase (Decrease)		2017	2016
REVENUE						
Gaming revenue share	P **2,609,353**	P 1,642,976	**966,377**	58.8%	**32.6%**	26.0%
Interest income on finance lease accounting	**2,069,841**	2,003,840	**66,001**	3.3%	**25.8%**	31.7%
Equipment rental and instant scratch ticket sales	**1,840,521**	1,579,661	**260,860**	16.5%	**23.0%**	25.0%
Sale of real estate	**596,667**	350,253	**246,414**	70.4%	**7.4%**	5.5%
Distribution and commission income	**479,472**	308,438	**171,034**	55.5%	**6.0%**	4.9%
Lease income	**190,021**	190,042	**(21)**	0.0%	**2.4%**	3.0%
Revenue from property management	**115,939**	127,168	**(11,229)**	-8.8%	**1.4%**	2.0%
Others	**110,246**	119,130	**(8,884)**	-7.5%	**1.4%**	1.9%
TOTAL REVENUES	**8,012,060**	6,321,508	**1,690,552**	26.7%	**100.0%**	100.0%
COST OF LOTTERY SERVICES	**(1,238,442)**	(931,263)	**307,179**	33.0%	**-15.5%**	-14.7%
COST OF REAL ESTATE SOLD	**(256,500)**	(120,517)	**135,983**	112.8%	**-3.2%**	-1.9%
COST OF GAMING OPERATIONS	**(234,630)**	(416,507)	**(181,877)**	-43.7%	**-2.9%**	-6.6%
COST OF LEASE INCOME	**(196,831)**	(209,391)	**(12,560)**	-6.0%	**-2.5%**	-3.3%
COST OF PROPERTY MANAGEMENT SERVICES	**(68,907)**	(63,813)	**5,094**	8.0%	**-0.9%**	-1.0%
GENERAL AND ADMINISTRATIVE EXPENSES	**(1,467,255)**	(957,280)	**509,975**	53.3%	**-18.3%**	-15.1%
TOTAL COSTS AND EXPENSES	**(3,462,565)**	(2,698,771)	**763,794**	28.3%	**-43.2%**	-42.7%
INCOME FROM OPERATIONS	**4,549,495**	3,622,737	**926,758**	25.6%	**56.8%**	57.3%
INTEREST EXPENSE AND OTHER FINANCE CHARGES	**(503,665)**	(355,779)	**147,886**	-41.6%	**-6.3%**	-5.6%
INTEREST INCOME	**29,577**	28,782	**795**	2.8%	**0.4%**	0.5%
UNREALIZED GAIN ON MARKETABLE SECURITIES	**67,705**	148,554	**(80,849)**	-54.4%	**0.8%**	2.3%
NET FOREIGN EXCHANGE LOSS	**(1,641)**	(10,816)	**9,175**	-84.8%	**0.0%**	-0.2%
PAYMENTS TO ABLGI/ACCRETION OF NONTRADE LIABILITY	**-**	(455,229)	**(455,229)**	-100.0%	**0.0%**	-7.2%
GAIN ON FINANCE LEASE	**-**	15,882	**(15,882)**	100.0%	**0.0%**	0.3%
OTHER INCOME (CHARGES)	**166,149**	981,628	**(815,479)**	-83.1%	**2.1%**	15.5%
INCOME BEFORE INCOME TAX	**4,307,620**	3,975,759	**331,861**	8.3%	**53.8%**	62.9%
PROVISION FOR INCOME TAXES						
Current	**316,330**	283,461	**32,869**	11.6%	**3.9%**	4.5%
Deferred	**480,649**	596,175	**(115,526)**	-19.4%	**6.0%**	9.4%
	796,979	879,636	**(82,657)**	-9.4%	**9.9%**	13.9%
NET INCOME	P **3,510,641**	P 3,096,123	**414,518**	13.4%	**43.8%**	49.0%

Belle Corporation reported consolidated revenues of ₱8,012.1 million for 2017, up 27% compared to ₱6,321.5 million in 2016. Belle's consolidated net income rose 13% to ₱3,510.6 million in 2017, from ₱3,096.1 million the previous year. Excluding capital gains on sales of non-core investments and extraordinary items, Belle's recurring net income of ₱3,287.8 million for 2017 was 58% higher than recurring net income of ₱2,076.2 million for 2016. This record performance was driven primarily by growth in gaming revenues.

Through its subsidiary Premium Leisure Corp. (PLC), Belle reported a 59% increase in its share of gaming earnings from City of Dreams Manila, rising to ₱2,609.4 million from ₱1,643.0 million a year earlier.

Belle's real estate business also contributed to its banner year with ₱3,082.7 million in revenues, up 10% from ₱2,790.4 million in 2016. Of this, ₱2,259.9 million came from Belle's lease to Melco Resorts and Entertainment (Philippines) Corporation ("MRP") of the land and buildings comprising City of Dreams Manila, while ₱822.9 million was from real estate sales and property management activities at its Tagaytay Highlands and Midlands residential and leisure complexes.
The strong 2017 results enabled Belle to declare a regular dividend of ₱0.12 per share on February 23, 2018, for a total dividend payment of approximately ₱1,267.3 million, payable on March 23, 2018 to shareholders of record as of March 9, 2018.

Revenues
Total revenues of ₱8,012.1 million for the year ended December 31, 2017 were higher by ₱1,690.6 million (27%), compared to ₱6,321.5 million for the year ended December 31, 2016, mainly due to a ₱966.4 million (59%) increase in the share of PLC in the gaming revenue of City of Dreams Manila from ₱1,643.0 million for 2016 to ₱2,609.4 million for 2017. In addition, the Company's revenue from the lease of the City of Dreams Manila building (interest income on finance lease accounting) increased by ₱66.0 million (3%), from ₱2,003.8 million in 2016 to ₱2,069.8 million during 2017, Pacific Online's revenues from equipment rental, instant scratch ticket sales, distribution and commissions increased by ₱431.9 million (23%) from ₱1,888.1 million in 2016 to ₱2,320.0 million in 2017 and ₱226.3 million (38%) increase in revenue from sales of real estate and property management activities, from ₱596.6 million in 2016 to ₱822.9 million in the 2017.

Costs of Lottery Services
Costs of lottery services at Pacific Online increased by ₱307.2 million (33%), to ₱1,238.4 million in 2017, from ₱931.3 million in 2016, mainly due to increased online lottery expenses and depreciation expenses for lottery equipment and professional fees.

Costs of Lease Income
Costs of lease income decreased by ₱12.6 million (6%), to ₱196.8 million in 2017 from ₱209.4 million in 2016, mainly due to lower insurance expense during 2017 period.

Costs of Real Estate
Costs of real estate increased by ₱136.0 million (113%), to ₱256.5 million in 2017, from ₱120.5 million in 2016, due to the higher sales revenue therefrom recognized during the period.

Costs of Services of Property Management
Cost of services of property management increased by ₱5.1 million (8%) to ₱68.9 million for 2017, from ₱63.8 million for 2016, due to higher power usage during 2017 period.

Costs of Gaming Operations
Costs of gaming operations increased by ₱181.9 million (44%) to ₱234.6 million for 2017, from ₱416.5 million for 2016, due to lower consultancy fees and other costs at PLC's wholly-owned subsidiary, PremiumLeisure and Amusement Inc. ("PLAI"). PLAI has a direct economic participation in the gaming operations at City of Dreams Manila, by virtue of an operating agreement with MRP that accords it a share of gaming revenue on earnings. MRP is the Philippine affiliate of Melco, a Hong-Kong based corporation which develops, owns and operates gaming and entertainment facilities in Asia, mostly in Macau.

General and Administrative Expenses
General and administrative expenses increased by ₱510.0 million (53%), to ₱1,467.3 million for 2017 from ₱957.3 million for 2016, due to increased expenses relating to salaries, professional fees and other expenses.

Financial Income (Expense)
Interest expense and other finance charges increased by ₱147.9 million (42%) to ₱503.7 million for 2017 period, from ₱355.8 million for the 2016 period. This higher interest expense was due to the Company's increased level of borrowings in 2017, which were incurred mostly to finance the pre-termination of the Memorandum of Agreement ("MOA") with ABLGI. Interest income increased by ₱0.8 million (3%), to ₱ 29.6 million in the 2017 period, from ₱29.8 million in the 2016 period, due to higher average yields on short-term investments.

Unrealized Gain on Marketable Securities
Unrealized gain on marketable securities pertains to change in market value of club shares held by Belle and other marketable securities held by Pacific Online.

Other Income
This includes gains on the sale of shares in SM Prime Holdings, Inc. (“SMPH”) shares held by Belle. Belle sold 5.0 million SMPH shares at a gain of ₱76.5 million in 2017 and 26.5 million SMPH shares at a gain of ₱351.7 million in 2016. Belle also realized a gain on sale of properties in 2017 amounting to ₱105.8 million and a ₱634.8 million gain on pre-termination of ABLGI agreement in 2016.

Provision for Income Taxes
The provision for income taxes decreased by ₱82.7 million (9%) to ₱797.0 million for the year ended December 31, 2017, from ₱879.6 million for the year ended December 31, 2016, due to lower taxable income at Belle’s subsidiaries in 2017.

Net Income
As a result of the foregoing, the Company realized consolidated net income of ₱3,510.6 million for the year ended December 31, 2017. This is ₱414.5 million (13%) higher than consolidated net income of ₱3,096.1 million for the year ended December 31, 2016. The Company’s consistent profitability allowed the Company to pay a regular cash dividend on March 30, 2017 in the amount of ₱1,003.3 million (₱0.095 per share), and to declare a higher cash dividend on February 23, 2018 (payable on March 23, 2018), in the amount of ₱1,267.3 million (₱0.12 per share).

December 31, 2017 vs December 31, 2016 Statement of Financial Position (in thousands)

TO INSERT MDA

	Years Ended December 31 (Audited)		Horizontal Analysis		Vertical Analysis	
	2017	2016	**Inc (Dec)**	%	**2017**	2016
ASSETS						
Current Assets						
Cash and cash equivalents	**P 3,711,248**	P 2,953,262	757,986	25.7%	**8.5%**	7.1%
Investments held for trading	**2,279,666**	2,232,710	46,956	2.1%	**5.2%**	5.4%
Receivables	**2,095,784**	1,881,754	214,030	11.4%	**4.8%**	4.5%
Current portion of finance lease receivable	**1,689,973**	1,541,035	148,938	9.7%	**3.9%**	3.7%
Real estate for sale	**643,265**	802,854	(159,589)	-19.9%	**1.5%**	1.9%
Other current assets	**1,347,963**	1,210,973	136,990	11.3%	**3.1%**	2.9%
	11,767,899	10,622,588	1,145,311	10.8%	**26.9%**	25.6%
Noncurrent Assets						
Finance lease receivable - net of current portion	**16,393,208**	16,104,586	288,622	1.8%	**37.5%**	38.7%
Intangible asset	**5,001,237**	4,812,707	188,530	3.9%	**11.4%**	11.6%
Land held for future development	**3,099,166**	3,092,399	6,767	0.2%	**7.1%**	7.4%
Available-for-sale financial assets	**2,475,287**	2,026,944	448,343	22.1%	**5.7%**	4.9%
Investment properties	**1,869,025**	1,540,961	328,064	21.3%	**4.3%**	3.7%
Goodwill	**1,832,261**	1,828,578	3,683	0.2%	**4.2%**	4.4%
Property and equipment	**648,444**	690,378	(41,934)	-6.1%	**1.5%**	1.7%
Investments in and advances to associates - net	**77,975**	77,903	72	0.1%	**0.2%**	0.2%
Pension asset	**13,414**	10,048	3,366	33.5%	**0.0%**	0.0%
Deferred tax asset	**15,440**	14,576	864	5.9%	**0.0%**	0.0%
Other noncurrent assets	**540,337**	743,290	(202,953)	-27.3%	**1.2%**	1.8%
	31,965,794	30,942,370	1,023,424	3.3%	**73.1%**	74.4%
TOTAL ASSET	**P 43,733,693**	P 41,564,958	2,168,735	5.2%	**100.0%**	100.0%
LIABILITIES AND EQUITY						
Current Liabilities						
Trade and other current liabilities	**P 2,011,183**	P 1,254,065	757,118	60.4%	**4.6%**	3.0%
Loans payable	**2,500,017**	2,000,017	500,000	25.0%	**5.7%**	4.8%
Estimated liability on construction costs	**18,646**	23,376	(4,730)	-20.2%	**0.0%**	0.1%
Income tax payable	**29,434**	51,900	(22,466)	-43.3%	**0.1%**	0.1%
Current portion of:						
Long-term debt	**1,056,944**	862,500	194,444	22.5%	**2.4%**	2.1%
Obligations under finance lease	**39,489**	47,698	(8,209)	-17.2%	**0.1%**	0.1%
Nontrade liability	**-**	3,762,000	(3,762,000)	-100.0%	**0.0%**	9.1%
	5,655,713	8,001,556	(2,345,843)	-29.3%	**12.9%**	19.3%
Noncurrent Liabilities						
Noncurrent portion of:						
Long-term debt	**5,202,431**	3,759,375	1,443,056	38.4%	**11.9%**	9.0%
Obligations under finance lease	**35,374**	71,644	(36,270)	-50.6%	**0.1%**	0.2%
Pension liability	**24,102**	12,550	11,552	92.0%	**0.1%**	0.0%
Deferred tax liabilities	**2,220,559**	1,742,187	478,372	27.5%	**5.1%**	4.2%
Other noncurrent liability	**234,340**	233,864	476	0.2%	**0.5%**	0.6%
	7,716,806	5,819,620	1,897,186	32.6%	**17.6%**	14.0%
TOTAL LIABILITIES	**13,372,519**	13,821,176	(448,657)	-3.2%	**30.6%**	33.3%
Equity						
Attributable to equity holders of parent:						
Common stock	**10,561,000**	10,561,000	-	0.0%	**24.1%**	25.4%
Additional paid-in capital	**5,503,731**	5,503,731	-	0.0%	**12.6%**	13.2%
Treasury stock	**(181,185)**	(181,185)	-	0.0%	**-0.4%**	-0.4%
Equity share in cost of Parent Company shares held by associates	**(2,501)**	(2,501)	-	0.0%	**0.0%**	0.0%
Cost of Parent Company common shares held by subsidiaries	**(1,585,336)**	(1,758,264)	172,928	-9.8%	**-3.6%**	-4.2%
Unrealized gain on available-for-sale financial assets - net	**1,365,375**	836,876	528,499	63.2%	**3.1%**	2.0%
Retained Earnings	**8,194,187**	6,289,302	1,904,885	30.3%	**18.7%**	15.1%
Other reserves	**3,045,886**	3,082,825	(36,939)	-1.2%	**7.0%**	7.4%
Excess of net asset value of an investment over cost	**252,040**	252,040	-	0.0%	**0.6%**	0.6%
Total equity attributable to equity holders of the Parent	**27,153,197**	24,583,824	2,569,373	10.5%	**62.1%**	59.1%
Non-controlling interests	**3,207,977**	3,159,958	48,019	1.5%	**7.3%**	7.6%
Total Equity	**30,361,174**	27,743,782	2,617,392	9.4%	**69.4%**	66.7%
TOTAL LIABILITIES AND EQUITY	**P 43,733,693**	P 41,564,958	2,168,735	5.2%	**100.0%**	100.0%

ASSET
Total assets of the Company increased by ₱2,168.7 million (5%) to ₱43,733.7 million as of December 31, 2017, from ₱41,565.0 million as of December 31, 2016.

Cash and Cash equivalents
Cash and cash equivalents increased by ₱758.0 million (26%), to ₱3,711.2 million as of December 31, 2017 from ₱2,953.3 million as of December 31, 2016, due to cashflows from operations and additional borrowings from local banks. The increases in cashflows was offset by the dividend payment of ₱1,003.3 million on March 30, 2017 and payments to ABLGI of about ₱4,072.0 million in order to terminate the MOA (refer to "Nontrade Liability" on page 43).

Investments Held for Trading
This account consists of investments of the Parent Company in Tagaytay Highlands International Golf Club, Inc. ("Tagaytay Highlands"), Tagaytay Midlands Golf Cub Inc. ("Midlands"), The Country Club at Tagaytay Highlands, Inc. ("Country Club"), and investments of Pacific Online in listed shares of Leisure and Resorts World Corporation, Vantage Equities, Inc. and Philippine Long Distance Telephone Company.

Finance Lease Receivables
Due to the requirements under Philippine Accounting Standards 17 (PAS 17), management accounts for its lease agreement with MRP for the City of Dreams Manila buildings as a finance lease, even though there is neither a requirement nor any intention to transfer title therefor to MRP. The Company thus recorded a finance lease receivable in March 2013 equivalent to the estimated fair value of the leased property, amounting to ₱9.4 billion for the Phase 1 building structure of City of Dreams Manila. In January 2015, the Company recorded a finance lease receivable, amounting to ₱5.3 billion for the estimated fair value of the Phase 2 building structure of City of Dreams Manila. Fair valuation was determined by discounting minimum lease payments at the inception date of the lease agreement.

Receivables
Receivables increased by ₱214.0 million (11%), to ₱2,095.8 million as of December 31, 2017 from ₱1,881.8 million as of December 31, 2016. The increase was mainly due to the receivable from Real Estate and Pacific Online's receivables on instant scratch ticket sales.

Real Estate for Sale
Real estate for sale decreased by ₱159.6 million (20%), to ₱643.3 million as of December 31, 2017 from ₱802.8 million as of December 31, 2016, due to sales during the period offset by project development in the Tagaytay Midlands and Greenlands areas.

Available-for-sale Investments
Available-for-sale financial assets increased by ₱448.3 million (22%), to ₱2,475.3 million as of December 31, 2017 from ₱2,026.9 million as of December 31, 2016, which was attributable to the increase in market price of the investments. This was partially offset by Belle's sale of 5.0 million shares of SMPH during the first half of 2017. Belle still held 61.8 million shares of SMPH as of December 31, 2017.

Intangible Asset
This pertains to the cost of the PAGCOR License to operate integrated resorts that was granted by PAGCOR to PLAI. Belle and MRP are Co-Licensees under PLAI's PAGCOR License. As part of PLAI's practice of regular and continuous review of existing contracts, PLAI implemented an initiative to change its amortization policy to align the life of the license with the PAGCOR charter, which is renewable for another 25 years upon its expiration in 2033. The extension of the life of the gaming license lowers the amortization expense of PLAI by ₱13.9 million monthly effective April 2016. Amortization of the intangible asset on the License started on December 14, 2014, which is the effectivity date of the Notice to Commence Casino Operations granted by PAGCOR. Amortization expense for the year ended December 31, 2017 amounted to ₱115.8 million.

Goodwill
The Company recognized goodwill amounting to ₱1,832.3 million, as a result of consolidating Pacific Online starting June 5, 2014.

Other Assets
Other assets decreased by ₱66.0 million (3%), to ₱1,888.3 million as of December 31, 2017 from ₱1,954.3 million as of December 31, 2016, mainly due to utilization of prepaid expenses, application of input VAT and advances to contractors for capital expenditures related to City of Dreams Manila.

LIABILITIES
Total liabilities decreased by ₱448.7 million (3%), to ₱13,372.5 million as of December 31, 2017 from ₱13,821.2 million as of December 31, 2016, due to the pre-termination of the MOA with ABLGI. The decrease in liabilities amounting to ₱3,762.0 million brought about by the pre-termination of the MOA with ABLGI was offset by additional borrowings from local banks.

Trade and Other Current Liabilities
Trade and other current liabilities increased by ₱757.1 million (60%) to ₱2,011.2 million as of December 31, 2017, from ₱1,254.1 million as of December 31, 2016, due mainly to the increase in trade payables.

Loans Payable and Long-Term Debt
Total debt, amounting to ₱8,834.3 million as of December 31, 2017, consists of ₱8,759.4 million in Peso loans of Belle from various local financial institutions, with an average interest rate of approximately 5.61% per annum, and ₱74.9 million in finance lease obligations of Pacific Online. The outstanding amount of total debt from financial institutions increased by ₱2,137.5 million (32%) from ₱6,621.9 million as of December 31, 2016 due to availment of new loans and long term-debt. Pacific Online's finance lease obligations, pertain to its lottery equipment under finance lease accounting. This decreased by ₱44.5 million (37%), from ₱119.3 million as of December 31, 2016 to ₱74.9 million as of December 31, 2017, due to the amortization of principal therein.

Estimated Liability on Construction Costs
The Company recorded estimated construction costs totaling ₱7.5 billion in order to complete the structure and utilities of the City of Dreams Manila buildings, as a result of accounting for its lease agreement with MRP as a finance lease (as required under PAS 17). The City of Dreams Manila buildings have a total gross floor area of approximately 30 hectares. The remaining liability hereunder pertains mostly to final payments still due to some contractors.

Nontrade Liability
In 2013, Belle, PLAI, ABLGI and LRWC entered into the MOA, whereby Belle and PLAI agreed to grant ABLGI the right to the settlement of amounts in consideration of the waiver of ABLGI's rights as casino operator, the termination of ABLGI agreements relating to the integrated resort that is now known as City of Dreams Manila and the grant of the ABLGI Advance, totaling about ₱4.8 billion, to help in the funding for the construction of the integrated resort building.

In December 2014, the implementing agreement for the MOA was executed, with the effectivity of terms and conditions retrospective on January 1, 2014. The ABLGI Advance was determined as the fair value of ABLGI's settlement. Such liability was being accreted over the lease term using the Effective Interest Rate method.

On November 3, 2016, Belle, PLAI, BGRH, ABLGI and LRWC signed an agreement (the "Termination Agreement"), which terminated the MOA of 2013 at the end of March 2017. Under the Termination Agreement, Belle repaid ABLGI its nontrade liability of ₱4,780.0 million and purchased ABLGI's gaming consultancy contract with PLAI for ₱310.0 million, for a total consideration of ₱5,090.0 million. Of the total consideration, ₱1,018.0 million was paid upon signing and the balance was paid simultaneous with the termination of the MOA on March 31, 2017. The MOA was thus deemed fully terminated as of March 31, 2017. The acquired gaming consultancy contract was recorded as an intangible asset as of March 31, 2017.

EQUITY
The Company's shareholders' equity as of December 31, 2017 of ₱30,361.2 million was higher by ₱2,617.4 million (9%), compared to the year-end 2016 of ₱27,743.8 million, due to increase in unrealized gain on available-for-sale financial assets of ₱528.5 million (63%) and consolidated net income of ₱3,510.6 million, partially offset by the ₱1,003.3 million cash dividend declared to its shareholders on March 30, 2017. Excluding the dividend, the Company's shareholders' equity as of December 31, 2017 would have been ₱31,364.5 million, or approximately ₱3,620.7 million (13%) higher than December 31, 2016.

Below are the comparative key performance indicators of the Company and its subsidiaries:

Belle Corporation (consolidated)

	Dec 31, 2017	Dec 31, 2016
Asset to equity ratio	**1.44 : 1.00**	1.50 : 1.00
Current or Liquidity ratio	**2.08 : 1.00**	1:33 : 1.00
Debt-to-equity ratio	**0.29 : 1.00**	0.24 : 1.00
Net debt-to-equity ratio	**0.17 : 1.00**	0.14 : 1.00
Interest rate coverage ratio	**9.49 :1.00**	12.09 :1.00
Return on assets	**8.2%**	7.3%
Return on equity	**12.1%**	11.6%

Premium Leisure Corp. (consolidated)

	Dec 31, 2017	Dec 31, 2016
Asset to equity ratio	**1.09 : 1.00**	1.04 : 1.00
Current or Liquidity ratio	**3.93 : 1.00**	7.48 : 1.00
Debt-to-equity ratio	**0.004 : 1:00**	0.01 : 1:00
Net debt-to-equity ratio	**(0.17) : 1.00**	(0.10) : 1.00
Interest rate coverage ratio	**239.2 : 1:00**	114.0 : 1:00
Return on assets	**11.27%**	6.97%
Return on equity	**12.04%**	7.22%

Pacific Online Systems Corporation (consolidated)

	Dec 31, 2017	Dec 31, 2016
Asset to equity ratio	**1.30 : 1.00**	1.18 : 1.00
Current or Liquidity ratio	**2.16 : 1.00**	3.37 : 1.00
Debt-to-equity ratio	**0.30 : 1.00**	0.06 : 1.00
Net debt-to-equity ratio	**(0.18) : 1.00**	(0.07) : 1.00
Interest rate coverage ratio	**67.46 : 1.00**	46.77 : 1.00
Return on assets	**18.71%**	17.73%
Return on equity	**24.40%**	21.53%

The above performance indicators are calculated as follows:

Current Ratio	Current Assets / Current Liabilities
Debt to Equity Ratio	Interest-bearing debt / Total Equity
Asset-to-equity Ratio	Total Assets / Total Equity
Return on Equity	Net Income / Average equity during the period
Return on Assets	Net Income / Average assets during the period
Interest Coverage Ratio	Income Before Interest & Tax / Interest Expense
Net debt-to-equity ratio	Interest-bearing debt less cash and cash equivalents / Total Equity

The Company does not foresee any cash flow or liquidity problems over the next twelve months. As of December 31, 2017, consolidated total debt of the Company of ₱8,834.3 million comprised of borrowings from renewable short-term bank loans of ₱2,500.0 million, amortizing term loans from banks of ₱6,259.4 million and obligations under finance lease of ₱74.9 million. Belle has a number of projects, rental income and expected dividends from subsidiaries from which it expects to generate cash flow sufficient for its foreseeable requirements. Meanwhile, the Company continues to be in compliance with the terms of all of its debt obligations.

As of December 31, 2017, except for what has been noted in the preceding, there were no material events or uncertainties known to management that had a material impact on past performance, or that would have a material impact on the future operations, in respect of the following:

(i) Any Known Trends, Events or Uncertainties (Material Impact on Liquidity) Material commitments for capital expenditures that are reasonably expected to have a material impact on the Company's short-term or long-term liquidity;

(ii) Events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.

(iii) All material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period.

(iv) Description of any material commitments for capital expenditures, general purpose of such commitments, expected sources of funds for such expenditures:

Under the License granted to PLAI by PAGCOR, the parties designated as Co-Licensees in the Consortium (PLAI, Belle and MRP) are committed to collectively invest a minimum of US$1.0 billion ("Investment Commitment") in the Project. Under the PAGCOR Guidelines, of the US$1.0 billion, US$650.0 million shall be invested upon the opening of the integrated resort and the US$350.0 million balance shall be invested within a period of three (3) years from the commencement of the integrated resort operations. The Investment Commitment shall be composed of the value of the land (up to a maximum of US$150 million) and the development costs of the infrastructures and facilities for the Project. The Consortium already exceeded the $1.0 billion Investment Commitment upon the soft opening of City of Dreams Manila on December 14, 2014.

(v) Any Known Trends, Events or Uncertainties (Material Impact on Sales)

(vi) Any Significant Elements of Income or Loss (from continuing operations)

December 31, 2016 versus December 31, 2015 Results of Operations (in thousands)

		Year Ended December 31 (Audited)			Horizontal Analysis		Vertical Analysis	
		2016		2015 (as restated)	Increase (Decrease)		2016	2015
REVENUE								
Interest income on finance lease	P	**2,003,840**	P	1,917,354	**86,486**	4.5%	**31.7%**	35.8%
Gaming revenue share		**1,642,976**		756,238	**886,738**	117.3%	**26.0%**	14.1%
Equipment rental and instant scratch ticket sales		**1,579,661**		1,459,237	**120,424**	8.3%	**25.0%**	27.3%
Sales of real estate		**350,253**		354,774	**(4,521)**	-1.3%	**5.5%**	6.6%
Commission and distribution income		**308,438**		259,081	**49,357**	19.1%	**4.9%**	4.8%
Lease income		**190,042**		190,906	**(864)**	-0.5%	**3.0%**	3.6%
Revenue from property management		**127,168**		112,682	**14,486**	12.9%	**2.0%**	2.1%
Others		**119,130**		301,405	**(182,275)**	-60.5%	**1.9%**	5.6%
TOTAL REVENUES		**6,321,508**		5,351,677	**969,831**	18.1%	**100.0%**	100.0%
COST OF LOTTERY SERVICES		**(931,263)**		(827,032)	**104,231**	12.6%	**14.7%**	15.5%
COST OF GAMING OPERATIONS		**(416,507)**		(382,023)	**34,484**	9.0%	**6.6%**	7.1%
COST OF LEASE INCOME		**(209,391)**		(152,584)	**56,807**	37.2%	**3.3%**	2.9%
COST OF REAL ESTATE AND CLUB SHARES SOLD		**(120,517)**		(160,976)	**(40,459)**	-25.1%	**1.9%**	3.0%
COST OF SERVICES OF PROPERTY MANAGEMENT		**(63,813)**		(80,208)	**(16,395)**	-20.4%	**1.0%**	1.5%
GENERAL AND ADMINISTRATIVE EXPENSES		**(957,280)**		(718,524)	**238,756**	33.2%	**15.1%**	13.4%
TOTAL COSTS AND EXPENSES		**(2,698,771)**		(2,321,347)	**377,424**	16.3%	**-42.7%**	-43.4%
INCOME FROM OPERATIONS		**3,622,737**		3,030,330	**592,407**	19.5%	**57.3%**	56.6%
ACCRETION OF NONTRADE LIABILITY		**(455,229)**		(651,684)	**(196,455)**	-30.1%	**-7.2%**	-12.2%
INTEREST EXPENSE		**(355,779)**		(273,977)	**81,802**	29.9%	**-5.6%**	-5.1%
UNREALIZED GAIN ON MARKETABLE SECURITIES		**148,554**		150,646	**(2,092)**	-1.4%	**2.3%**	2.8%
INTEREST INCOME		**28,782**		34,470	**(5,688)**	-16.5%	**0.5%**	0.6%
GAIN ON FINANCE LEASE		**15,882**		-	**15,882**	n/a	**0.3%**	0.0%
NET FOREIGN EXCHANGE GAIN (LOSS)		**(10,816)**		36,135	**(46,951)**	-129.9%	**-0.2%**	0.7%
EQUITY IN NET EARNINGS OF ASSOCIATES		**-**		27,340	**(27,340)**	n/a	**0.0%**	0.5%
OTHER INCOME - net		**981,628**		87,855	**893,773**	1017.3%	**15.5%**	1.6%
INCOME BEFORE INCOME TAX		**3,975,759**		2,441,115	**1,534,644**	62.9%	**62.9%**	45.6%
PROVISION FOR INCOME TAXES								
Current		**283,461**		306,296	**(22,835)**	-7.5%	**4.5%**	5.7%
Deferred		**596,175**		363,038	**233,137**	64.2%	**9.4%**	6.8%
		879,636		669,334	**210,302**	31.4%	**13.9%**	12.5%
NET INCOME	P	**3,096,123**	P	1,771,781	**1,324,342**	74.7%	**49.0%**	33.1%

Belle Corporation realized consolidated net income of ₱3,096.1 million for 2016, which is ₱1,324.3 million (75%) higher than net income of ₱1,771.8 million for 2015. Excluding extraordinary items, principally a capital gain of ₱352 million on the sale of 26 million shares of SM Prime Holdings, Inc. in July 2016, Belle's recurring net income of ₱2,076.2 million for 2016 was higher by ₱737 million (55%) over recurring net income for 2015 of ₱1,334.2 million. This performance continues Belle's record of underlying earnings growth. Due to the Company's strong profitability, it declared a cash dividend of nine-and-a half centavos (₱0.095) per share to its common shareholders on February 28, 2017. This equates to a total dividend payment of ₱1,000.0 million, payable on March 30, 2017 to shareholders of record as of March 14, 2017.

The Company's operating growth in 2016 was fueled primarily by growth in its revenues from City of Dreams Manila. Its share in the gaming income of City of Dreams Manila, through its 78.7%-owned subsidiary, Premium Leisure Corp. (PLC), more than doubled to ₱1,643.0 million in 2016 from ₱756.0 million in 2015. This was attributable to the ramp-up in gaming operations at City of Dreams Manila, which held its grand opening in February 2015. PLC has an operating agreement with Melco Crown Entertainment Limited (MCE) that accords it a share of gaming revenues or earnings at City of Dreams Manila.

Belle also realized higher revenues from its real estate businesses. Total real estate-related revenues increased by ₱90 million (3%), from ₱2.69 billion in 2015 to ₱2.78 billion in 2016. Of its 2016 revenues ₱2.19 billion were derived from its lease of the land and buildings comprising City of Dreams Manila to MCE, with the balance of ₱586 million coming from sales of real estate products and property management activities at its Tagaytay Highlands and Midlands residential and leisure complexes south of Metro Manila.

Revenues

Total revenues of ₱6,321.5 million for the year ended December 31, 2016 were higher by ₱969.8 million (18%), compared to ₱5,351.7 million for the year ended December 31, 2015, mainly due to a ₱886.7 million (117%) increase in the share of PLC in the gaming revenue of City of Dreams Manila from ₱756.2 million for 2015 to ₱1,643.0 million for 2016. In addition, the Company's revenue from the lease of the City of Dreams Manila building (interest income on finance lease accounting) increased by ₱86.5 million (5%), from ₱1,917.4 million in 2015 to ₱2,003.8 million during 2016, and Pacific Online's revenues from equipment rental, distribution and commissions increased by ₱169.8 million (10%) from ₱1,718.3 million in 2015 to ₱1,888.1 million in 2016. These revenue increases were offset by a ₱187.0 million (28%) decrease in revenue from sales of real estate and club shares, as this declined from ₱656.4 million in 2015 to ₱469.4 million in the 2016.

Costs of Lottery Services

Costs of lottery services at Pacific Online increased by ₱104.2 million (13%), to ₱931.3 million in 2016, from ₱827.0 million in 2015, mainly due to increased depreciation expenses for lottery equipment and professional fees.

Costs of Lease Income

Costs of lease income increased by ₱56.8 million (37%), to ₱209.4 million in 2016 from ₱152.6 million in 2015, mainly due to higher real estate taxes on the City of Dreams Manila building.

Costs of Real Estate

Costs of real estate decreased by ₱40.5 million (25%), to ₱120.5 million in 2016, from ₱161.0 million in 2015, due to the lower sales revenue therefrom recognized during the period.

Costs of Services of Property Management

Cost of services of property management decreased by ₱16.4 million (20%) to ₱63.8 million for 2016, from ₱80.2 million for 2015, due to lower power usage by customers during the 2016 period.

Costs of Gaming Operations

Cost of gaming operations increased by ₱34.5 million (9%) to ₱416.5 million for 2016, from ₱382.0 million for 2015, due to higher consultancy fees and other costs at PremiumLeisure and Amusement Inc. ("PLAI"), given the ramp-up of gaming operations at City of Dreams Manila since the first half of 2015.

General and Administrative Expenses

General and administrative expenses increased by ₱238.8 million (33%), to ₱957.3 million for 2016 from ₱718.5 million for 2015, due to increased expenses relating to salaries, professional fees and regular provisions.

Financial Income (Expense)

Interest expense increased by ₱81.8 million (30%) to ₱355.8 million for 2016, from ₱274.0 million for 2015. The increase in interest expense was due to the Company's higher level of borrowings in 2016, which were incurred mostly to finance payments of construction contracts in respect of the City of Dreams Manila building. Interest income decreased by ₱5.7 million (17%), to ₱28.8 million in 2016, from ₱34.5 million in 2015, due to decreases in average invested cash levels.

Unrealized Gain on Marketable Securities

During 2016, Belle reclassified its club shares from inventory to investments held from trading within its current assets in compliance with Philippine Interpretations Committee (PIC) Q&A No. 2016-02 on Philippine Accounting Standards (PAS) 32 and 38 - *Accounting Treatment of Club Shares Held by an*

Entity. This resulted in the recognition of unrealized mark-to-market gains on such club shares of ₱185.7 million in 2016, ₱194.1 million in 2015 and ₱231.8 million in 2014. Belle's financial statements for the years 2015 and 2014 were thus restated for consistent application of PAS 32 and 38, and for comparability. The unrealized gains on club shares were offset by unrealized losses on marketable securities held by Pacific Online, amounting to ₱37.1 million in 2016 and ₱43.5 million in 2015.

Other Income

This includes (1) gain on the sale of SM Prime shares held by Belle, total number of SM Prime shares sold is 26.0 million at an average selling price of ₱29.98 per share in 2016 and 16.5 million shares sold at an average selling price of ₱29.98 per share in 2015, (2) gain on pre-termination of ABLGI agreement**.** On November 3, 2016, Belle, PLAI, BGRH, ABLGI and LRWC signed an agreement to terminate the MOA of 2013 by the end of March 2017. Under the agreement, Belle will pay, and ABLGI will receive, a total consideration of ₱5.09 billion. Of the total consideration, ₱1,018.0 million was paid upon signing and the balance will be paid simultaneous with the termination of the MOA on March 31, 2017. The gain pertains to the difference between the recorded nontrade liability to ABLGI as of November 31, 2016 of ₱5,414.8 million and the final settlement amount of ₱4,780.0 million.

Equity in Net Earnings of Associates

Equity in net earnings of associates of ₱27.3 million in 2015 refers to Belle's 47% share in the net income of Woodland Development Corporation ("WDC"). The Company sold its entire 47% interest in WDC in May 2016.

Provision for Income Taxes

The provision for income taxes increased by ₱210.3 million (31%) to ₱879.6 million for the year ended December 31, 2016, from ₱669.3 million for the year ended December 31, 2015, due to higher taxable income in 2016 as a result of higher revenue.

Net Income

As a result of the foregoing, the Company realized consolidated net income of ₱3,096.1 million for the year ended December 31, 2016. This is ₱1,324.3 million (75%) higher than consolidated net income of ₱1,771.8 million for the year ended December 31, 2015. The Company's consistent profitability allowed the Company to pay a regular cash dividend on March 29, 2016 in the amount of ₱1,003.3 million (₱0.095 per share), and to declare a regular cash dividend on February 28, 2017 (payable on March 30, 2017), in the amount of P1,000.0 million (₱0.095 per share).

December 31, 2016 vs December 31, 2015 Statement of Financial Position (in thousands)

		December 31, 2016		December 31, 2015 (as Restated)		Horizontal Analysis		Vertical Analysis	
		Audited				Inc (Dec)	%	2016	2015
ASSETS									
Current Assets									
Cash and cash equivalents	**P**	**2,953,262**	P	3,570,065	P	**(616,803)**	-17.3%	**7.1%**	8.4%
Investments held for trading		**2,232,710**		2,124,947		**107,763**	5.1%	**5.4%**	5.0%
Receivables		**1,881,754**		1,624,433		**257,321**	15.8%	**4.5%**	3.8%
Current portion of finance lease receivable		**1,541,035**		1,419,651		**121,384**	8.6%	**3.7%**	3.3%
Real estate for sale		**802,854**		843,074		**(40,220)**	-4.8%	**1.9%**	2.0%
Other current assets		**1,210,973**		2,323,619		**(1,112,646)**	-47.9%	**2.9%**	5.4%
		10,622,588		11,905,789		**(1,283,201)**	-10.8%	**25.6%**	27.9%
Noncurrent Assets									
Land held for future development		**3,092,399**		3,018,515		**73,884**	2.4%	**7.4%**	7.1%
Finance lease receivable - net of current portion		**16,104,586**		15,725,603		**378,983**	2.4%	**38.7%**	36.8%
Investments in and advances to associates - net		**77,903**		65,364		**12,539**	19.2%	**0.2%**	0.2%
Available-for-sale financial assets		**2,026,944**		2,148,003		**(121,059)**	-5.6%	**4.9%**	5.0%
Investment properties		**1,540,961**		1,540,961		**-**	0.0%	**3.7%**	3.6%
Property and equipment		**690,378**		770,716		**(80,338)**	-10.4%	**1.7%**	1.8%
Intangible asset		**4,812,707**		4,970,341		**(157,634)**	-3.2%	**11.6%**	11.6%
Goodwill		**1,828,578**		1,828,578		**-**	0.0%	**4.4%**	4.3%
Pension asset		**10,048**		10,732		**(684)**	n/a	**0.0%**	0.0%
Deferred tax asset		**14,576**		42,261		**(27,685)**	-65.5%	**0.0%**	0.1%
Other noncurrent assets		**743,290**		710,167		**33,123**	4.7%	**1.8%**	1.7%
		30,942,370		30,831,241		**111,129**	0.4%	**74.4%**	72.1%
TOTAL ASSET	**P**	**41,564,958**	P	42,737,030		**(1,172,072)**	-2.7%	**100.0%**	100.0%
LIABILITIES AND EQUITY									
Current Liabilities									
Trade and other current liabilities	**P**	**1,254,065**	P	1,529,691		**(275,626)**	-18.0%	**3.0%**	3.6%
Loans payable		**2,000,017**		1,000,017		**1,000,000**	100.0%	**4.8%**	2.3%
Current portion of:									
Estimated liability on construction costs		**23,376**		2,556,836		**(2,533,460)**	-99.1%	**0.1%**	6.0%
Nontrade liability		**3,762,000**		455,886		**3,306,114**	725.2%	**9.1%**	1.1%
Obligations under finance lease		**47,698**		25,028		**22,670**	90.6%	**0.1%**	0.1%
Long-term debt		**862,500**		362,500		**500,000**	137.9%	**2.1%**	0.8%
Income tax payable		**51,900**		49,600		**2,300**	4.6%	**0.1%**	0.1%
Installment payable		**-**		173		**(173)**	-100.0%	**0.0%**	0.0%
		8,001,556		5,979,731		**2,021,825**	33.8%	**19.3%**	14.0%
Noncurrent Liabilities									
Noncurrent portion of:									
Long-term debt		**3,759,375**		4,621,875		**(862,500)**	-18.7%	**9.0%**	10.8%
Obligations under finance lease		**71,644**		93,527		**(21,883)**	-23.4%	**0.2%**	0.2%
Nontrade liability		**-**		4,839,172		**(4,839,172)**	-100.0%	**0.0%**	11.3%
Deferred tax liabilities		**1,742,187**		1,175,431		**566,756**	48.2%	**4.2%**	2.8%
Pension liability		**12,550**		23,078		**(10,528)**	-45.6%	**0.0%**	0.1%
Other non current liability		**233,864**		267,714		**(33,850)**	-12.6%	**0.6%**	0.6%
		5,819,620		11,020,797		**(5,201,177)**	-47.2%	**14.0%**	25.8%
TOTAL LIABILITIES		**13,821,176**		17,000,528		**(3,179,352)**	-18.7%	**33.3%**	39.8%
Equity									
Attributable to equity holders of parent:									
Common stock		**10,561,000**		10,561,000		**-**	0.0%	**25.4%**	24.7%
Additional paid-in capital		**5,503,731**		5,503,731		**-**	0.0%	**13.2%**	12.9%
Treasury stock		**(181,185)**		(134,442)		**(46,743)**	34.8%	**-0.4%**	-0.3%
Equity share in cost of Parent Company shares held by associ		**(2,501)**		(2,501)		**-**	0.0%	**0.0%**	0.0%
Cost of Parent Company common and preferred shares held l		**(1,758,264)**		(1,749,628)		**(8,636)**	0.5%	**-4.2%**	-4.1%
Unrealized gain on available-for-sale financial assets - net		**836,876**		535,237		**301,639**	56.4%	**2.0%**	1.3%
Other reserves		**3,082,825**		3,085,896		**(3,071)**	-0.1%	**7.4%**	7.2%
Excess of net asset value of an investment over cost		**252,040**		252,040		**-**	0.0%	**0.6%**	0.6%
Retained Earnings		**6,289,302**		4,552,639		**1,736,663**	38.1%	**15.1%**	10.7%
Total equity attributable to equity holders of the Parent		**24,583,824**		22,603,972		**1,979,852**	8.8%	**59.1%**	52.9%
Non-controlling interests		**3,159,958**		3,132,530		**27,428**	0.9%	**7.6%**	7.3%
Total Equity		**27,743,782**		25,736,502		**2,007,280**	7.8%	**66.7%**	60.2%
TOTAL LIABILITIES AND EQUITY	**P**	**41,564,958**	P	42,737,030		**(1,172,072)**	-2.7%	**100.0%**	100.0%

ASSET

Total assets of the Company decreased by ₱1,172.1 million (3%) to ₱41,565.0 million as of December 31, 2016, from ₱42,737.0 million as of December 31, 2015.

Cash and Cash equivalents

Cash and cash equivalents decreased by ₱616.8 million (17%), to ₱2,953.3 million as of December 31, 2016 from ₱3,570.1 million as of December 31, 2015, due mainly to capital expenditures for City of Dreams Manila and real estate development projects.

Investments Held for Trading

This pertains to the club shares of Tagaytay Highlands International Golf Club, Tagaytay Midlands International Golf Club, The Country Club at Tagaytay Highlands held by Belle, as well as marketable securities held by Pacific Online in companies that are not subsidiaries or associates of Belle, comprised of listed shares of stock in DFNN, Inc., ISM Communications Corp., Leisure and Resorts World Corporation, Philippine Long Distance Telephone Company, Inc. and Vantage Equities, Inc.

Finance Lease Receivables

Due to the requirements under Philippine Accounting Standards 17 (PAS 17), management accounts for its lease agreement with MCE for the City of Dreams Manila buildings as a finance lease, even though there is neither a requirement nor any intention to transfer title therefor to MCE. The Company thus recorded a finance lease receivable in March 2013 equivalent to the estimated fair value of the leased property, amounting to ₱9.4 billion for the Phase 1 building structure of City of Dreams Manila. In January 2015, the Company recorded a finance lease receivable, amounting to ₱5.3 billion for the estimated fair value of the Phase 2 building structure of City of Dreams Manila. Fair valuation was determined by discounting minimum lease payments at the inception date of the lease agreement.

Receivables

Receivables increased by ₱257.3 million (16%), to ₱1,881.8 million as of December 31, 2016 from ₱1,624.4 million as of December 31, 2015. The increase was mainly due to the receivable of PLC from MCE for the gaming revenue share from City of Dreams Manila and Pacific Online's receivables on instant scratch ticket sales.

Real Estate for Sale

Real estate for sale decreased by ₱40.2 million (5%), to ₱802.9 million as of December 31, 2016 from ₱843.1 million as of December 31, 2015, due to sales during the period ₱120.5 million offset by project development of ₱80.3 million in the Tagaytay Midlands and Greenlands areas.

Available-for-sale Investments

Available-for-sale investments decreased by ₱121.1 million (6%), to ₱2,026.9 million as of December 31, 2016 from ₱2,148.0 million as of December 31, 2015, which was attributable to the sale of 26 million SM Prime Holdings Inc. shares in July 2016.

Intangible Asset

This pertains to the cost of the PAGCOR License to operate integrated resorts that was granted by PAGCOR to PremiumLeisure and Amusement Inc ("PLAI"), a wholly-owned subsidiary of PLC. Belle and MCE are Co-Licensees under PLAI's PAGCOR License. As part of PLAI's practice of regular and continuous review of existing contracts, PLAI implemented an initiative to change its amortization policy to align the life of the license with the PAGCOR charter, which is renewable for another 25 years upon its expiration in 2033. The extension of the life of the gaming license lowers the amortization expense of PLAI by ₱13.9 million monthly effective April 2016. The decrease from last year's balance by ₱157.6 million (3%), from ₱4,970.3 million as of December 31, 2015 to ₱4,812.7 million as of December 31, 2016, resulted from the amortization of the intangible asset on the License starting on December 14, 2014, which is the effectivity date of the Notice to Commence Casino Operations granted by PAGCOR.

Goodwill
The Company recognized goodwill amounting to ₱1,828.6 million, as a result of consolidating Pacific Online starting June 5, 2014.

Other Assets
Other assets decreased by ₱1,079.5 million (36%), to ₱1,954.3 million as of December 31, 2016 from ₱3,033.8 million as of December 31, 2015, mainly due to utilization of prepaid expenses and advances to contractors for capital expenditures related to City of Dreams Manila (see "Estimated Liability on Construction Costs" below).

LIABILITIES
Total liabilities decreased by ₱3,179.4 million (19%), to ₱13,821.2 million as of December 31, 2016 from ₱17,000.5 million as of December 31, 2015, due to the ₱2,533.5 million (99%) decrease in estimated liability on construction costs for City of Dreams Manila and pre-termination of ABLGI contract which led to the decrease of nontrade liability by ₱1,533.1 million from ₱5,295.1 million as of December 31, 2015 to ₱3,762.0 million as of December 31, 2016.

Trade and Other Current Liabilities
Trade and other current liabilities decreased by ₱275.6 million (18%) to ₱1,254.1 million as of December 31, 2016, from ₱1,529.7 million as of December 31, 2015, due mainly to the final payments to contractors of City of Dreams Manila.

Loans Payable and Long-Term Debt
Loans payable and long-term debt owed to financial institutions, amounting to ₱6,621.9 million as of December 31, 2016, pertain to peso loans from various local banks, with an average interest rate of approximately 5.5% per annum. The outstanding amount of these borrowings decreased by ₱637.5 million (11%) from ₱5,984.4 million as of December 31, 2015 due to scheduled principal repayments on term loans.

Estimated Liability on Construction Costs
The Company recorded estimated construction costs totaling ₱7.5 billion in order to complete the structure and utilities of the City of Dreams Manila buildings, as a result of accounting for its lease agreement with MCE as a finance lease (as required under PAS 17). The City of Dreams Manila buildings have a total gross floor area of approximately 30 hectares. This decreased by ₱2,533.5 million (99%), from ₱2,556.8 million as of December 31, 2015 to ₱23.4 million as of December 31, 2016 as the project has been essentially completed, and the remaining liability hereunder pertains mostly to final payments still due to some contractors.

Obligations under Finance Lease
This pertains to Pacific Online's lottery equipment under finance lease accounting.

Nontrade Liability
In 2013, Belle, PLAI, Belle Grande Resource Holdings Corp. ("BGRHC"), AB Leisure Global, Inc. ("ABLGI") and Leisure and Resorts World Corp. ("LRWC") entered into a Memorandum of Agreement (the "MOA"), whereby Belle and PLAI agreed to grant ABLGI the right to the settlement of amounts in consideration of the waiver of ABLGI's rights as casino operator, the termination of ABLGI agreements and the grant of advances of ₱4.0 billion ("ABLGI Advance") as funding for the construction of the casino integrated resort building.

In December 2014, the implementing agreement in the MOA was executed, with the effectivity of terms and conditions retrospective on January 1, 2014. The ₱4.0 billion ABLGI Advance was determined as the fair value of ABLGI's settlement. In 2015, ABLGI advanced an additional ₱780.0 million. Such liability is being accreted over the lease term using the Effective Interest Rate method.

On November 3, 2016, Belle, PLAI, BGRH, ABLGI and LRWC signed an agreement to terminate the MOA of 2013 by the end of March 2017. Under the agreement, Belle will pay, and ABLGI will receive, a total consideration of ₱5,090 million. Of the total consideration, ₱1,018 million was paid upon signing and the balance will be paid simultaneous with the termination of the MOA on or about March 31, 2017.

EQUITY

The Company's shareholders' equity as of December 31, 2016 of ₱27,743.8 million was higher by ₱2,007.3 million (8%), compared to the year-end 2015 of ₱25,736.5 million, due to increase in unrealized gain on available-for-sale financial assets of ₱301.6 million (56%) and consolidated net income of ₱3,096.1 million, partially offset by the ₱1,003.3 million cash dividend declared to its shareholders on March 29, 2016. Excluding the dividend, the Company's shareholders' equity as of December 31, 2016 would have been ₱28,755.4 million, or approximately ₱3,018.9 million (9%) higher than December 31, 2015.

Below are the comparative key performance indicators of the Company and its subsidiaries:

Belle Corporation (consolidated)

	Dec 31, 2016	Dec 31, 2015
Asset to equity ratio	**1.50 : 1.00**	1.66 : 1.00
Current or Liquidity ratio	**1:33 : 1.00**	1.99 : 1.00
Debt-to-equity ratio	**0.24 : 1.00**	0.24 : 1.00
Net debt-to-equity ratio	**0.14 : 1.00**	0.10 : 1.00
Interest rate coverage ratio	**12.09 :1.00**	9.78 :1.00
Return on assets	**7.3%**	3.4%
Return on equity	**11.6%**	6.8%

Premium Leisure Corp. (consolidated)

	Dec 31, 2016	Dec 31, 2015
Asset to equity ratio	**1.04 : 1.00**	1.03 : 1.00
Current or Liquidity ratio	**7.48 : 1.00**	7.14 : 1.00
Debt-to-equity ratio	**0.01 : 1:00**	0.01 : 1:00
Net debt-to-equity ratio	**(0.10) : 1.00**	(0.07) : 1:00
Interest rate coverage ratio	**114.0 : 1:00**	83.0 : 1:00
Return on assets	**6.97%**	1.38%
Return on equity	7.22%	1.41%

Pacific Online Systems Corporation (consolidated)

	Dec 31, 2016	Dec 31, 2015
Asset to equity ratio	**1.18 : 1.00**	1.26 : 1.00
Current or Liquidity ratio	**3.37 : 1.00**	2.74 : 1.00
Debt-to-equity ratio	**0.06 : 1.00**	0.26 : 1.00
Net debt-to-equity ratio	**(0.07) : 1.00**	(0.08) : 1.00
Interest rate coverage ratio	**46.77 : 1.00**	47.81 : 1.00
Return on assets	**17.73%**	15.65%
Return on equity	**21.53%**	19.67%

The above performance indicators are calculated as follows:

Current Ratio	Current Assets / Current Liabilities
Debt to Equity Ratio	Interest-bearing debt / Total Equity
Asset-to-equity Ratio	Total Assets / Total Equity
Return on Equity	Net Income / Average equity during the period
Return on Assets	Net Income / Average assets during the period
Interest Coverage Ratio	Income Before Interest & Tax / Interest Expense
Net debt-to-equity ratio	Interest-bearing debt less cash and cash equivalents / Total Equity

The Company does not foresee any cash flow or liquidity problems over the next twelve months. As of December 31, 2016, consolidated total debt of the Company of ₱6,741.2 million was comprised of borrowings from renewable short-term bank loans of ₱2,000.0 million, amortizing term loans from banks of ₱4,621.9 million and obligations under finance lease of ₱119.3 million. Belle has a number of projects, rental income and expected dividends from subsidiaries from which it expects to generate cash flow sufficient for its foreseeable requirements. Meanwhile, the Company continues to be in compliance with the terms of all of its debt obligations.

As of December 31, 2016, except for what has been noted in the preceding, there were no material events or uncertainties known to management that had a material impact on past performance, or that would have a material impact on the future operations, in respect of the following:

- Any Known Trends, Events or Uncertainties (Material Impact on Liquidity) Material commitments for capital expenditures that are reasonably expected to have a material impact on the Company's short-term or long-term liquidity;

- Events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.

- All material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period.
- Description of any material commitments for capital expenditures, general purpose of such commitments, expected sources of funds for such expenditures:

Under the License granted to PLAI by PAGCOR, the parties designated as Co-Licensees in the Consortium (PLAI, Belle and MCE) are committed to collectively invest a minimum of US$1.0 billion ("Investment Commitment") in the Project. Under the PAGCOR Guidelines, of the US$1.0 billion, US$650.0 million shall be invested upon the opening of the integrated resort and the US$350.0 million balance shall be invested within a period of three (3) years from the commencement of the integrated resort operations. The Investment Commitment shall be composed of the value of the land (up to a maximum of US$150 million) and the development costs of the infrastructures and facilities for the Project. The Consortium already exceeded the $1.0 billion Investment Commitment upon the soft opening of City of Dreams Manila on December 14, 2014.

- Any Known Trends, Events or Uncertainties (Material Impact on Sales)

- Any Significant Elements of Income or Loss (from continuing operations)

2019 Plan of Operations

Belle shifted its principal activity from mining and oil exploration to property development when it developed Tagaytay Highlands in 1989. Residential projects in Tagaytay City include Pinecrest Village, The Villas, The Belle View and The Woodlands. Residential projects in Batangas comprise the Midlands and Greenlands development areas. Among the Midlands residential projects are Alta Mira, Lakeview Heights and Lakeside Fairways. Greenlands residential projects are Plantation Hills and four subdivisions of Saratoga Hills.

Development shifted to the Midlands starting with Alta Mira and Lakeview which were situated near the Tagaytay Midlands Golf Club. Midlands' themed residential subdivisions adjacent to the Tagaytay Midlands Golf Course were thereafter developed in the Lakeside Fairways in 2007. Kew Gardens, Terrazas de Alava, Lakeside Enclave, Tivoli Place, Cotswold and Katsura are fully completed. Yume fairway lots are the last phase of its development. The first three phases of Sycamore Heights has been fully developed including its clubhouse and swimming pool. The latest phase in Sycamore Heights was launched and substantially sold in 2017. As of December 31, 2017, it is 98% complete.

Greenlands known for its American-themed homes in Saratoga Hills consists of The Parks, The Verandas, Fairfield, Nob Hill and the only farming subdivision in Tagaytay Highlands known as Plantation Hills. Subdivisions in Greenlands have been fully developed and is a thriving community of homeowners.

For the gaming side, construction of the Company's integrated resort at the entrance of PAGCOR's Entertainment City was completed during 2015. The site of the integrated resort is on 6.2 hectares of prime land at the corner of Roxas Boulevard and Aseana Avenue in Parañaque City, and it is about one kilometer away from the Mall of Asia complex. On October 25, 2012, Belle and PLAI signed a Cooperation Agreement with Melco Resorts & Entertainment Limited and its Philippine affiliate (collectively, "Melco") for the development and operation of the integrated resort. The Cooperation Agreement places Belle as the licensee and owner of the resort's land and buildings, while Melco's Philippine affiliate, Melco Resorts & Entertainment (Philippines) limited ("MRP") will be the developer and operator of all facilities within the resort complex. Melco is the developer and owner of integrated resort facilities historically focused on the Macau market. Its highly successful "City of Dreams" integrated resort complex on Macau's Cotai Strip houses a gaming facility, several international luxury hotels, and an upscale retail operation, along with a mix of bars and restaurants that draw large crowds from Hong Kong and China. On October 9, 2013, MRP announced the use of the name of Melco's flagship Macau resort to brand the integrated resort as "City of Dreams Manila", and later announced Crown Towers (changed to Nuwa in 2017), Hyatt and Nobu as the hotel brands to be used for the resort's more than 900 hotel rooms. City of Dreams Manila has approximately 30 hectares of gross floor area, which houses more than two hectares of gaming space, more than two hectares of retail and restaurant facilities, more than 900 high-quality hotel rooms and various entertainment facilities. It is currently allowed to operate a maximum of approximately 380 gaming tables, 1,680 slot machines and 1,680 electronic table games.

Belle and MRP estimate combined investment costs, including the estimated value of land used for the project, at approximately US$1.3 billion as of December 31, 2017. The soft opening of City of Dreams Manila took place on December 14, 2014 and the Grand Launch took place on February 2, 2015. Belle and MRP already satisfied the US$1 billion minimum required level of investment and all other PAGCOR Guidelines by the time of its Grand Launch, resulting in City of Dreams Manila being the first property in Entertainment City to be issued a Regular License, on May 5, 2015.

Existing investments will continue to be managed at Belle's listed gaming subsidiary, PLC. PLC, which is 78.7%-owned by Belle as of December 31, 2017, owns 100% of the capital stock of PLAI and 50.1 % of all issued shares of Pacific Online. PLAI is a co-licensee with Belle and MRP under the PAGCOR license for City of Dreams Manila, and is entitled to a share of gaming earnings therefrom through an Operating Agreement with MRP. Pacific Online is a listed company that leases online equipment to the Philippine Charity Sweepstakes Office for its lottery and keno operations.

ANNEX TO MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) SECTION

Events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of obligation

None. The Company does not foresee any events that may trigger material financial obligation to the Company, including default or acceleration of an obligation.

All material off-balance sheet transactions, arrangement, obligations (including contingent obligations), and other relationships of the Company with unconsolidated entities or other persons created during the reporting period

None. There were no material off-balance sheet transactions, arrangement, obligations, and other relationships of the Company with unconsolidated entities or other persons that the Company is aware of during the reporting period.

FINANCIAL STATEMENTS

The consolidated Financial Statements and Supplementary Schedules as of and for the year ended December 31, 2018 listed in the accompanying Index to Financial Statements and Supplementary Schedules are filed as part of this Information Statement. Supplementary information are as follows:

1) Supplementary Schedules

   A. Financial Assets
   B. Amounts Receivable from Directors, Officers, Employees and Principal Stockholders (other than related parties)
   C. Amounts Receivable from related parties which are eliminated during consolidation of financial statements
   D. Intangible Assets - Other Assets
   E. Long-Term Debt
   F. Indebtedness to Related Parties
   G. Guarantees of Securities of Other Issuers
   H. Capital Stock
   I. Reconciliation of Retained Earnings Available for Dividend Declaration
   J. Key Financial Ratios

2) Schedule of all the effective standards and interpretations

3) Map of the relationships of the companies within the group

MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Market Information

The principal market where the registrant's common equity is traded is the Philippine Stock Exchange ("PSE").

The high and low sales prices for each quarter within the last two (2) fiscal years of the registrant's common shares, as quoted on the PSE, are as follows:

Stock Prices in ₱		
	High	Low
2018		
First Quarter	**4.10**	**3.62**
Second Quarter	**3.72**	**3.10**
Third Quarter	**3.28**	**2.42**
Fourth Quarter	**2.55**	**2.16**
2017		
First Quarter	4.05	3.09
Second Quarter	4.39	3.71
Third Quarter	3.94	3.51
Fourth Quarter	3.98	3.64

As of December 31, 2018, Belle's market capitalization amounted to ₱22,552.8 million based on the closing price of ₱2.31 per share. **Belle's market capitalization as of February 28, 2019 amounted to ₱25,188.9 million based on the closing price of ₱2.58 per share.**

Security Holders

Belle has 1,785 shareholders as of February 28, 2019. Common shares outstanding as of February 28, 2019 totaled 9,763,126,297.

The top 20 stockholders as of February 28, 2019, with their corresponding shareholdings and percentage thereof to total shares outstanding, are:

RANK	NAME	No. of Shares Held	% to Total
1	BELLESHARES HOLDINGS, INC.	2,604,740,622	24.664
2	PCD NOMINEE CORPORATION (FILIPINO)	2,578,753,017	24.418
3	PCD NOMINEE CORPORATION (NON-FILIPINO)	2,039,937,999	19.316
4	SYSMART CORPORATION	1,629,353,802	15.428
5	SYBASE EQUITY INVESTMENTS CORPORATION	531,320,577	5.031
6	SOCIAL SECURITY SYSTEM	370,469,140	3.508
7	EASTERN SEC. DEVT. CORP.	171,730,866	1.626
8	JACINTO C. JR. NG	154,153,999	1.460
9	PREMIUM LEISURE CORP.	99,987,719	0.947
10	JACINTO L. SR. NG	88,835,833	0.841
11	PARALLAX RESOURCES INC.	86,308,131	0.817
12	SLW DEVELOPMENT CORPORATION	66,082,333	0.626
13	WILLY N. OCIER	48,541,702	0.460
14	F. YAP SECURITIES, INC.	21,803,732	0.206

RANK	NAME	No. of Shares Held	% to Total
15	PACITA K. YAP OR PHILIP K. YAP	7,000,000	0.066
16	LIM SIEW KIM	6,200,000	0.059
17	JAMES GO	4,816,999	0.046
18	ESTATE OF LEO JOSEPH BLANCHET	4,128,579	0.039
19	WILLIAM T. GABALDON	4,000,000	0.038
20	WASHINGTON Z. SYCIP	3,008,334	0.028

Dividends

In 2015, the Parent Company's Board of Directors approved a regular dividend of ₱0.095 per share, totaling ₱1,003.1 million, which was paid on August 28, 2015, as well as a special dividend of ₱0.18 per share, totaling ₱1,900.0 million, which was paid on March 9, 2015.

On February 29, 2016, the Parent Company's Board of Directors approved the declaration of a regular dividend of ₱0.095 per share, totaling ₱1,003.1 million, payable on March 29, 2016 to stockholders of record as of March 14, 2016.

On February 28, 2017, the Parent Company's Board of Directors approved the declaration of a regular dividend of ₱0.095 per share, totaling ₱1,000.0 million, payable on March 30, 2017 to stockholders of record as of March 14, 2017.

On February 23, 2018, the Parent Company's Board of Directors approved the declaration of a regular dividend of ₱0.12 per share, totaling ₱1,267.3 million, payable on March 23, 2017 to stockholders of record as of March 9, 2018.

On February 28, 2019, the Parent Company's Board of Directors approved the declaration of a regular dividend of ₱0.12 per share, totaling ₱1,171.6 million, payable on March 28, 2019 to stockholders of record as of March 14, 2019.

There is no legal restriction that limits or would likely limit Belle's ability to pay dividends, aside from its retained earnings available for such.

Dividend Policy

1. Subject to the discretion of the Board of Directors, all shareholders have the right to receive dividends.
2. Dividends shall be paid to all shareholders within thirty (30) days from declaration.
3. The Company shall be compelled to declare dividends when its retained earnings shall be in excess of 100% of its paid-in capital stock, except:
   a. When justified by definite corporate expansion projects or programs approved by the Board;
   b. When the Company is prohibited from declaring dividends under any loan agreement with any financial institution or creditor, whether local or foreign, without its consent, and such consent has not been secured;
   c. When it can be clearly shown that such retention is necessary under special circumstances obtaining in the Company, such as when there is a need for special reserve for probable contingencies.

Recent Sales of Unregistered Securities

The Company did not sell or issue securities within the past three (3) years that were not registered under the Securities Regulation Code.

DIRECTORS AND EXECUTIVE OFFICERS

Please refer to the portion of this Information Statement on "Directors and Executive Officers"

COMPLIANCE WITH THE MANUAL OF CORPORATE GOVERNANCE

Corporate Objectives:

1. Deliver the finer things in life to our customers.

- Identify trends and opportunities in tourism and leisure industries.
- Forge partnerships with world-class organizations: Belle has always looked for business partners with a proven track record, domain expertise and similar values.
- Enhance and launch prime leisure amenities and developments.

2. Enhance shareholder value.

- Realize sustained recurring earnings growth year on year.
- Endeavor to model global good governance best practices, and continue to be one of the top 100 Philippine publicly listed companies scoring above 90 points in the annual ASEAN Corporate Governance Scorecard.
- Pay consistent dividends to shareholders.

3. Establish a culture of sustainability across our businesses.

- Embed sustainability in its operations: Sustainability is a core value for Belle Corporation and working with the communities we operate in is a priority for our operations, including programs to lower use of fossil fuels, achieve more efficient waste management, care for the environment and uplift the lives of the less privileged in our communities.
- Establish social partnerships: Belle Kaagapay partners with a number of non-government organizations to expand the reach of its community initiatives.

The Company remains focused on insuring the adoption of systems and practices of good corporate governance in enhancing value for its shareholders.

Board Attendance

Regular meetings of the Board are scheduled at the beginning of the year and are held at least six (6) times annually. Special meetings may also be called by the Chairman, the President or Corporate Secretary. The Board and Committee Meetings for 2019 were scheduled during the Board Meeting in October 2018. A director's absence or non-participation in more than 50% of all meetings in a year is a ground for temporary disqualification in the succeeding election. During 2018, each of the Company's Directors have complied with the requirements. Below table shows the attendance of each board member in the meetings conducted during the year:

Attendance in Board of Directors' Meetings in 2018								
DIRECTOR		23-Feb	15-Mar	23-Apr	23-Apr	27-Jul	26-Oct	13-Dec
1	EMILIO S. D QUIROS, JR.	✓	✓	✓	✓	✓	✓	✓
2	WILLY N. OCIER	✓	✓	✓	✓	✓	✓	✓
3	ELIZABETH ANNE C. UYCHACO	✓	✓	✓	✓	✓	✓	✓
4	MANUEL A. GANA	✓	✓	✓	✓	✓	✓	✓

Attendance in Board of Directors' Meetings in 2018								
DIRECTOR		23-Feb	15-Mar	23-Apr	23-Apr	27-Jul	26-Oct	13-Dec
5	ARTHUR L. AMANSEC	✓	×	✓	✓	✓	✓	×
6	GREGORIO U. KILAYKO	✓	✓	✓	✓	✓	✓	✓
7	JACINTO C. NG, JR.	×	✓	✓	✓	×	✓	✓
8	JOSE T. SIO	✓	✓	✓	✓	✓	✓	✓
9	AMANDO M. TETANGCO, JR.	✓	✓	✓	✓	✓	✓	✓
10	CESAR E.A. VIRATA	✓	✓	✓	✓	✓	✓	✓
11	VIRGINIA A. YAP	✓	✓	✓	✓	✓	✓	✓

Board Performance Evaluation

The Company conducts annual performance evaluations of the Board of Directors, its individual members and Board Committees to ensure optimum Board performance. In this evaluation process, directors identify areas for improvement, some of which are: the timeliness and integrity of information given to them, directors' access to management, the Corporate Secretary and Board Advisors, and other forms of assistance as needed. The Board reviews the results of these evaluations and agrees on clear action plans to address any issues raised.

In line with governance best practices, the board evaluations shall be facilitated by a third party independent assessor every three (3) years reckoned from January 01, 2017 (effectivity date of the 2016 Code of Corporate Governance for Publicly Listed Companies).

Continuing Education Programs

The Board identifies areas of continuing education on corporate governance topics they require. To keep the Board and key officers well-informed of governance related developments, regular annual education programs are conducted in coordination with SM Investments Corporation and training providers duly accredited by the Securities and Exchange Commission.

Manual on Corporate Governance

In compliance with the initiative of the Securities and Exchange Commission ("SEC"), BELLE submitted its Manual on Corporate Governance (the "Manual") to the SEC. This manual institutionalizes the principles of good corporate governance in the entire Company. The Company believes that corporate governance, the framework of rules, systems and processes governing the performance of the Board of Directors and Management of their respective duties and responsibilities, and from which the organization's values and ethics emerge, is of utmost importance to the Company's shareholders and other stakeholders, which include, among others, clients, employees, suppliers, financiers, government and community in which it operates. The Company undertakes every effort possible to create awareness throughout the entire organization.

Board Committees. Even prior to the submission of its Manual, however, the Company already created various Board-level committees. These committees were comprised of:

1. Executive Committee – to oversee the management of the Company and is responsible for the Company's goals, finances and policies
2. Audit Committee – to review financial and accounting matters

3. Nomination Committee – for the selection and evaluation of qualifications of directors and officers. This Committee was merged with the Corporate Governance Committee in April 2017.
4. Compensation and Remuneration Committee – to look into an appropriate remuneration system
5. Risk Oversight Committee – to review the policies and procedures relating to the identification, analysis, management, monitoring and reporting of financial and non-financial risks

   Subsequently, the following Board Committees were created:
6. Related Party Transactions Committee – to assess material agreements with related parties to ensure that the RPT are conducted at market rates and on an arm's length basis
7. Corporate Governance Committee – to assist and advise the Board of Directors in performing corporate governance compliance responsibilities in relation with the Company's Manual on Corporate Governance, the Philippine Code of Corporate Governance, and the disclosure rules of the SEC and the PSE
8. Corporate Social Responsibility Committee – to help strengthen the Corporation's commitment to social development, and aims to balance the business objectives of the Company with social good
9. Environmental and Social Committee – to help protect and sustain the environment and promote the welfare of the communities it operates in.

Code of Business Conduct and Ethics

The Company remains committed to align with the best corporate governance practices following the release of the 2016 Code of Corporate Governance for Publicly Listed Companies. In addition to the Manual on Corporate Governance (MCG), the Company's Code of Business Conduct and Ethics (CBCE) defines good governance, ethics and compliance practices expected throughout the organization. The MCG and CBCE are communicated to directors, officers and employees to ensure familiarity and adherence. These documents are also made public through the Company's corporate website.

Governance Policies

Company policies on governance were developed, submitted to and approved by the Board to protect the interests and rights of the shareholders and stakeholders and to promote transparency and accountability. Such governance related policies are shown below and may be viewed through the BELLE Corporate website: https://www.bellecorp.com/corporate-governance/company-policies. These policies and procedures are initially cascaded throughout the organization via email blast, intranet portal and annual corporate governance trainings.

1. Accountability, Integrity and Vigilance (Whistle-Blowing)
2. Alternative Dispute Resolution
3. Board Diversity
4. Conflict of Interest
5. Corporate Disclosures
6. Directors' Board Seats Held in Other Companies
7. Employees' Safety, Health and Welfare
8. Gifts / Hospitality / Entertainment
9. Insider Trading
10. Related Party Transactions
11. Succession Planning and Retirement Age for Directors and Key Officers
12. Tenure of Independent Directors
13. Vendor Accreditation and Selection

Employee's Safety, Health and Welfare

Non-Financial Performance Indicators. Belle Corporation recognizes its employees as one of its most important resource, hence, the Company endeavors to attract, inspire and retain people who demonstrate competencies and attributes that are aligned with Belle's strategies. Some of Belle's non-financial performance indicators, such as those shown below, identify relevant measures on how effectively the Company is achieving business objectives in the area of human resources.

1. Number of Employees

1.1. Gender Distribution

	Headcount			% Distribution	
Period	Male	Female	Total	Male	Female
YE 2018	74	62	136	54%	46%
YE 2017	78	62	140	56%	44%

Formula(s) used:

1) Percentage distribution (% distribution) is calculated as variable A divided by total, multiplied by 100.

1.2. Distribution by Rank, Gender

Senior Management employees (AVP and up)

	Headcount			% Distribution	
Period	Male	Female	Total	Male	Female
YE 2018	6	8	14	43%	57%
YE 2017	9	7	16	56%	44%

Formula(s) used:

1) Percentage distribution (% distribution) is calculated as variable A divided by total, multiplied by 100.

Middle Management employees (Assistant Manager to Senior Manager)

	Headcount			% Distribution	
Period	Male	Female	Total	Male	Female
YE 2018	20	17	37	54%	46%
YE 2017	18	18	36	50%	50%

Formula(s) used:

1) Percentage distribution (% distribution) is calculated as variable A divided by total, multiplied by 100.

Rank-and-file employees (Entry level to Supervisor)

	Headcount			% Distribution	
Period	Male	Female	Total	Male	Female
YE 2018	48	37	85	56%	44%
YE 2017	51	37	88	58%	42%

Formula(s) used:

1) Percentage distribution (% distribution) is calculated as variable A divided by total, multiplied by 100.

2. Hiring Rate

Period	New hires	Hiring rate
YE 2018	14	10%
YE 2017	19	14%

Formula(s) used:

1) Hiring rate is calculated as total no. of new hires divided total headcount, multiplied by 100.

3. Turnover / Attrition Rate

Average years of tenure of BELLE regular employees as of 12.31.2018 is 9.42 years.

Period	Turnover	Turnover rate
YE 2018	18	13%
YE 2017	23	

Formula(s) used:

1) Attrition rate is calculated as total no. of separations/resignations divided by the average no. of employees, multiplied by 100.

1.1) Average no. of employees is computed as YE 2017 headcount plus YE 2018 headcount, divided by 2.

4. Performance Review

	Headcount			% assessed by gender		% over total headcount
Period	Male	Female	Total	Male	Female	
YE 2018	71	51	122	96%	82%	90%
YE 2017	67	57	124	86%	92%	89%

Formula(s) used:
1) Percentage assessed by gender (% assessed by gender) is calculated as gender headcount assessed divided by total gender headcount, multiplied by 100.

2) Percentage over total headcount (% over total headcount) is calculated as total employees assessed divided by total headcount, multiplied by 100.

5. Training Hours

	Total training hours (in man-hours)			Average training hours		
Period	Male	Female	Total	Male	Female	Total
YE 2018	510	460	970	689%	741%	713%
YE 2017	243	364	607	312%	587%	434%

Formula(s) used:

1) Average training hours per gender is calculated as total training hours provided to gender, divided by total gender headcount, multiplied by 100.

Board Diversity. The Company values and promotes a diversity policy in the composition of our Company's Board of Directors to reinforce its effectiveness in providing strategic direction, oversight and compliance with laws and regulations.

The Belle Board matrix below demonstrates compliance with this policy.

				INDUSTRY EXPERIENCE / EXPERTISE / COMPETENCIES																			
NAME and DESIGNATION	**AGE**	**GENDER**	**EDUCATIONAL BACKGROUND**	Accounting / Audit	Anti-Money Laundering	Banking	Construction	Corp. Gov.	Economics	Finance	Hospitality / Leisure	IT / Comm	Insurance	Investment	Internal Control	Law	Management	Manufacturing	Mining	Real Estate	Retail	Risk Management	Sales & Mktg.
Emilio S. De Quiros, Jr. Chairman Non-Executive Director	69	M	Bachelor of Arts in Economics Master of Arts in Economics		✓	✓		✓	✓	✓			✓	✓			✓		✓	✓		✓	
Willy N. Ocier Vice-Chairperson Executive Director	61	M	Bachelor of Arts in Economics					✓	✓	✓	✓	✓		✓			✓			✓	✓	✓	✓
Elizabeth Anne C. Uychaco Vice-Chairperson Non-Executive Director	62	F	Bachelor of Arts Degree Bachelor of Science Degree Master in Business Administration				✓	✓	✓	✓	✓	✓	✓	✓			✓	✓		✓	✓	✓	
Manuel A. Gana President & CEO Executive Director	61	M	Bachelor of Arts in Economics Bachelor of Science in Accounting Master of Business Administration	✓	✓	✓		✓	✓	✓	✓	✓		✓	✓		✓	✓		✓		✓	
Arthur L. Amansec Non-Executive Director	71	M	Bachelor of Arts Degree Bachelor of Laws Degree Master of Laws Degree					✓	✓	✓			✓	✓		✓	✓			✓		✓	
Gregorio U. Kilayko, Jr. Independent Director	63	M	Bachelor Degree Master of Business Administration	✓	✓	✓		✓	✓	✓	✓			✓			✓			✓		✓	
Jacinto C. Ng, Jr. Non-Executive Director	49	M	Bachelor of Science Degree Architecture	✓	✓	✓	✓	✓	✓	✓	✓			✓			✓			✓		✓	✓
Jose T. Sio Non-Executive Director	79	M	Accounting Degree Master in Business Administration	✓	✓	✓	✓	✓	✓	✓	✓			✓	✓		✓		✓	✓	✓	✓	
Amando M. Tetangco, Jr. Independent Director	65	M	AB Economics Degree Master in Business Administration Master in Public Policy & Administration		✓	✓		✓	✓	✓		✓		✓			✓			✓		✓	
Cesar E.A. Virata Lead Independent Direct	87	M	Bachelor Degree in Mechanical Eng'g. Bachelor in Business Administration Master of Business Administration		✓	✓	✓	✓	✓	✓	✓	✓		✓			✓			✓		✓	
Virginia A. Yap Non-Executive Director	66	F	Bachelor of Science Degree Commerce, Accounting Major	✓				✓	✓	✓		✓		✓			✓			✓		✓	

Insider Trading Policy. Belle Corporation prohibits the Company's directors, officers, and employees from using privileged company information for personal gain. View Trading of BEL shares.

Below table shows the shareholdings of Belle Directors and Officers as of December 31, 2018:

Shareholdings as of 12.31.2018					
Name of Director / Officer	Number of Shares held as of 12.31.2017	2018 Acquisition (+)	2018 Disposition (-)	Number of Shares held as of 12.31.2018	% of ownership
Jacinto C. Ng., Jr.	135,860,666	-	-	135,860,666	1.29%
Willy N. Ocier	44,197,702	3,338,000	-	47,535,702	0.45%
Nancy O. Hui	3,500,000	-	-	3,500,000	0.03%
A.Bayani K. Tan	347,341	-	-	347,341	0.00%
Virginia A. Yap	160,000	-	-	160,000	0.00%
Manuel A. Gana	1,000	50,000	-	51,000	0.00%
Emilio S. De Quiros, Jr.	50,001	-	-	50,001	0.00%
Rogelio I. Robang	20,000	-	-	20,000	0.00%
Jose T. Sio	1,000	-	-	1,000	0.00%
Elizabeth Anne C. Uychaco	1,000	-	-	1,000	0.00%
Amando M. Tetangco, Jr.	1,000	-	-	1,000	0.00%
Gonzalo T. Duque[1]	1	-	-	1	0.00%
Arthur L. Amansec[1]	-	1	-	1	0.00%
Gregorio U. Kilayko	1	-	-	1	0.00%
Cesar E. A. Virata	1	-	-	1	0.00%
TOTALS	184,139,713	3,388,001	0	187,527,714	1.78%

[1] Mr. Duque resigned on February 28, 2018 and was replaced by Atty. Amansec.

Directorships of Non-Executive Directors in other Listed Companies. In February 2018, the Board of Directors has approved the setting of a maximum limit of five (5) publicly-listed corporations, including Belle Corporation, for Non-Executive Directors to simultaneously hold at any given time.

Tenure of Independent Directors. Further, the Board has approved the setting of maximum tenure of nine (9) years with year 2012, or date of the commencement of their term assuming it is later than January 2012, as reckoning date. The Independent Director (ID) may serve as a Non-Executive Director after his term as an ID.

Chief Compliance Officer. The Company, through its Chief Compliance Officer, stresses full compliance with applicable laws and adherence to ethical practices as stated in the Code of Business Conduct and Ethics (CBCE) and the Manual on Corporate Governance (MCG).

The Board establishes the major goals, policies and objectives of the Company, as well as the means to monitor and evaluate the performance of Management. The Board also ensures that adequate internal control mechanisms are implemented and properly complied in all levels.

The Company is not aware of any non-compliance with its Manual on Corporate Governance, by any of its directors, officers or employees.

UNDERTAKING TO PROVIDE PRINTED COPIES OF THE INFORMATION STATEMENT AND ANNUAL REPORT

UPON WRITTEN REQUEST OF ANY SHAREHOLDER OF RECORD ENTITLED TO NOTICE OF AND VOTE AT THE MEETING, THE COMPANY SHALL FURNISH SUCH SHAREHOLDER WITH A COPY OF THE COMPANY'S INFORMATION STATEMENT (ON SEC FORM 20-IS) AND ANNUAL REPORT (ON SEC FORM 17-A) WITHOUT CHARGE. ANY SUCH WRITTEN REQUEST SHALL BE ADDRESSED TO:

ATTY. A. BAYANI K. TAN
Corporate Secretary

BELLE CORPORATION
5th FLOOR TOWER A, TWO E-COM CENTER
PALM COAST AVENUE, MALL OF ASIA COMPLEX
CBP-1, PASAY CITY 1300, PHILIPPINES
Email: bayani.tan@bellecorp.com
Tel No.: 632-662-8888
Fax no.: 632-662-8890

BELLE
CORPORATION

STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR CONSOLIDATED FINANCIAL STATEMENTS

SECURITIES AND EXCHANGE COMMISSION
Secretariat Building, PICC Complex
Roxas Boulevard, Metro Manila Philippines

The management of Belle Corporation and Subsidiaries is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended December 31, 2018 and 2017, 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 the consolidated 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.

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

EMILIO S. DE QUIROS JR.
Chairman of the Board

MANUEL A. GANA
President and Chief Executive Officer

JACKSON T. ONGSIP
Executive Vice President
and Chief Financial Officer

Signed February 28, 2019

SUBSCRIBED AND SWORN to before me this __th day of FEB 28 2019 2019 affiants exhibiting to me their Passports/TIN, as follows:

NAME	PASSPORT/ TIN No.	DATE OF ISSUE	PLACE OF ISSUE
Emilio S. De Quiros Jr.	Passport # TIN#	July 17, 2017	DFA NCR East
Manuel A. Gana	Passport # TIN#	August 9, 2016	DFA Manila
Jackson T. Ongsip	Passport # TIN#	July 30, 2015	DFA Manila

DOC No. 493;
PAGE NO. 79;
BOOK NO. XX;
SERIES OF 2019;

ATTY. ARTHUR A. SY
NOTARY PUBLIC
UNTIL DECEMBER 31, 2019
PTR NO. 7347749 / 01.11.19 / MAKATI CITY
IBP NO. 548832 / 01.07.02 / PPLM
TIN 174-674-196 ROLL NO. 40024
MCLE NO. V 0011465 / 11.02.15

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
Belle Corporation
5th Floor, Tower A, Two E-Com Center
Palm Coast Avenue, Mall of Asia Complex
CPB-1A, Pasay City

Opinion

We have audited the consolidated financial statements of Belle Corporation and its subsidiaries ("the Company"), which comprise the consolidated statements of financial position as at December 31, 2018 and 2017, 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, 2018, 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 Company as at December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2018 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 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 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.

Recoverability of Goodwill in Pacific Online Systems Corporation (POSC)

Under PFRS, the Company is required to annually test the amount of goodwill for impairment. As of December 31, 2018, goodwill arising from the acquisition of POSC amounted to ₱1,717.6 million out of a total goodwill balance of ₱1,721.3 million. The Company's assessment of the recoverable amount of the POSC cash generating unit (CGU) was based on value-in-use calculation. In addition, management's assessment process requires significant judgment and is based on assumptions, specifically revenue growth rate, discount rate and the long-term growth rate. Given the significant level of management judgment and estimation involved in the value-in-use calculation, we considered this area to be a key audit matter.

The Company's disclosures about goodwill are included in Note 18 to the consolidated financial statements.

Audit Response

We involved our internal specialist in evaluating the methodologies and the assumptions used. These assumptions include revenue growth rate, discount rate and the long-term growth rate. We compared the key assumptions used, such as revenue growth rate against the historical performance of the CGU and other relevant external data. We tested the parameters used in the determination of the discount rate against market data. We also reviewed the Company's disclosures about those assumptions to which the outcome of the impairment test is most sensitive; specifically those that have the most significant effect on the determination of the recoverable amount of goodwill.

Adoption of PFRS 15, Revenue from Contracts with Customers

Effective January 1, 2018, the Company adopted the new revenue recognition standard, PFRS 15, *Revenue from Contracts with Customers*, under modified retrospective approach. The adoption of PFRS 15 resulted in significant changes in the Company's revenue process, policies and procedures and revenue recognition accounting policy. The following matters are significant to our audit because these involve application of significant judgment and estimation: (1) identification of the contract for sale of real estate property that would meet the requirements of PFRS 15; (2) assessment of the probability that the entity will collect the consideration from the buyer; (3) determination of the transaction price; (4) application of the output method as the measure of progress in determining real estate revenue; (5) determination of the actual costs incurred as cost of sales; and (6) recognition of cost to obtain a contract.

The Company identifies the contract to sell to meet all the criteria required under PFRS 15 for a valid revenue contract that contains each party's rights regarding the real estate property to be transferred, the payment terms and the contract's commercial substance.

In evaluating whether collectability of the amount of consideration is probable, the Company considers the significance of the buyer's initial payments in relation to the total contract price (or buyer's equity). Collectability is also assessed by considering factors such as past history with the buyer, age and pricing of the property. Management regularly evaluates the historical sales cancellations if it would still support its current threshold of buyers' equity before commencing revenue recognition.

In determining the transaction price, the Company considers the selling price of the real estate property and other fees and charges collected from the buyers that are not held on behalf of other parties.

In measuring the progress of its performance obligation over time, the Company uses the output method. This method measures progress based on physical proportion of work done on the real estate project which requires technical determination by the Company's project engineers.

In determining the actual costs incurred to be recognized as cost of sales, the Company estimates costs incurred on materials, labor and overhead which have not yet been billed by the contractor.

The Company identifies sales commission after contract inception as the cost of obtaining the contract. For contracts which qualified for revenue recognition, the Company capitalizes the total sales commission due to sales agent as cost to obtain contract and recognizes the related commission payable. The Company uses percentage of completion (POC) method in amortizing sales commission consistent with the Company's revenue recognition policy.

The disclosures related to the adoption of PFRS 15, including available practical expedients applied by the Company, are included in Note 3 to the consolidated financial statements.

Audit Response

We obtained an understanding of the Company's revenue recognition process, including the process of implementing the new revenue recognition standard. We reviewed the PFRS 15 adoption papers and accounting policies prepared by management, including revenue streams identification and scoping, and contract analysis.

For the buyers' equity, we evaluated management's basis of the buyer's equity by comparing this to the historical analysis of sales collections from buyers with accumulated payments above the collection threshold. We traced the analysis to supporting documents such as contract to sell, term sheets and receivables schedule.

For the determination of the transaction price, we obtained an understanding of the nature of other fees charged to the buyers. For selected contracts, we agreed the amounts excluded from the transaction price against the expected amounts required to be remitted to the government based on existing tax rules and regulations (e.g., transfer taxes and real property taxes).

For the application of the output method in determining real estate revenue, we obtained an understanding of the Company's processes for determining the POC. We obtained the certified POC reports prepared by the project engineers and assessed their competence and objectivity by reference to their qualifications, experience and reporting responsibilities. For selected projects, we conducted ocular inspections, made relevant inquiries and obtained the supporting details of POC reports showing the completion of the major activities of the project construction.

For the cost of sales, we obtained an understanding of the Company's cost accumulation process and performed tests of the relevant controls. For selected projects, we traced costs accumulated, including those incurred but not yet billed costs, to supporting documents such as contracts, notice to proceed and progress billings.

For the recognition of cost to obtain a contract, we obtained an understanding of the sales commission process. For selected contracts, we agreed the basis for calculating the sales commission capitalized and portion recognized in profit or loss, particularly (a) the percentage of commission due against contracts with sales agents, (b) the total commissionable amount (e.g., net contract price) against the related contract to sell, and, (c) the POC against the POC used in recognizing the related revenue from real estate sales.

We evaluated the disclosures made in the financial statements on the adoption of PFRS 15.

Adoption of PFRS 9, Financial Instruments

On January 1, 2018, the Company adopted PFRS 9, *Financial Instruments*. PFRS 9, which replaced PAS 39, *Financial Instruments: Recognition and Measurement*, provides revised principles for classifying financial assets and introduces a forward-looking expected credit loss model to assess impairment on debt financial assets not measured at fair value through profit or loss. The Company adopted the modified retrospective approach in adopting PFRS 9.

1. Classification of Financial Assets

   As at January 1, 2018 (the transition date), the Company classified its financial assets based on its business models for managing these financial assets and the contractual cash flow characteristics of the financial assets. This resulted to transition adjustments that increased retained earnings and decreased other comprehensive income by ₱548.0 million. Thereafter, the financial assets were accounted for based on the transition date classification, while newly originated or acquired financial assets were also classified based on the PFRS 9 classification criteria.

   The Company's application of the PFRS 9 classification criteria is significant to our audit as the classification determines how financial assets are measured and accounted for in the financial statements.

   The disclosures in relation to the adoption of the PFRS 9 classification criteria are included in Notes 3 and 14 to the consolidated financial statements.

Audit Response

We obtained an understanding of the Company's contracts review process to establish the contractual cash flow characteristics of debt financial assets, including the identification of standard and non-standard contracts, and reviewed the assessment made by management by inspecting underlying contracts on a sample basis. We obtained the approved business models for the Company's portfolios of financial assets. We compared the parameters set within the business models with the investment/risk management policies of the Company. For significant portfolios, we assessed frequency and relative amount of sales in the past, understood how the business performance is measured and evaluated performance measurement reports.

We test computed the transition adjustments and evaluated the disclosures on the adoption of the PFRS 9 classification criteria made in the financial statements.

2. Expected Credit Loss

The Company’s adoption of the expected credit loss (ECL) model on real estate receivables is significant to our audit as it involves the exercise of significant management judgment. Key areas of judgment include: determining the method to estimate lifetime ECL; defining default; determining assumptions to be used in the ECL model such as the expected life of the financial asset and timing and amount of expected net recoveries from defaulted accounts; and incorporating forward-looking information in calculating ECL.

Refer to Note 3 to the consolidated financial statements for the details of the allowance for credit losses using the ECL model.

Audit Response

We obtained an understanding of the approved methodologies and models used for the Company’s different credit exposures and assessed whether these considered the requirements of PFRS 9 to reflect an unbiased and probability-weighted outcome, the time value of money and, the best available forward-looking information. We (a) assessed the Company’s segmentation of its credit risk exposures based on homogeneity of credit risk characteristics; (b) checked the methodology used in applying the simplified approach by evaluating the key inputs, assumptions, and formulas used; (c) compared the definition of default against historical analysis of accounts and credit risk management policies and practices in place, (d) tested loss given default by inspecting historical recoveries including the timing, related direct costs, and write-offs; (e) evaluated the forward-looking information used for overlay through statistical test and corroboration using publicly available information and our understanding of the Company’s lending portfolios and broader industry knowledge; and (f) tested the effective interest rate, or an approximation thereof, used in discounting the expected loss.

Further, we checked the data used in the ECL models, such as the historical analysis of defaults, and recovery data, by reconciling data from the source system reports and schedules to models. We also assessed the assumptions used where there are missing or insufficient data.

We recalculated impairment provisions on a sample basis. We test computed the transition adjustments and evaluated the disclosures made in the financial statements on allowance for credit losses using the ECL model.

Reclassification of Lease

Under PFRS, the Company can reassess its lease classification if there are changes in the provisions of the lease, other than by renewing the lease, in a manner that would have resulted in a different classification of the lease if the changed terms had been in effect at the inception of the lease. In 2018, the Company reclassified its lease of building from finance lease to operating lease as a result of modification of the terms and cash flows of the existing lease with the change in use of the leased asset. The reclassification of the lease involves significant management judgments and estimates. Thus, we considered this as a key audit matter.

The Company’s disclosures on the reclassification of lease was disclosed in Notes 15 and 37 to the consolidated financial statements.

Audit Response

We obtained understanding of the Company's basis and assessment process on the reclassification of the lease. We obtained third party occupancy study evaluating the actual use of the leased asset. We involved our internal specialist in evaluating the methodologies and assumptions used in estimating the fair value of the leased asset. We reviewed management's assessment of the factors that are relevant in the reclassification of the lease, which includes the present value of the minimum lease payments, fair value of the leased asset and useful life of the asset.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2018, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2018 are expected to be made available to us after the date of this auditor's report.

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

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

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 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 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 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 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 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 Company 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 Company to express an opinion on the consolidated 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.

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 Belinda T. Beng Hui.

SYCIP GORRES VELAYO & CO.

Belinda T. Beng Hui

Belinda T. Beng Hui
Partner
CPA Certificate No. 88823
SEC Accreditation No. 0923-AR-2 (Group A),
May 1, 2016, valid until May 1, 2019
Tax Identification No. 153-978-243
BIR Accreditation No. 08-001998-78-2018,
March 14, 2018, valid until March 13, 2021
PTR No. 7332528, January 3, 2019, Makati City

February 28, 2019

BELLE CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in Thousands)

	December 31	
	2018	2017 (As Reclassified - Note 11)
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 8 and 43)	**₱2,653,717**	₱3,711,248
Financial assets at fair value through profit or loss (Notes 9 and 43)	**155,705**	2,279,666
Receivables (Notes 10 and 43)	**1,309,181**	1,706,269
Contract assets - current (Notes 3, 10 and 43)	**417,164**	–
Real estate for sale - at cost (Note 11)	**475,785**	643,265
Land held for future development - at cost (Note 3 and 11)	**2,998,577**	3,099,166
Current portion of finance lease receivable (Notes 37 and 43)	**–**	1,689,973
Other current assets (Notes 12 and 43)	**1,763,057**	1,347,963
Total Current Assets	**9,773,186**	14,477,550
Noncurrent Assets		
Contract assets - net of current portion (Notes 3, 10 and 43)	**640,569**	–
Financial assets at fair value through other comprehensive income (Notes 14 and 43)	**4,770,772**	–
Investments in and advances to associates - net (Notes 13, 39 and 43)	**78,017**	77,975
Investment properties (Notes 15 and 37)	**20,094,843**	1,869,025
Intangible asset (Note 17)	**4,581,040**	5,001,237
Goodwill (Note 18)	**1,721,327**	1,832,261
Property and equipment (Note 16)	**363,939**	648,444
Pension asset (Note 38)	**7,856**	13,414
Receivable from real estate - net of current portion (Notes 10 and 43)	**–**	389,515
Available-for-sale financial assets (Notes 14 and 43)	**–**	2,475,287
Finance lease receivable - net of current portion (Notes 37 and 43)	**–**	16,393,208
Deferred tax assets (Note 36)	**8,864**	15,440
Other noncurrent assets (Notes 19 and 43)	**450,673**	540,337
Total Noncurrent Assets	**32,717,900**	29,256,143
TOTAL ASSETS	**₱42,491,086**	₱43,733,693
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other current liabilities (Notes 20, 39 and 43)	**₱2,110,143**	₱2,011,183
Loans payable (Notes 21 and 43)	**1,500,017**	2,500,017
Income tax payable	**9,415**	29,434
Estimated liability on construction costs (Note 15)	**–**	18,646
Current portion of:		
Long-term debt (Notes 23 and 43)	**2,091,319**	1,056,944
Obligations under finance lease (Notes 37 and 43)	**19,379**	39,489
Total Current Liabilities	**5,730,273**	5,655,713

(Forward)

	December 31	
	2018	2017 (As Reclassified – Note 11)
Noncurrent Liabilities		
Noncurrent portion of:		
Long-term debt (Notes 23 and 43)	**₱3,911,111**	₱5,202,431
Obligations under finance lease (Notes 37 and 43)	**15,995**	35,374
Pension liability (Note 38)	**8,582**	24,102
Deferred tax liabilities - net (Note 36)	**2,667,581**	2,220,559
Other noncurrent liabilities (Note 22)	**312,313**	234,340
Total Noncurrent Liabilities	**6,915,582**	7,716,806
TOTAL LIABILITIES	**12,645,855**	13,372,519
Equity Attributable to Equity Holders of the Parent		
Common stock (Note 25)	**10,561,000**	10,561,000
Additional paid-in capital	**5,503,731**	5,503,731
Treasury shares (Note 25)	**(2,476,700)**	(181,185)
Equity share in cost of Parent Company shares held by associates (Note 13)	**(2,501)**	(2,501)
Cost of Parent Company common shares held by subsidiaries (Note 25)	**(1,695,369)**	(1,585,336)
Other reserves (Notes 2 and 38)	**4,106,775**	4,411,261
Excess of acquisition cost over net assets of acquired subsidiaries	**252,040**	252,040
Retained earnings (Note 25)	**10,221,830**	8,194,187
Total Equity Attributable to Equity Holders of the Parent	**26,470,806**	27,153,197
Non-controlling Interests	**3,374,425**	3,207,977
Total Equity	**29,845,231**	30,361,174
TOTAL LIABILITIES AND EQUITY	**₱42,491,086**	₱43,733,693

See accompanying Notes to Consolidated Financial Statements.

BELLE CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Thousands, Except Per Share Amounts)

	Years Ended December 31		
	2018	2017	2016
REVENUE			
Gaming revenue share - net (Notes 26 and 40)	**₱3,211,857**	₱2,609,353	₱1,642,976
Interest income on finance lease (Note 37)	**1,663,824**	2,069,841	2,003,840
Equipment rental (Notes 37 and 40)	**1,448,318**	1,840,521	1,579,661
Lease income (Notes 15 and 37)	**724,431**	190,021	190,042
Sale of real estate	**670,527**	596,667	350,253
Commission and distribution income	**487,626**	479,472	308,438
Revenue from property management	**186,194**	115,939	127,168
Others (Note 27)	**122,235**	110,246	119,130
	8,515,012	8,012,060	6,321,508
COSTS AND EXPENSES			
Cost of lottery services (Note 28)	**(1,270,160)**	(1,238,442)	(931,263)
Cost of real estate sold (Notes 11 and 30)	**(363,568)**	(256,500)	(120,517)
Cost of gaming operations (Note 29)	**(178,264)**	(234,630)	(416,507)
Cost of lease income (Note 31)	**(341,600)**	(196,831)	(209,391)
Cost of services for property management (Note 32)	**(134,960)**	(68,907)	(63,813)
General and administrative expenses (Note 33)	**(1,668,051)**	(1,467,255)	(957,280)
	(3,956,603)	(3,462,565)	(2,698,771)
OTHER INCOME (EXPENSES)			
Interest expense (Note 34)	**(464,861)**	(503,665)	(355,779)
Interest income (Note 34)	**58,251**	29,577	28,782
Unrealized gain (loss) on financial asset at fair value through profit or loss (Note 9)	**(11,903)**	67,705	148,554
Net foreign exchange gain (loss)	**(683)**	(1,641)	(10,816)
Accretion of nontrade liability (Note 24)	–	–	(455,229)
Gain on finance lease	–	–	15,882
Other income (loss) (Note 35)	**(325,169)**	166,149	981,628
	(744,365)	(241,875)	353,022
INCOME BEFORE INCOME TAX	**3,814,044**	4,307,620	3,975,759
PROVISION FOR INCOME TAX (Note 36)			
Current	**225,415**	316,330	283,461
Deferred	**363,495**	480,649	596,175
	588,910	796,979	879,636
NET INCOME	**3,225,134**	3,510,641	3,096,123

(Forward)

	Years Ended December 31		
	2018	2017	2016
OTHER COMPREHENSIVE INCOME (LOSS)			
Items to be reclassified to profit or loss in subsequent periods:			
Unrealized gain on available-for-sale financial assets - net (Note 14)	**₱–**	₱605,066	₱653,381
Realized gain on available-for-sale financial assets transferred to profit or loss (Note 14)	–	(76,546)	(351,680)
	–	528,520	301,701
Items not to be reclassified to profit or loss in subsequent periods:			
Unrealized gain on financial assets at FVOCI (Note 14)	**283,020**	–	–
Remeasurement gain (loss) of pension asset/liability - net (Note 38)	**23,430**	(7,184)	(5,972)
Income tax effect	**(7,029)**	2,155	2,797
	299,421	(5,029)	(3,175)
TOTAL OTHER COMPREHENSIVE INCOME	**299,421**	523,491	298,526
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**₱3,524,555**	₱4,034,132	₱3,394,649
Net income attributable to:			
Equity holders of the parent (Note 42)	**₱2,647,757**	₱2,872,412	₱2,700,117
Non-controlling interests	**577,377**	638,229	396,006
	₱3,225,134	₱3,510,641	₱3,096,123
Total comprehensive income attributable to:			
Equity holders of the parent	**₱2,944,525**	₱3,395,620	₱2,998,685
Non-controlling interests	**580,030**	638,512	395,964
	₱3,524,555	₱4,034,132	₱3,394,649
Basic/Diluted Earnings Per Share (Note 42)	**₱0.267**	₱0.282	₱0.266

See accompanying Notes to Consolidated Financial Statements.

BELLE CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2018, 2017 AND 2016

(Amounts in Thousands)

	Attributable to Equity Holders of the Parent														
						Other Reserves									
	Common Stock (Note 25)	Additional Paid-in Capital	Treasury Shares (Note 25)	Equity Share in Cost of Parent Company Shares Held by Associates (Notes 13 and 25)	Cost of Parent Company Common Shares Held by Subsidiaries (Note 25)	Unrealized Gain on Available-for-Sale Financial Assets - net (Note 14)	Unrealized Gain on Financial Assets at Fair Value Through OCI - net (Note 14)	Share in Unrealized Gain (Loss) on Available-for-Sale Financial Assets of Associates (Note 13)	Remea-surement of Pension Income (Expense) (Note 38)	Transactions with Non-Controlling Interests	Excess of Acquisition Cost over Net Assets of Acquired Subsidiaries	Retained Earnings (Note 25)	Total	Non-controlling Interests (Note 25)	Total Equity
Balance at January 1, 2018	₱10,561,000	₱5,503,731	(₱181,185)	(₱2,501)	(₱1,585,336)	₱1,365,375	₱–	₱14,061	(₱12,303)	₱3,044,128	₱252,040	₱8,194,187	₱27,153,197	₱3,207,977	₱30,361,174
Adoption impact of PFRS 9:															
Unrealized loss transferred from retained earnings to other comprehensive income	–	–	–	–	–	–	(547,998)	–	–	–	–	547,998	–	–	–
Realized gain on sale previously recognized in profit or loss	–	–	–	–	–	528,002	–	–	–	–	–	(528,002)	–	–	–
Reclassification of realized gain to retained earnings	–	–	–	–	–	(528,002)	–	–	–	–	–	528,002	–	–	–
Impairment loss transferred from retained earnings to other comprehensive income	–	–	–	–	–	–	(23,355)	–	–	–	–	23,355	–	–	–
Reclassification of cumulative unrealized gain	–	–	–	–	–	(1,365,375)	1,365,375	–	–	–	–	–	–	–	–
Balance at January 1, 2018, as restated	10,561,000	5,503,731	(181,185)	(2,501)	(1,585,336)	–	794,022	14,061	(12,303)	3,044,128	252,040	8,765,540	27,153,197	3,207,977	30,361,174
Purchase of treasury shares	–	–	(2,295,515)	–	–	–		–	–	–	–	–	(2,295,515)	(16,607)	(2,312,122)
Acquisition of additional Parent Company shares by POSC (Note 25)	–	–	–	–	(110,033)	–	–	–	–	–	–	–	(110,033)	–	(110,033)
Cash dividends (Notes 2 and 25)	–	–	–	–	–	–	–	–	–	–	–	(1,221,368)	(1,221,368)	(396,975)	(1,618,343)
Realized gain on financial assets at FVOCI transferred to retained earnings	–	–	–	–	–	–	(29,901)	–	–	–	–	29,901	–	–	–
Net income	–	–	–	–	–	–	–	–	–	–	–	2,647,757	2,647,757	577,377	3,225,134
Unrealized gain on financial assets at FVOCI - net (Note 14)	–	–	–	–	–	–	282,936	–	–	–	–	–	282,936	84	283,020
Remeasurement loss on pension asset (liability) – net	–	–	–	–	–	–	–	–	13,832	–	–	–	13,832	2,569	16,401
Total comprehensive income (loss) for the year	–	–	–	–	–	–	282,936	–	13,832	–	–	2,647,757	2,944,525	580,030	3,524,555
Balance at December 31, 2018	₱10,561,000	₱5,503,731	(₱2,476,700)	(₱2,501)	₱1,695,369	₱–	₱1,047,057	₱14,061	₱1,529	₱3,044,128	₱252,040	₱10,221,830	₱26,470,806	₱3,374,425	₱29,845,231

	Attributable to Equity Holders of the Parent													
						Other Reserves								
	Common Stock (Note 25)	Additional Paid-in Capital	Treasury Shares (Note 25)	Equity Share in Cost of Parent Company Shares Held by Associates (Notes 13 and 25)	Cost of Parent Company Common Shares Held by Subsidiaries (Note 25)	Unrealized Gain on Available-for-Sale Financial Assets - net (Note 14)	Share in Unrealized Gain (Loss) on Available-for-Sale Financial Assets of Associates (Note 13)	Remea-surement of Pension Income (Expense) (Note 38)	Transactions with Non-Controlling Interests	Excess of Acquisition Cost over Net Assets of Acquired Subsidiaries	Retained Earnings (Note 25)	Total	Non-controlling Interests (Note 25)	Total Equity
Balance at January 1, 2017	₱10,561,000	₱5,503,731	(₱181,185)	(₱2,501)	(₱1,758,264)	₱836,876	₱14,061	(₱7,012)	₱3,075,776	₱252,040	₱6,289,302	₱24,583,824	₱3,159,958	₱27,743,782
Purchase of treasury shares by POSC	–	–	–	–	–	–	–	–	–	–	–	–	(211,841)	(211,841)
Acquisition of non-controlling interest in subsidiaries (Note 25)	–	–	–	–	–	–	–	–	–	–	–	–	(36,549)	(36,549)
Sale of Parent Company shares by POSC	–	–	–	–	204,582	–	–	–	(31,648)	–	–	172,934	–	172,934
Acquisition of additional Parent Company shares by POSC	–	–	–	–	(31,654)	–	–	–	–	–	–	(31,654)	–	(31,654)
Cash dividends (Notes 2 and 25)	–	–	–	–	–	–	–	–	–	–	(967,527)	(967,527)	(342,103)	(1,309,630)
Net income	–	–	–	–	–	–	–	–	–	–	2,872,412	2,872,412	638,229	3,510,641
Remeasurement loss of pension asset (liability) – net	–	–	–	–	–		–	(5,291)	–	–	–	(5,291)	262	(5,029)
Unrealized gain on available-for-sale financial assets - net (Note 14)	–	–	–	–	–	528,499	–	–	–	–	–	528,499	21	528,520
Total comprehensive income (loss) for the year	–	–	–	–	–	528,499	–	(5,291)	–	–	2,872,412	3,395,620	638,512	4,034,132
Balance at December 31, 2017	₱10,561,000	₱5,503,731	(₱181,185)	(₱2,501)	(₱1,585,336)	₱1,365,375	₱14,061	(₱12,303)	₱3,044,128	₱252,040	₱8,194,187	₱27,153,197	₱3,207,977	₱30,361,174

	Common Stock (Note 25)	Additional Paid-in Capital	Treasury Shares (Note 25)	Equity Share in Cost of Parent Company Shares Held by Associates (Notes 13 and 25)	Cost of Parent Company Common Shares Held by Subsidiaries (Note 25)	Unrealized Gain on Available-for-Sale Financial Assets - net (Note 14)	Share in Unrealized Gain (Loss) on Available-for-Sale Financial Assets of Associates (Note 13)	Remeasurement of Pension Income (Expense) (Note 38)	Transactions with Non-Controlling Interests	Excess of Acquisition Cost over Net Assets of Acquired Subsidiaries	Retained Earnings (Note 25)	Total	Non-controlling Interests	Total Equity
	Attributable to Equity Holders of the Parent					Other Reserves								
Balance at January 1, 2016	₱10,561,000	₱5,503,731	(₱134,442)	(₱2,501)	(₱1,749,628)	₱535,237	₱14,061	(₱3,941)	₱3,075,776	₱252,040	₱4,552,639	₱22,603,972	₱3,132,530	₱25,736,502
Purchase of treasury shares (Note 25)	–	–	(46,743)	–	–	–	–	–	–	–	–	(46,743)	–	(46,743)
Purchase of treasury shares by POSC	–	–	–	–	–	–	–	–	–	–	–	–	(56,819)	(56,819)
Acquisition of additional Parent Company shares by POSC	–	–	–	–	(8,636)	–	–		–	–	–	(8,636)	–	(8,636)
Cash dividends (Notes 2 and 25)	–	–	–	–	–	–	–	–	–	–	(963,454)	(963,454)	(311,717)	(1,275,171)
Net income	–	–	–	–	–	–	–	–	–	–	2,700,117	2,700,117	396,006	3,096,123
Remeasurement loss of pension - asset (liability) – net	–	–	–	–	–	–	–	(3,071)	–	–	–	(3,071)	(104)	(3,175)
Unrealized gain on available-for-sale financial assets - net (Note 14)	–	–	–	–	–	301,639	–	–	–	–	–	301,639	62	301,701
Total comprehensive income (loss) for the year	–	–	–	–	–	301,639	–	(3,071)	–	–	2,700,117	2,998,685	395,964	3,394,649
Balance at December 31, 2016	₱10,561,000	₱5,503,731	(₱181,185)	(₱2,501)	(₱1,758,264)	₱836,876	₱14,061	(₱7,012)	₱3,075,776	₱252,040	₱6,289,302	₱24,583,824	₱3,159,958	₱27,743,782

See accompanying Notes to Consolidated Financial Statements

BELLE CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in Thousands)

	Years Ended December 31		
	2018	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱3,814,044**	₱4,307,620	₱3,975,759
Adjustments for:			
Interest income on finance lease (Note 37)	**(1,663,824)**	(2,069,841)	(2,003,840)
Interest expense (Note 34)	**464,861**	503,665	355,779
Write off of deposits	**150,000**		
Impairment of goodwill (Note 35)	**110,934**	–	–
Depreciation and amortization (Notes 16, 17, 28, 29, 32 and 33)	**594,571**	381,222	363,990
Write off of intangible asset (Notes 17 and 35)	**292,512**	–	–
Gain on pre-termination of ABLGI advances (Note 24)	**–**	–	(634,800)
Accretion of nontrade liability (Note 24)	**–**		455,229
Gain on sale of:			
Other assets (Notes 12 and 35)	**–**	(85,678)	–
Available-for-sale investments (Notes 14 and 35)	**–**	(76,546)	(351,680)
Property and equipment (Notes 16 and 35)	**(1,039)**	(20,102)	(30)
Investment in associate (Notes 13 and 35)	**–**	–	(5,603)
Investments held for trading (Notes 9, 27 and 35)	**–**	(11,610)	(13,533)
Unrealized mark-to-market loss (gain) on financial assets at fair value through profit or loss (Note 9)	**11,903**	(67,705)	(148,554)
Amortization of discount on trade receivables (Notes 10 and 27)	**(68,619)**	(56,297)	(48,204)
Interest income (Note 34)	**(58,251)**	(29,577)	(28,782)
Write-off of input VAT	**–**	25,000	–
Dividend income (Note 27)	**(26,998)**	(22,794)	(28,371)
Unrealized foreign exchange loss – net	**683**	1,593	13,021
Provision for (reversal of):			
Impairment loss on investment in associates (Note 35)	**–**	–	(45,928)
Impairment loss on advances to associates (Note 35)	**–**	–	29,398
Gain in finance lease	**–**	–	(15,882)
Working capital adjustments:			
Decrease (increase) in:			
Receivables and contract assets	**1,207,246**	1,397,144	1,295,385
Real estate for sale and land held for future development	**268,069**	152,822	(33,664)
Increase (decrease) in trade and other current liabilities	**171,882**	683,821	(309,649)
Net cash generated from operations	**5,267,974**	5,012,737	2,820,041
Income taxes paid	**(152,262)**	(242,992)	(193,417)
Other assets	**(485,563)**	76,062	992,840
Interest received	**53,200**	29,482	28,782
Pension asset/liability (Note 38)	**13,503**	2,541	(15,814)
Net cash provided by operating activities	**4,696,852**	4,877,830	3,632,432
CASH FLOWS FROM INVESTING ACTIVITIES			
Expenditures on investment properties (Note 15)	**(18,646)**	(328,064)	(2,517,578)
Acquisitions of:			
Financial assets through other comprehensive income	**(15,350)**	–	–
Property and equipment (Notes 16 and 44)	**(66,567)**	(183,632)	(134,661)
Investments held for trading (Note 9)	**–**	(17,034)	(19,712)
Intangible asset (Note 17)	**–**	(310,000)	–
Proceeds from disposal of:			
Financial assets at fair value through other comprehensive income (Note 14)	**104,068**	–	–
Available-for-sale financial assets (Note 14)	**–**	156,723	774,440
Investments held for trading (Note 9)	**12,420**	49,393	74,036
Property and equipment (Notes 16 and 35)	**1,706**	21,019	8,673

(Forward)

	Years Ended December 31		
	2018	2017	2016
Cash received from acquisition of subsidiaries (Note 18)	**₱–**	₱66,445	₱–
Dividends received (Note 27)	**26,998**	22,794	27,342
Decrease (increase) in investments in and advances to associates and related parties	**(42)**	(72)	9,550
Net cash provided by (used in) investing activities	**43,042**	(522,428)	(1,777,910)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of:			
Long-term debt and loans payable (Notes 21 and 23)	**(3,656,945)**	(2,362,500)	(662,500)
Interest (see Note 34)	**(459,810)**	(492,806)	(355,779)
Proceeds from:			
Availment of loans and long-term debt (Notes 21 and 23)	**2,400,000**	4,500,000	1,300,000
Acquisition (Disposal) of Parent Company shares held by a subsidiary	**–**	172,934	–
Dividends paid	**(1,618,343)**	(1,309,630)	(1,275,171)
Acquisition of:			
Treasury shares by Parent Company (Note 25)	**(2,295,515)**	–	(46,743)
Treasury shares by POSC	**(16,607)**	(211,841)	(56,819)
Acquisition of PLC shares by a subsidiary	**–**	(36,549)	–
Acquisition of Belle shares by a subsidiary (Note 25)	**(110,033)**	(31,654)	(8,636)
Increase (decrease) in:			
Nontrade liability	**–**	(3,762,000)	(1,353,487)
Obligations under finance lease	**(39,489)**	(61,777)	787
Advances from related parties	**–**	–	44
Net cash used in financing activities	**(5,796,742)**	(3,595,823)	(2,458,304)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(683)**	(1,593)	(13,021)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(1,057,531)**	757,986	(616,803)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**3,711,248**	2,953,262	3,570,065
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 8)	**₱2,653,717**	₱3,711,248	₱2,953,262

See accompanying Notes to Consolidated Financial Statements.

BELLE CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. General Information

Corporate Information
Belle Corporation ("Belle", "Parent Company" or "Ultimate Parent Company") is a stock corporation organized in the Philippines on August 20, 1973 and was listed at the Philippine Stock Exchange (PSE) on February 2, 1977. The businesses of Belle, direct and through subsidiaries and associates, include mainly real estate development, principally in the high-end leisure property market, gaming and various investment holdings.

The registered office address of Belle is 5th Floor, Tower A, Two E-Com Center, Palm Coast Avenue, Mall of Asia Complex, CBP-1A, Pasay City.

Authorization of the Issuance of the Consolidated Financial Statements
The accompanying consolidated financial statements were authorized for issue in accordance with a resolution of the Board of Directors (BOD) on February 28, 2019.

2. Basis of Preparation and Statement of Compliance

Basis of Preparation
The consolidated financial statements have been prepared on a historical cost basis, except for equity financial assets which have been measured at fair value. The consolidated financial statements are presented in Philippine peso, the Parent Company's functional and presentation currency, and all values are rounded to the nearest thousands, except when otherwise indicated.

Statement of Compliance
The consolidated financial statements of the Company have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs), which include availment of the relief granted by the Securities and Exchange Commission (SEC) under Memorandum Circular Nos. 14-2018 and No. 3-2019 as discussed in Note 3.

Basis of Consolidation
The consolidated financial statements comprise the financial statements of the Parent Company and all of its subsidiaries (collectively referred to as "the Company") as at December 31, 2018 and 2017. Specifically, the Company controls an investee, if and only if, the 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; and
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority voting rights results in control. To support this presumption, and when the Company has less than a majority of the voting or similar rights of an investee, the Company 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 Company's voting rights and potential voting rights.

The Company 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. Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Company gains control until the date the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Parent Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income and expenses and cash flows relating to transactions between members of the Company are eliminated in full on consolidation.

The financial statements of the subsidiaries are prepared for the same reporting year as the Parent Company using consistent accounting policies.

A change in the ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction. If the Company loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

The consolidated financial statements comprise the financial statements of Belle and the following subsidiaries that it controls:

		2018			2017		
		Percentage of Ownership			Percentage of Ownership		
Subsidiaries	Industry	**Direct**	**Indirect**	**Total**	Direct	Indirect	Total
Belle Bay Plaza Corporation (Belle Bay Plaza)*	Investment	**100.0**	–	**100.0**	100.0	–	100.0
Belle Infrastructure Holdings, Inc., (formerly Metropolitan Leisure and Tourism Corporation)*	Investment	**100.0**	–	**100.0**	100.0	–	100.0
Parallax Resources, Inc. (Parallax)*	Investment	**100.0**	–	**100.0**	100.0	–	100.0
SLW Development Corporation (SLW)*	Investment	**100.0**	–	**100.0**	100.0	–	100.0
Belle Grande Resource Holdings Inc. (BGRHI)	Investment	**100.0**	–	**100.0**	100.0	–	100.0
Premium Leisure Corp. (PLC) and Subsidiaries:	Gaming	**78.8**	**0.3**	**79.0**	78.7	0.3	79.0
PremiumLeisure and Amusement, Inc. (PLAI)	Gaming	–	**100.0**	**100.0**	–	100.0	100.0
Foundation Capital Resources Inc.*	Investment	–	**100.0**	**100.0**	–	100.0	100.0
Sinophil Leisure and Resorts Corporation*	Investment	–	**100.0**	**100.0**	–	100.0	100.0
Pacific Online Systems Corporation (POSC) and Subsidiaries:	Gaming	–	**53.1**	**53.1**	–	52.9	52.9
Loto Pacific Leisure Corporation (LotoPac)	Gaming	–	**100.0**	**100.0**	–	100.0	100.0
Lucky Circle Corporation (LCC) and Subsidiaries	Gaming	–	**100.0**	**100.0**	–	100.0	100.0
Athena Ventures, Inc. **	Gaming	–	**100.0**	**100.0**	–	100.0	100.0
Avery Integrated Hub, Inc. **	Gaming	–	**100.0**	**100.0**	–	100.0	100.0
Circle 8 Gaming Ventures, Inc. **	Gaming	–	**100.0**	**100.0**	–	100.0	100.0
Luckydeal Leisure, Inc. **	Gaming	–	**100.0**	**100.0**	–	100.0	100.0
Luckyfortune Business Ventures, Inc. **	Gaming	–	**100.0**	**100.0**	–	100.0	100.0
Luckypick Leisure Club Corp. **	Gaming	–	**100.0**	**100.0**	–	100.0	100.0
Luckyventures Leisure Corp. **	Gaming	–	**100.0**	**100.0**	–	100.0	100.0
Lucky Games Entertainment Ventures Inc. **	Gaming	–	**100.0**	**100.0**	–	100.0	100.0
Orbis Valley Corporation **	Gaming	–	**100.0**	**100.0**	–	100.0	100.0
Total Gaming Technologies, Inc. (TGTI)	Gaming	–	**98.9**	**98.9**	–	98.9	98.9
Falcon Resources Inc. (FRI)	Gaming	–	**100.0**	**100.0**	–	100.0	100.0

**Non-operating*
***Accounted as subsidiaries starting July 1, 2017*

The Company's subsidiaries are all incorporated in the Philippines.

Material Partly-owned Subsidiaries

PLC

The non-controlling interests in PLC are material to the Company in 2018, 2017 and 2016. Non-controlling interests (NCI) hold 21.0% as at December 31, 2018 and 2017.

The summarized financial information of PLC is provided below. This information is based on amounts before intercompany eliminations.

Summarized consolidated statements of financial position as at December 31, 2018 and 2017:

	2018	2017
	(In Thousands)	
Total current assets	**₱6,883,357**	₱5,938,868
Total noncurrent assets	**12,306,432**	12,695,155
Total current liabilities	**1,564,587**	1,512,363
Total noncurrent liabilities	**69,138**	55,617
Total equity	**₱17,556,064**	₱17,066,043
Attributable to:		
Equity holders of the Parent	**₱16,837,136**	₱16,315,083
Non-controlling interests	**718,928**	750,960
Total	**₱17,556,064**	₱17,066,043

Summarized consolidated statements of comprehensive income for the years ended December 31, 2018, 2017 and 2016:

	2018	2017	2016
		(In Thousands)	
Revenue	**₱5,147,801**	₱4,929,346	₱3,531,076
Costs and expenses	**(2,957,858)**	(2,796,194)	(2,125,154)
Other income - net	**300,715**	104,992	34,779
Income before income tax	**2,490,658**	2,238,144	1,440,701
Provision for income tax	**(181,005)**	(235,478)	(282,601)
Net income	**2,309,653**	2,002,666	1,158,100
Other comprehensive income (loss)	**(248,876)**	165,397	61,701
Total comprehensive income	**₱2,060,777**	₱2,168,063	₱1,219,801
Attributable to:			
Equity holders of the Parent	**₱1,954,908**	₱1,873,301	₱1,005,381
Non-controlling interests	**105,869**	294,762	214,420
Total	**₱2,060,777**	₱2,168,063	₱1,219,801

Summarized consolidated statements of cash flows for the years ended December 31, 2018, 2017 and 2016:

	2018	2017	2016
		(In Thousands)	
Operating	**₱3,071,022**	₱3,234,915	₱1,609,347
Investing	**(2,103,213)**	(731,685)	(52,508)
Financing	**(1,616,433)**	(1,352,098)	(932,891)
Net increase (decrease) in cash and cash equivalents	**(₱648,624)**	₱1,151,132	₱623,948

Dividends paid in 2018, 2017 and 2016 to non-controlling interests amounted to ₱397.0 million, ₱342.1 million and ₱311.7 million, respectively.

3. Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except that the Company has adopted the following new accounting pronouncements starting January 1, 2018. Adoption of these pronouncements did not have any significant impact on the Company's financial position or performance unless otherwise indicated.

- PFRS 15, *Revenue from Contracts with Customers*

  PFRS 15 supersedes PAS 11, *Construction Contracts*, PAS 18, *Revenue* and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. PFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be 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.

  PFRS 15 requires entities to exercise judgment, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

  On February 14, 2018, the Philippines Interpretation Committee (PIC) issued PIC Q&A 2018-12 (PIC Q&A) which provides guidance on some implementation issues of PFRS 15 affecting real estate industry. On October 29, 2018 and February 8, 2019, the Philippine SEC issued SEC Memorandum Circular No. 14 Series of 2018 and SEC Memorandum Circular No. 3 Series of 2019, respectively, providing relief to the real estate industry by deferring the application of the following provisions of the above PIC Q&A for a period of 3 years:

  a) Exclusion of land and uninstalled materials in the determination of percentage of completion (POC) discussed in PIC Q&A No. 2018-12-E
  b) Accounting for significant financing component discussed in PIC Q&A No. 2018-12-D
  c) Accounting to Common Usage Service Area (CUSA) Charges discussed in PIC Q&A No. 2018-12-H

Under the same SEC Memorandum Circular No. 3 Series of 2019, the adoption of PIC Q&A No. 2018-14: PFRS 15 – Accounting for Cancellation of Real Estate Sales was also deferred. The SEC Memorandum Circulars also provided the mandatory disclosure requirements should an entity decide to avail of any relief. Disclosures should include:

a) The accounting policies applied
b) Discussion of the deferral of the subject implementation issues in the PIC Q&A
c) Qualitative discussion of the impact in the financial statements had the concerned application guideline in the PIC Q&A been adopted.
d) Should any of the deferral options result into a change in accounting policy (e.g., when an entity excludes land and/or uninstalled materials in the POC calculation under the previous standard but opted to include such components under the relief provided by the circular), such accounting change will have to be accounted for under PAS 8, i.e., retrospectively, together with the corresponding required quantitative disclosures.

Except for the CUSA charges discussed under PIC Q&A No. 2018-12-H which applies to leasing transactions, the above deferral will only be applicable for real estate sales transactions.

Effective January 1, 2021, real estate companies will adopt PIC Q&A No. 2018-12 and PIC Q&A No. 2018-14 and any subsequent amendments thereof retrospectively or as the SEC will later prescribe.

The Company availed of the deferral of adoption of the above specific provisions of PIC Q&A as follows:

- Exclusion of uninstalled materials in the determination of POC discussed in PIC Q&A No. 2018-12-E
- Accounting for significant financing component discussed in PIC Q&A No. 2018-12-D

Had these provisions been adopted, it would have the following impact in the consolidated financial statements:

- The exclusion of uninstalled materials in the determination of POC would reduce the percentage of completion of real estate projects resulting in a decrease in retained earnings as at January 1, 2018 as well as a decrease in the revenue from real estate sales in 2018.
- The mismatch between the POC of the real estate projects and right to an amount of consideration based on the schedule of payments explicit in the contract to sell would constitute a significant financing component. Interest income would have been recognized for contract assets and interest expense for contract liabilities using effective interest rate method and this would have impacted retained earnings as at January 1, 2018 and the revenue from real estate sales in 2018. Currently, any significant financing component arising from the mismatch discussed above is not considered for revenue recognition purposes.
- Upon sales cancellation, the repossessed inventory would be recorded at fair value plus cost to repossess (or fair value less cost to repossess if this would have been opted). This would have increased retained earnings as at January 1, 2018 and gain from repossession in 2018. Currently, the Company records the repossessed inventory at selling price at the date of the sale.

The Company adopted PFRS 15 using the modified retrospective method of adoption with the date of initial application of January 1, 2018. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Company elected to apply the standard only to contracts that are not yet complete as at January 1, 2018. The cumulative effect of initially applying PFRS 15 is recognized at the date of initial application as an adjustment to the opening balances of retained earnings. Therefore, the comparative information was not restated and continues to be reported under PAS 18, *Revenue*, and related Interpretations.

The effect of adopting PFRS 15 as at December 31, 2018 and January 1, 2018 arising from sale of real estate is as follows:

	Increase (Decrease)	
	December 31, 2018	January 1, 2018
	(In Thousands)	
ASSETS		
Receivables	(₱889,718)	(₱752,822)
Contract assets – current portion	379,272	363,307
Contract assets – net of current portion	510,446	389,515
TOTAL ASSETS	₱–	₱–
LIABILITIES		
Customer' deposits (under "Trade and other current liabilities" account)	(₱43,310)	(₱86,475)
Contract liabilities (Under "Trade and other current liabilities" account)	42,846	41,534
Contract liabilities (Under "Other noncurrent liabilities" account)	464	44,941
TOTAL LIABILITIES	₱–	₱–

Contract assets
Prior to the adoption of PFRS 15, the Company recognized receivables from real estate sales, even if the receipt of the total consideration was conditional on the completion of the property. Under PFRS 15, any earned consideration that is conditional should be recognized as a contract asset rather than a receivable. Upon adoption of PFRS 15, the Company reclassified "Trade receivables" amounting to ₱752.8 million to "Contract assets".

Contract liabilities
Prior to adoption of PFRS 15, the Company recognized collections prior to revenue recognition as "Customer deposits". Under PFRS 15, considerations received from the customer prior to revenue recognition are recognized as contract liabilities. Upon adoption of PFRS 15, the Company reclassified "Customers deposits" to "Contract liabilities" amounting to ₱86.5 million.

The contract liabilities also include excess of collections over percentage of completion.

The effect of adopting PFRS 15 as at December 31, 2018 arising from brand and trademark income is as follows:

Consolidated Statement of Financial Position	Under PAS 18 (Old)	Under PFRS 15 (New)	Impact Increase (Decrease)
ASSETS		*(In Thousands)*	
Contract asset – current portion	₱–	₱37,893	₱37,893
Contract asset – noncurrent portion	–	130,123	130,123
TOTAL ASSETS	₱–	₱168,016	₱168,016
LIABILITIES AND EQUITY			
Income tax payable	₱14,400	₱14,400	₱–
Deferred tax liability	–	50,405	50,405
Retained Earnings	33,600	151,211	117,611
TOTAL LIABILITIES AND EQUITY	₱33,600	₱210,616	₱168,016

Consolidated Statement of Comprehensive Income	Under PAS 18 (Old)	Under PFRS 15 (New)	Impact Increase (Decrease)
OTHER INCOME (EXPENSES)			
Brand and trademark income	₱48,000	₱203,459	₱155,459
Interest income	–	12,556	12,556
Income before income tax	48,000	216,015	168,016
Provision for current income tax	14,400	14,400	–
Provision for deferred income tax	–	50,405	50,405
NET INCOME	₱33,600	₱151,210	₱117,610

Contract assets
Under PFRS 15, the Company needs to evaluate the nature of its promise to grant a license of intellectual property in order to determine whether the promise is satisfied (and revenue is recognized) over time or at a point in time. A license provides either a right of access throughout the license period, which results in revenue that is recognized over time or a right to use as it exists at the point in time in which the license is granted which results in revenue that is recognized at a point in time.

The Company determines that there is no implicit or implied obligation for the Company to undertake activities during the license period. Thus, exclusive right to use the scratch instant tickets brand and trademarks over a period of five (5) years effective on January 1, 2018 qualifies point in time recognition of revenue. There is no impact on the opening balances as at January 1, 2018 since the contract was only entered by the parties in 2018.

- 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 Company adopted PFRS 9 using the modified retrospective method of adoption. The adoption of PFRS 9 from January 1, 2018 resulted in changes in accounting policies resulting to adjustments. In accordance with the transitional provisions of PFRS 9, comparative figures have not been restated, thereby resulting in the following impact:

a) Comparative information for prior periods are not restated. The classification and measurement requirements previously applied in accordance with PAS 39 and disclosures required in PFRS 7 are retained for the comparative periods.

b) The accounting policies for both the current period and the comparative periods, one applying PFRS 9 and one applying PAS 39 are disclosed in the notes to the financial statements.

c) As comparative information is not restated, the Company is not required to provide a third statement of financial information at the beginning of the earliest comparative period in accordance with PAS 1, *Presentation of Financial Statements*.

d) Classification and measurement

   Under PFRS 9, debt instruments are subsequently measured at fair value through profit or loss ("FVPL"), amortized cost, or fair value through OCI. The classification is based on two criteria: the Company's business model for managing the assets; and whether the instruments' contractual cash flows represent "solely payments of principal and interest" ("SPPI") on the principal amount outstanding.

   The assessment of the Company's business model was made as of the date of initial application, January 1, 2018, and then applied prospectively with the related adjustment to the impact in the beginning retained earnings. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

   The classification and measurement requirements of PFRS 9 did not have significant impact to the Company. The Company continued measuring at fair value all financial assets previously held at fair value under PAS 39. The following are the changes in the classification of the Company's financial assets:

   - Receivables classified as "Loans and receivables" as at December 31, 2017 are held to collect contractual cash flows and give rise to cash flows representing SPPI. These are classified and measured as "Debt instruments at amortized cost" beginning January 1, 2018.

   - Investment in club shares previously classified as *Investment held for trading* are now classified as "Equity instruments designated at fair value through other comprehensive income" ("FVOCI"). The Company elected to classify irrevocably its investment in club shares under this category as it intends to hold these investments in foreseeable future. There were no impairment losses recognized in profit or loss for these investments in prior period. Marked-to-market loss as at January 1, 2018 on this investment amounted to ₱548.0 million. As a result of reclassification of investment in club shares, the cumulative marked-to-market loss in retained earnings are reclassified to OCI as at January 1, 2018.

- Equity investments previously classified as AFS financial assets are now classified as "Equity instruments designated at FVOCI". The Company has previously recognized impairment loss of ₱23.4 million in profit or loss. As a result of the reclassification, the impairment loss on equity investments that were previously recognized in profit or loss was reclassified to OCI as at January 1, 2018.

The Company has elected to transfer to retained earnings all realized change in market value on its "Equity investment designated at FVOCI". Realized gain on club shares and equity investments as at January 1, 2018 amounted to ₱528.0 million.

The statement of financial position as at January 1, 2018 was restated, resulting in a decrease in OCI and an increase in retained earnings of ₱571.4 million.

Presented below is the impact of the adoption of PFRS 9 as at January 1, 2018 on the Company's consolidated financial statements:

	Original Measurement Category under PAS 39	New Measurement Category under PFRS 9	Original Carrying Amount under PAS 39	New Carrying Amount under PFRS 9
Financial assets				
Cash and cash equivalents	Loans and receivables	Financial assets at amortized cost	₱3,711,248	₱3,711,248
Investment held for trading (other than club shares)	Investment held for trading	Financial assets at fair value through profit or loss (FVPL)	178,483	178,483
Investment held for trading (club shares)	Investment held for trading	Fair value through OCI	2,101,183	2,101,183
Receivables	Loans and receivables	Financial assets at amortized cost	2,095,784	2,095,784
AFS financial assets	AFS investments	Fair value through OCI	2,475,287	2,475,287
Finance lease receivable	Loans and receivables	Financial assets at amortized cost	18,083,181	18,083,181
Advances to associate	Loans and receivables	Financial assets at amortized cost	120,889	120,889
Deposits	Loans and receivables	Financial assets at amortized cost	27,955	27,955
Refundable deposits and construction bonds	Loans and receivables	Financial assets at amortized cost	23,074	23,074
Guarantee bonds	Loans and receivables	Financial assets at amortized cost	35,000	35,000
			₱28,852,084	₱28,852,084
Financial liabilities				
Loans payable	Other financial liabilities	Financial liabilities at amortized cost	₱2,500,017	₱2,500,017
Trade and other current liabilities*	Other financial liabilities	Financial liabilities at amortized cost	1,753,944	1,753,944
Installment payable	Other financial liabilities	Financial liabilities at amortized cost	5,444	5,444
Refundable deposit	Other financial liabilities	Financial liabilities at amortized cost	115,979	115,979
Long-term debt	Other financial liabilities	Financial liabilities at amortized cost	6,259,375	6,259,375
Obligations under finance lease	Other financial liabilities	Financial liabilities at amortized cost	74,863	74,863
			₱10,709,622	₱10,709,622

The accounting for the Company's financial liabilities remains largely the same as it was under PAS 39.

e) Impairment

The adoption of PFRS 9 has fundamentally changed the Company's accounting for impairment losses for financial assets by replacing PAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. PFRS 9 requires the Company to record an allowance for impairment losses for all loans and other debt financial assets not held at FVPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate (EIR). The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For installment contracts receivables (ICR) presented under trade receivables and contract assets, the Company has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Company used the vintage analysis accounts for expected credit losses by calculating the cumulative loss rates of a given ICR pool. It derives the probability of default from the historical data of a homogenous portfolio that share the same origination period. The information on the number of defaults during fixed time intervals of the accounts is utilized to create the probability model. It allows the evaluation of the loan activity from its origination period until the end of the contract period.

In addition to life of loan loss data, primary drivers like macroeconomic indicators of qualitative factors such as forward-looking data on inflation were added to the expected loss calculation to reach a forecast supported by both quantitative and qualitative data points.

The key inputs in the model include the Company's definition of default and historical data of five years for the origination, maturity date and default date. The Group considers an ICR in default when contractual payment are 90 days past due, except for certain circumstances when the reason for being past due is due to reconciliation with customers of payment records which are administrative in nature. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company.

The probability of default is applied to the estimate of the loss arising on default which is based on the difference between the contractual cash flows due and those that the Company would expect to receive, including from the repossession of the subject real estate property, net of cash outflows. For purposes of calculating loss given default, accounts are segmented based on facility/collateral type and completion. In calculating the recovery rates, the Company considered collections of cash and/or cash from resale of real estate properties after foreclosure, net of direct costs of obtaining and selling the real estate properties after the default event such as commission, association dues, refurbishment, payment required under Maceda law, cost to complete (for incomplete units).

As these are future cash flows, these are discounted back to the time of default using the appropriate effective interest rate, usually being the original effective interest rate (EIR) or an approximation thereof.

For other financial assets, ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For cash and cash equivalents, the Company applies the low credit risk simplification. The probability of default and loss given defaults are publicly available and are considered to be low credit risk investments. It is the Company's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Company uses the ratings from the Good Credit Rating Agency to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

f) Other adjustments

In addition to the adjustments described above, upon adoption of PFRS 9, other items of the primary financial statements such as deferred taxes, income tax expense, non-controlling interests and retained earnings were adjusted as necessary.

- PIC Q&A on Advances to Contractors and PIC Q&A on Land Classification

The Company adopted PIC Q&A 2018-11, *Classification of Land by Real Estate Developer* and PIC Q&A 2018-15, *PAS 1- Classification of Advances to Contractors in the Nature of Prepayments: Current vs. Non-current* starting January 1, 2018. There is no impact on the measurement of land held for sale as a result of adoption of PIC Q&A 2018-15 since the Company's accounting policy is already aligned with the PIC Q&A 2018-15. The impact of adoption of PIC Q&A 2018-11 is applied retrospectively which resulted to the following reclassification in the statement of financial position as at December 31, 2017:

	Current Asset	Noncurrent Asset
Land held for future development	₱3,099,166	(₱3,099,166)

Land held for future development, previously presented as non-current asset pertains to land which the BOD has previously approved to be developed into residential development for sale. Before the adoption of PIC Q&A 2018-11, the classification was based on the Company's timing to start the development of the property. This was reclassified to inventories in the consolidated statement of financial position.

- 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. Entities are required to apply the amendments to: (1) share-based payment transactions that are unvested or vested but unexercised as of January 1, 2018, (2) share-based payment transactions granted on or after January 1, 2018 and to (3) modifications of share-based payments that occurred on or after January 1, 2018. Retrospective application is permitted if elected for all three amendments and if it is possible to do so without hindsight.

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

  The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the new insurance contracts standard. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying PFRS 9 and an overlay approach. The temporary exemption is first applied for reporting periods beginning on or after January 1, 2018. An entity may elect the overlay approach when it first applies PFRS 9 and apply that approach retrospectively to financial assets designated on transition to PFRS 9. The entity restates comparative information reflecting the overlay approach if, and only if, the entity restates comparative information when applying PFRS 9.

  The amendments are not applicable to the Company since it does not have activities that are predominantly connected with insurance or issue insurance contracts.

- Amendments to PAS 28, *Investments in Associates and Joint Ventures*, *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. Retrospective application is required.

- 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. Retrospective application of the amendments is not required and is only permitted if this is possible without the use of hindsight.

- Philippine Interpretation International Financial Reporting Interpretations Committee (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 the date of the transaction for each payment or receipt of advance consideration. Retrospective application of this interpretation is not required.

4. Future Changes in Accounting Policies

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

Effective beginning on or after January 1, 2019

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*

  Under PFRS 9, a debt instrument can be measured at amortized cost or at fair value through other comprehensive income, provided that the contractual cash flows are "solely payments of principal and interest on the principal amount outstanding" ("the SPPI criterion") and the instrument is held within the appropriate business model for that classification. The amendments to PFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. The amendments should be applied retrospectively and are effective from January 1, 2019, with earlier application permitted.

- PFRS 16, *Leases*

  PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17, *Leases*. The standard includes two recognition exemptions for lessees – leases of "low-value" assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

  Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

  Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases.

PFRS 16 also requires lessees and lessors to make more extensive disclosures than under PAS 17.

A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

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

- Amendments to PAS 19, *Employee Benefits, Plan Amendment, Curtailment or Settlement*

  The amendments to PAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

  - Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event

  - Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset)

  The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognized in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognized in other comprehensive income.

  The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after January 1, 2019, with early application permitted. These amendments will apply only to any future plan amendments, curtailments, or settlements of the Group.

- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*

  The amendments clarify that an entity applies PFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in PFRS 9 applies to such long-term interests.

  The amendments also clarified that, in applying PFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognized as adjustments to the net investment in the associate or joint venture that arise from applying PAS 28, *Investments in Associates and Joint Ventures*.

  The amendments should be applied retrospectively and are effective from January 1, 2019, with early application permitted. Since the Group does not have such long-term interests in its associate and joint venture, the amendments will not have an impact on its consolidated financial statements.

- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*

  The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12, *Income Taxes,* and does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

  The interpretation specifically addresses the following:

  - Whether an entity considers uncertain tax treatments separately
  - The assumptions an entity makes about the examination of tax treatments by taxation authorities
  - How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
  - How an entity considers changes in facts and circumstances

  An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

  The Company is currently assessing the impact of adopting this interpretation.

- *Annual Improvements to PFRSs* 2015-2017 Cycle

  - Amendments to PFRS 3, *Business Combinations,* and PFRS 11, *Joint Arrangements*, *Previously Held Interest in a Joint Operation*

    The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

    A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in PFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

    An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2019 and to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted.

  - Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*

    The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.

An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application is permitted.

- Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*

  The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

  An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted.

Effective beginning on or after January 1, 2020

- Amendments to PFRS 3, *Definition of a Business*

  The amendments to PFRS 3 clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business.

  An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, *Definition of Material*

  The amendments refine the definition of material in PAS 1 and align the definitions used across PFRSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgments.

  An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

Effective beginning on or after January 1, 2021

- PFRS 17, *Insurance Contracts*

  PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

PFRS 17 is effective for reporting periods beginning on or after January 1, 2021, with comparative figures required. Early application is permitted.

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements*, 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 deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board (IASB) completes 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.

5. Summary of Significant Accounting Policies

Current versus Noncurrent Classification

The Company presents assets and liabilities in the consolidated statement of financial position based on current or noncurrent classification. An asset is classified as current when it is:

- Expected to be realized or intended to be sold or consumed in 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 classified as current when it is:

- Expected to be settled in its normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be settled within twelve months after the reporting period; or,
- There is no unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

The Company classifies all other liabilities as noncurrent.

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

Cash and Cash Equivalents
Cash includes cash on hand and in banks. Cash in banks earns interest at the prevailing bank deposit rates.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturity of three months or less from date of acquisition and are subject to an insignificant risk of change in value.

Fair Value Measurement
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 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 Company 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 financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level of 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 of input that is significant to the fair value measurement is directly or indirectly observable
Level 3 - Valuation techniques for which the lowest level of input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level of input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Company's management determines the policies and procedures for both recurring and nonrecurring fair value measurements.

For the purpose of fair value disclosures, the 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.

“Day 1” Difference
When the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value (a “Day 1” difference) in profit or loss unless it qualifies for recognition as some other type of asset. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the “Day 1” difference amount.

Financial Instruments - Initial Recognition and Subsequent Measurement effective January 1, 2018

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 subsequently measured at amortized cost, FVOCI, and FVPL.

The classification of financial assets at initial recognition depends on the financial asset’s contractual cash flow characteristics and the Company’s business model for managing them. The Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables are measured at the transaction price determined under PFRS 15.

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are SPPI on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company’s business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

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 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 amortized cost (debt instruments)
- Financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at FVPL

The Company has no financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments) as at December 31, 2018.

- Financial assets at amortized cost (debt instruments)

  This category is the most relevant to the Company. The Company measures financial assets at amortized cost if both of the following conditions are met:

  The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

  Financial assets at amortized cost are subsequently measured using the EIR method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

  The Company's financial assets at amortized cost includes the Company's cash and cash equivalents, receivables, deposits (presented as part of "Other current assets" account and "Other noncurrent assets" account), guarantee bonds (presented as part of "Other noncurrent assets" account) and advances to associates (presented as part of "Investments in and advances to associates" account) in the consolidated statement of financial position.

- Financial assets designated at FVOCI (equity instruments)

  Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at FVOCI when they meet the definition of equity under PAS 32, *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

  Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

  The Company elected to classify irrevocably its investments in equity securities and club shares under this category.

- Financial assets at FVPL

  Financial assets at FVPL include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at FVOCI, as described above, debt instruments may be designated at FVPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at FVPL are carried in the consolidated statement of financial position at fair value with net changes in fair value recognized in the consolidated statement of income.

This category includes listed equity investments which the Company had not irrevocably elected to classify at FVOCI. Dividends on listed equity investments are also recognized as other income in the statement of profit or loss when the right of payment has been established.

Impairment of financial assets
The Company recognizes an allowance for ECLs for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets (other than those related to real estate), the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial Liabilities

Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at FVPL, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

As at December 31, 2018, the Company has no financial liabilities classified as FVPL and derivatives designated as hedging instruments.

Subsequent measurement
The measurement of financial liabilities depends on their classification, as described below:

- Loans and borrowings

  This is the category most relevant to the Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

  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 as finance costs in the consolidated statement of income.

  As at December 31, 2018, this category includes the Company's trade and other current liabilities (excluding customers' deposits, unearned income, statutory payables and other liabilities to the government), loans payable, nontrade liability, obligations under finance lease, refundable deposits, installment payable and long-term debt.

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 consolidated statement of income.

Financial Instruments - Initial Recognition and Subsequent Measurement Prior to January 1, 2018
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

Date of Recognition of Financial Assets. The Company recognizes financial assets in the consolidated statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on trade date, i.e., the date the Company commits to purchase or sell the asset.

Initial Recognition of Financial Assets. Financial assets are recognized initially at fair value plus, in the case of investments not at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset.

Categories of Financial Assets and Subsequent Measurement. Financial assets, at initial recognition, are classified as financial assets at FVPL, loans and receivables, held-to-maturity (HTM) investments, AFS financial assets or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial assets at initial recognition and, where allowed and appropriate, re-evaluates such classification every financial reporting date.

As at December 31, 2017, the Company has no HTM investments and derivatives designated as hedging instruments.

- Financial assets at FVPL

  Financial assets at FVPL include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by PAS 39.

  Financial assets at FVPL are carried in the consolidated statement of financial position at fair value with net changes in fair value presented as “Unrealized marked-to-market gain” account (positive net changes in fair value) or “Unrealized marked-to-market loss” (negative net changes in fair value) in the profit or loss. Interest earned or incurred is recorded as interest income or expense, respectively, while dividend income is recorded as other income according to the terms of the contract, or when the right of payment has been established.

  Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in the fair value recognized in profit or loss. Remeasurement only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the FVPL.

  The Company evaluates its financial assets at FVPL (held for trading) whether the intent to sell them in the near term is appropriate. When the Company is unable to trade these financial assets due to inactive markets and management’s intent to sell them in the foreseeable future significantly change, the Company may elect to reclassify these financial assets in rare circumstances. The reclassification to loans and receivables, AFS financial assets or HTM investments depends on the nature of the asset. This evaluation does not affect any financial assets designated at FVPL using the fair value option at designation.

  The Company’s financial assets held for trading consist of quoted equity instruments and club shares shown under “Investments held for trading” account in the consolidated statements of financial position.

- Loans and Receivables

  Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are not entered into with the intention of immediate or short-term resale and are not designated as financial assets at FVPL or AFS financial assets. After initial measurement, loans and receivables are carried at amortized cost using the EIR method, less any impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are not integral part of the EIR. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process.

  Loans and receivables are classified as current assets when the Company expects to realize the asset within 12 months from reporting date. Otherwise, these are classified as noncurrent assets.

  This category includes the Company’s cash and cash equivalents, receivables, finance lease receivable, deposits (presented as part of “Other current assets” account and “Other noncurrent assets” account), guarantee bonds (presented as part of “Other noncurrent assets” account) and advances to associates (presented as part of “Investments in and advances to associates” account) in the consolidated statement of financial position.

- AFS Financial Assets

  AFS financial assets are non-derivative financial assets that are designated as AFS or do not qualify to be classified as loans and receivables, financial assets at FVPL or HTM investments. AFS financial assets include equity investments. Equity investments classified as AFS are those which are intended to be held for an indefinite period of time and are neither classified as held for trading nor designated as at FVPL. Debt securities in this category are those that are intended to be held for an indefinite period of time and may be sold in response to needs for liquidity or in response to changes in the market conditions.

  After initial measurement, AFS financial assets are subsequently measured at fair value with unrealized gains or losses recognized under other comprehensive income until the financial asset is derecognized or determined to be impaired at which time the accumulated gains or losses previously reported under other comprehensive income are reclassified to profit or loss. Interest earned whilst holding AFS financial assets is reported as interest income using effective interest rate method. AFS financial assets that are not quoted in an active market and whose fair value cannot be measured reliably are measured at cost, being the fair value of the consideration paid for the acquisition of the investment. All transaction costs directly attributable to the acquisition are also included in the cost of investment. If a reliable measure ceases to be available, AFS financial assets are thereafter measured at cost, which is deemed to be the fair value carrying amount at that date. Assets under this category are classified as current assets if expected to be realized within 12 months from reporting date. Otherwise, these are classified as noncurrent assets.

  The Company designates financial instruments as AFS if they are purchased and held indefinitely and may be sold in response to liquidity requirements or changes in market conditions.

  This category includes the Company's investments in quoted and unquoted equity securities shown under "Available-for-sale financial assets" account in the consolidated statements of financial position.

Impairment of Financial Assets
The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that 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 where observable data indicate that there is a measurable decrease in the estimated future cash flows such as changes in arrears or economic conditions that correlate with defaults.

Financial Assets Carried at Amortized Cost. For financial assets carried at amortized cost, the Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually or collectively significant for financial assets that are not individually significant. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original EIR. The carrying amount of the financial asset is reduced through use of an allowance account and the amount of the loss is recognized in profit or loss in the consolidated statement of comprehensive income. Loans and receivables, together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Company. Interest income continues to be accrued on the reduced carrying amount based on the EIR of the asset.

If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

The Company provides an allowance for loans and receivables which they deemed to be uncollectible despite the Company's continuous effort to collect such balances from the respective customers. The Company considers those past due receivables as still collectible if they become past due only because of a delay on the fulfillment of certain conditions as agreed in the contract and not due to incapability of the customers to fulfill their obligation. However, for those receivables associated with pre-terminated contracts, the Company directly writes them off from the account since there is no realistic prospect of future recovery.

If, in a subsequent period, the amount of the impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other income in the profit or loss. Any subsequent reversal of an impairment loss is recognized in profit or loss in the consolidated statement of comprehensive income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

AFS Financial Assets. For equity investments classified as AFS financial assets, the Company assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

The evidence of impairment for equity securities classified as AFS financial assets would include a significant or prolonged decline in fair value of investments below its cost. "Significant" is to be evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the consolidated statement of income) is removed from other comprehensive income and recognized in the profit or loss. Impairment losses on equity investments are not reversed through profit or loss. Increases in their fair value after impairment are recognized directly in other comprehensive income.

The determination of what is "significant" or "prolonged" required judgment. In making this judgment, the Company evaluates, among other factors, the duration or extent to which the fair value of an investment is less that its cost. In the case of debt instruments classified as AFS, the impairment is assessed based on the same criteria as financial assets carried at amortized cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in the profit or loss.

Financial Asset Carried at Cost. If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Financial Liabilities

Date of Recognition of Financial Liabilities. The Company recognizes financial liabilities in the consolidated statement of financial position when it becomes a party to the contractual provisions of the instrument.

Initial Recognition of Financial Liabilities. Financial liabilities are recognized initially at fair value of the consideration received which is determined by reference to the transaction price or other market prices, and in the case of other financial liabilities, inclusive of any directly attributable transaction costs. If such market prices are not reliably determinable, the fair value of the consideration is estimated as the sum of all future cash payments or receipts, discounted using the prevailing market rates of interest for similar instruments with similar maturities.

Categories of Financial Liabilities and Subsequent Measurement. Financial liabilities are classified as financial liabilities at FVPL, other financial liabilities which are measured at amortized cost or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition and, where allowed and appropriate, re-evaluates such classification every financial reporting date.

As at December 31, 2017, the Company has no financial liabilities classified as FVPL and derivatives designated as hedging instruments.

- Other Financial Liabilities

  This category pertains to financial liabilities that are not held for trading or not designated as at FVPL upon the inception of the liability where the substance of the contractual arrangements results in the Company having an obligation either to deliver cash or another financial asset to the holder, or to exchange financial assets or financial liabilities with the holder under conditions that are potentially unfavorable to the Company. These include liabilities arising from operations or borrowings.

  After initial recognition, other financial liabilities are subsequently measured at amortized cost using the EIR method. 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. Gains and losses are recognized in profit or loss in the consolidated statement of comprehensive income when the liabilities are derecognized as well as through the amortization process. Other financial liabilities are included in current liabilities if maturity is within 12 months from the reporting date or the Company does not have an unconditional right to defer payment for at least 12 months from the reporting date. Otherwise, these are classified as noncurrent liabilities.

As at December 31, 2017, this category includes the Company's trade and other current liabilities (excluding customers' deposits, unearned income, statutory payables and other liabilities to the government), loans payable, nontrade liability, obligations under finance lease, refundable deposits, installment payable and long-term debt.

Offsetting of Financial Assets and Financial Liabilities (applies to financial assets before and after January 1, 2018)
Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if, and only if, there is a currently enforceable right to offset the recognized amounts and there is intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The Company 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 Company and all of the counterparties.

Classification of Financial Instruments between Liability and Equity (applies to financial assets before and after January 1, 2018)
A financial instrument is classified as liability if it provides for a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Company; or
- satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Company does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

Derecognition of Financial Assets and Financial Liabilities (applies to financial instruments before and after January 1, 2018)

Financial Assets. A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the assets have expired; or
- the 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 Company has transferred substantially all the risks and rewards of the asset or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the 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 the risks and rewards of the asset, nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset. In that case, the 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 Company has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Financial Liabilities. A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has 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 a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss in the consolidated statement of comprehensive income.

Real Estate for Sale and Land Held for Development
Property acquired or being constructed for sale in the ordinary course of business, rather than held for rental or capital appreciation, is considered as inventory and is measured at the lower of cost and net realizable value (NRV).

Cost includes land acquisition cost, amounts paid to contractors for construction and development, planning and design costs, costs of site preparation, professional fees, property transfer taxes, construction overheads and other related costs. Non-refundable commissions paid to sales or marketing agents on the sale of real estate units are expensed when incurred.

NRV is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date and discounted for the time value of money if material, less costs to complete and the estimated costs of sale. The cost of inventory property recognized in profit or loss on disposal is determined with reference to the specific costs incurred on the property sold and allocation of any non-specific costs based on the relative size of the property sold. NRV in respect of land under development is assessed with reference to market prices at the reporting date for similar completed property, less estimated costs to complete construction and less an estimate of the time value of money to the date of completion.

Investments in Associates
An associate is an entity in which the Company has significant influence and which is neither a subsidiary nor a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. The considerations made in determining significant influence or control are similar to those necessary to determine control over subsidiaries. Investments in associates are accounted for under the equity method.

Under the equity method, the investments in associates are initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Company's share of net assets of the associates since their respective acquisition dates. Goodwill relating to the associates is included in the carrying amount of the investments and is not tested for impairment individually.

The profit or loss in the consolidated statement of comprehensive income reflects the Company's share of the results of operations of the associates. Any change in OCI of those investees is presented as part of the Company's OCI. In addition, when there has been a change recognized directly in the equity of the associates, the Company recognizes its share of any changes and discloses this, when applicable, as part of other comprehensive income and in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Company and the associates are eliminated to the extent of the interest in the associates.

The aggregate of the Company's share in income or loss of associates is shown on the face of the consolidated statement of comprehensive income. This is the income or loss attributable to equity holders of the associates and therefore is income or loss after tax and non-controlling interest in the subsidiaries of the associates.

If the Company's share of losses of an associate equals or exceeds the carrying amount of an investment, the Company discontinues including its share of further losses. After the Company's investment is reported at zero value, additional losses are provided for and a liability is recognized only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Company resumes recognizing its share of those profits only after its share of the profits exceeds the share of net losses not recognized.

After application of the equity method, the Company determines whether it is necessary to recognize an additional impairment loss on the Company's investment in its associates. The Company determines at each reporting date whether there is any objective evidence that each of the investment in associates is impaired. If such evidence exists, the Company calculates the amount of impairment as the difference between the recoverable amount of the investment in associate and its carrying value and recognizes the loss in profit or loss in the consolidated statement of comprehensive income.

Upon loss of significant influence over the associate, the Company measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the investment in associates upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss in the consolidated statement of comprehensive income.

The financial statements of the associates are prepared for the same reporting period as the Parent Company. When necessary, adjustments are made to bring the accounting policies in line with those of the Company.

Investment Properties

Investment properties comprise of land and building held to earn rentals or for capital appreciation or both. Property held under a lease is classified as investment property when the definition of an investment property is met. Investment property is measured initially at cost including transaction costs. Transaction costs include transfer taxes, professional fees for legal services and initial leasing commissions to bring the property to the condition necessary for it to be capable of operating. The carrying amount also includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day to day servicing of an investment property. Subsequent to initial recognition, investment properties, except land, are stated at cost less accumulated depreciation and accumulated impairment, if any. Land is stated at cost less accumulated impairment loss, if any.

Building is depreciated over its economic life of 35 years.

Investment property is derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses, which are the difference between the net disposal proceeds and the carrying amount of the investment property, on the retirement or disposal, are recognized in profit or loss in the consolidated statement of comprehensive income in the year of retirement or disposal.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by ending of owner-occupation or commencement of an operating lease to another party. If owner occupied property becomes an investment property, the Company accounts for such property in accordance with policy stated under property and equipment up to the date of the change in use. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale, the deemed cost of the subsequent accounting is the fair value of the date of change in use.

Business Combinations

Business combinations are accounted for using the acquisition method except for business combinations under common control in which an accounting similar to pooling of interest method is used. Business combinations under common control are those in which all of the combining entities or businesses are controlled by the same party or parties both before and after the business combination, and that control is not transitory. Under the acquisition method, the cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs incurred are expensed and included in "General and administrative expenses" account in the consolidated statement of comprehensive income.

For accounting similar to pooling of interest method, the assets, liabilities and equity of the acquired companies for the reporting period in which the common control business combinations occur, and for any comparative periods presented, are included in the consolidated financial statements of the Company at their carrying amounts as if the combinations had occurred from the date when the acquired companies first became under the control of the Company. The excess of the cost of business combinations over the net carrying amounts of the assets and liabilities of the acquired companies is recognized under "Excess of acquisition cost over net assets of acquired subsidiaries" account in the equity section of the consolidated statement of financial position.

When the Company acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss. It is then considered in the determination of goodwill.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of PAS 39 is measured at fair value with changes in fair value recognized in profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of PAS 39, it is measured at fair value at each reporting date with the changes in fair value recognized in profit or loss. If the contingent consideration is classified as equity, it should not be remeasured, and subsequent settlement is accounted for within equity.

Goodwill

Goodwill acquired in a business combination is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling inter costs and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Company re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss as part of the consolidated statement of comprehensive income.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Company measures in its consolidated financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, the Company retrospectively adjusts the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognized as of that date. During the measurement period, the Company also recognizes additional assets or liabilities if new information is obtained about facts and circumstances that existed as of the acquisition date and, if known, would have resulted in the recognition of those assets and liabilities as of that date. The measurement period ends as soon as the Company receives the information it was seeking about facts and circumstances that existed as of the acquisition date or learns that more information is not obtainable. The measurement period does not exceed one year from the acquisition date.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's cash generating units, or group of cash generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units or group of units. Each unit or group of units to which the goodwill is so allocated:

- represents the lowest level within the Company at which the goodwill is monitored for internal management purposes; and
- is not larger than an operating segment or determined in accordance with PFRS 8, *Operating Segment.*

Impairment is determined by assessing the recoverable amount of the cash generating unit or group of cash generating units, to which the goodwill relates. When the recoverable amount of the cash generating unit or group of cash generating units is less than the carrying amount, an impairment loss is recognized. Impairment loss with respect to goodwill cannot be reversed in future periods.

The Company bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Company's CGU to which the goodwill is allocated. These budgets and forecasts calculations generally cover a period of five years. A long-term growth rate is calculated and applied to projected future cash flows after the fifth year.

When goodwill forms part of a cash generating unit or group of cash generating units and part of the operations within the unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed and the portion of the cash-generating unit retained.

When business combination involves more than one exchange transaction (occurs in stages), each exchange transaction is treated separately by the Company, using the cost of transaction and fair value information at the date of each exchange transactions, to determine the amount of goodwill associated with that transaction. Any adjustment to fair value relating to the previously held interest is a revaluation and is accounted for as such.

When subsidiaries are sold, the difference between the selling price and the net assets plus goodwill is recognized in profit or loss.

Property and Equipment

Property and equipment, except land, are stated at cost net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes of the cost of replacing part of the property and equipment and borrowing costs for long term construction projects if the recognition criteria are met. When significant parts of plant and equipment are required to be replaced at intervals, the 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 property and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are charged against profit or loss in the consolidated statement of comprehensive income as incurred. Land is carried at cost net of accumulated impairment losses, if any.

Depreciation is computed using the straight-line method over the following estimated useful lives of the assets:

Lottery equipment	4–10 years or term of lease, whichever is shorter
Leasehold improvements	15 years or the term of the lease, whichever is shorter
Machinery and equipment	5 years
Condominium units and improvements	17 years
Transportation equipment	4–5 years or the term of the lease, whichever is shorter
Office furniture, fixtures and equipment	3–5 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.

Construction-in-progress represents property and equipment under construction and is stated at cost. This includes cost of construction and other direct costs. Construction-in-progress is transferred to the related property and equipment when the construction or installation and related activities necessary to prepare the property and equipment for their intended use have been completed. Construction-in-progress is not depreciated until such time that assets are completed and available for use.

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 profit or loss in the consolidated statement of comprehensive income in the year the asset is derecognized.

Fully depreciated property and equipment are retained in the accounts until they are no longer in use.

<u>Intangible Assets</u>
Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and the related expenditure is reflected in the consolidated statement of comprehensive income in the year the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the consolidated statement of comprehensive income in the expense category consistent with the function of intangible assets.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in the useful life from the indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated statement of comprehensive income when the asset is derecognized.

The Company made upfront payments to purchase a license. The license has been granted for a period of 18.6 years, renewable for another 25 years, by the relevant government agency. The license was assessed as having a finite life and is amortized on a straight line basis over the period of the license, i.e., 43.6 years.

Instant Scratch Tickets, Spare Parts and Supplies

Instant scratch tickets, spare parts and supplies are included under "Other current assets" account in the consolidated statement of financial position. Instant scratch tickets are valued at cost, less any impairment loss. Spare parts and supplies are valued at the lower of cost and NRV. Cost, which includes all costs attributable to acquisition, is determined using the first-in, first-out method. NRV spare parts and supplies is its current replacement cost.

Impairment of Nonfinancial Assets (excluding Goodwill)

The Company assesses at each reporting date whether there is an indication that investments in associates, investment properties, property and equipment and intangible asset may be impaired. If any such indication exists and when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In determining fair value less costs to sell, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples and other available fair value indicators. In assessing value in use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Any impairment loss is recognized in profit or loss in the consolidated statement of comprehensive income in those expense categories consistent with the function of the impaired assets.

For asset excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Company makes an estimate of the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss in the consolidated statement of comprehensive income unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

Equity
Capital stock is measured at par value for all shares issued. Incremental costs directly attributable to the issuance of new shares are shown in equity as a deduction from proceeds, net of tax. Proceeds and/or fair value of consideration received in excess of par value are recognized as additional paid-in capital.

Retained earnings represent the accumulated earnings of the Company, net of dividends declared to date.

Treasury Shares
Treasury shares represent issued Parent Company shares which were subsequently repurchased. These are recorded at cost and shown in the consolidated statements of financial position as a deduction from equity. Any difference between the carrying amount and the consideration, if reissued, is recognized as additional paid in capital.

Equity Share in Cost of Parent Company Shares Held by Associates
Equity share in cost of Parent Company common shares held by associates represents the amount that reduces the Company's "Investments in and advances to associates" account and equity balance by the Company's effective ownership in Parent Company common shares held by associates.

Cost of Parent Company Common Shares Held by Subsidiaries
Cost of Parent Company common shares held by subsidiaries are equity instruments which are reacquired (treasury shares) and are recognized at cost and deducted from equity. No gain or loss is recognized in the profit or loss in the consolidated statement of comprehensive income on the purchase, sale, issue or cancellation of the Company's own equity instruments. Any difference between the carrying amount and the consideration is recognized in other reserves.

NCI
NCI represents the portion of profit or loss and the net assets not held by the Parent Company and are presented separately in the consolidated statements of comprehensive income and within equity in the consolidated statements of financial position, separately from total equity attributable to owners of the Parent Company. Any losses applicable to a non-controlling shareholder of a consolidated subsidiary in excess of the non-controlling shareholder's equity in the subsidiary are charged against the NCI even if this results in NCI having a deficit.

NCI represent the equity interest in PLC and POSC not held by the Parent Company.

Revenue Recognition effective January 1, 2018

Revenue from Contract with Customers
The Company is in the business of sale of real estate, gaming, leasing and distribution. Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company has generally concluded that it is the principal in its revenue arrangements, except for commission income, wherein it is acting as agent.

The disclosures of significant accounting judgments, estimates and assumptions relating to revenue from contracts with customers are provided in Note 6.

Sale of Real Estate. The Company derives its real estate revenue from sale of lots and condominium units. Revenue from the sale of these real estate projects under pre-completion stage are recognized over time during the construction period (or POC) since based on the terms and conditions of its contract with the buyers, the Company's performance does not create an asset with an alternative use and the Company has an enforceable right to payment for performance completed to date.

In determining the transaction price, the Company considers the selling price of the real estate property and other fees and charges collected from the buyers that are not held on behalf of other parties.

In measuring the progress of its performance obligation over time, the Company uses output method. The Company recognizes revenue on the basis of direct measurements of the value to customers of the goods or services transferred to date, relative to the remaining goods or services promised under the contract. Progress is measured using performance completed to date. This is based on the monthly project accomplishment report prepared by the Company's engineers which integrates the surveys of performance to date of the construction activities.

Estimated development costs of the real estate project include costs of land, land development, building costs, professional fees, payments for permits and licenses. Revisions in estimated development costs brought about by increases in projected costs in excess of the original budgeted amounts, form part of total project costs on a prospective basis.

Any excess of progress of work over the right to an amount of consideration that is unconditional, recognized as installment contract receivables, under trade receivables, is included in the "Contract asset" account in the assets section of the consolidated statement of financial position.

Any excess of collections over the total of recognized installment contract receivables is included in the "Contract liabilities" account in the liabilities section of the consolidated statement of financial position.

Cost Recognition
The Company recognizes costs relating to satisfied performance obligations as these are incurred taking into consideration the contract fulfillment assets such as land and connection fees. These include costs of land, land development costs, building costs, professional fees and permits and licenses and capitalized borrowing costs. These costs are allocated to the saleable area, with the portion allocable to the sold area being recognized as costs of sales while the portion allocable to the unsold area being recognized as part of real estate inventories.

In addition, the Company recognizes as an asset, only the costs that give rise to resources that will be used in satisfying performance obligations in the future and that are expected to be recovered.

Contract Balances

Receivables
A receivable represents the Company's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Contract assets
A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Company performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional.

Contract liabilities
A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Company performs under the contract.

The contract liabilities also include payments received by the Company from the customers for which revenue recognition has not yet commenced and payments in excess of percentage of completion.

Cost to obtain a contract
The incremental costs of obtaining a contract with a customer are recognized as an asset if the Company expects to recover them. The Company has determined that commissions paid to brokers and marketing agents on the sale of pre-completed real estate units are deferred when recovery is reasonably expected and are charged to expense in the period in which the related revenue is recognized as earned. Commission expense is included in the "Cost of real estate sold" account in the consolidated statement of income.

Costs incurred prior to obtaining contract with customer are not capitalized but are expensed as incurred.

Contract fulfillment asset
Contract fulfillment costs are divided into: (i) costs that give rise to an asset; and (ii) costs that are expensed as incurred. When determining the appropriate accounting treatment for such costs, the Company firstly considers any other applicable standards. If those standards preclude capitalization of a particular cost, then an asset is not recognized under PFRS 15.

If other standards are not applicable to contract fulfillment costs, the Company applies the following criteria which, if met, result in capitalization: (i) the costs directly relate to a contract or to a specifically identifiable anticipated contract; (ii) the costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and (iii) the costs are expected to be recovered. The assessment of this criteria requires the application of judgement, in particular when considering if costs generate or enhance resources to be used to satisfy future performance obligations and whether costs are expected to be recoverable.

The Company's contract fulfillment assets pertain to connection fees and land acquisition costs.

Amortization, de-recognition and impairment of contract fulfillment assets and capitalized costs to obtain a contract
The Company amortizes contract fulfillment assets and capitalized costs to obtain a contract to cost of sales over the expected construction period using percentage of completion following the pattern of real estate revenue recognition. The amortization is included within cost of sales.

A contract fulfillment asset or capitalized costs to obtain a contract is derecognized either when it is disposed of or when no further economic benefits are expected to flow from its use or disposal.

At each reporting date, the Company determines whether there is an indication that contract fulfillment asset or cost to obtain a contract maybe impaired. If such indication exists, the Company makes an estimate by comparing the carrying amount of the assets to the remaining amount of consideration that the Company expects to receive less the costs that relate to providing services under the relevant contract. In determining the estimated amount of consideration, the Company uses the same principles as it does to determine the contract transaction price, except that any constraints used to reduce the transaction price will be removed for the impairment test.

Where the relevant costs or specific performance obligations are demonstrating marginal profitability or other indicators of impairment, judgement is required in ascertaining whether or not the future economic benefits from these contracts are sufficient to recover these assets. In performing this impairment assessment, management is required to make an assessment of the costs to complete the contract. The ability to accurately forecast such costs involves estimates around cost savings to be achieved over time, anticipated profitability of the contract, as well as future performance against any contract-specific performance indicators that could trigger variable consideration, or service credits. Where a contract is anticipated to make a loss, there judgements are also relevant in determining whether or not an onerous contract provision is required and how this is to be measured.

Gaming Revenue Share - net. Revenue representing monthly payments from Melco Resorts Leisure (PHP) Corporation (Melco), formerly MCE Leisure (Philippines) Corporation, based on the performance of gaming operations of City of Dreams Manila integrated resort and casino is recognized when earned pursuant to an Operating Agreement and is measured at the fair value of the consideration received or receivable, net of PAGCOR license fee.

In determining the transaction price for gaming revenue share, the Company considers the effect of variable consideration. The Company estimates the amount of consideration to which it will be entitled in exchange for transferring the service to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

Interest Income. Interest income from trade receivables and finance lease receivables is recognized as the interest accrues using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount. Interest income from bank deposits is recognized as it accrues.

Equipment Rental. Revenue is recognized based on a certain percentage of gross sales of the lessee's online lottery operations, as computed by the lessee in accordance with the agreement, or a fixed annual rental per terminal in commercial operations, whichever is higher.

Commission and Distribution Income. Revenues from the distribution of lottery, sweepstakes and scratch tickets to customers, including retailers and sub-distributors, representing the Company's share from the sales, are recognized upon delivery of the tickets to the customers. Revenue from the monthly fixed payment from Powerball Marketing & Logistics Corp. (PMLC), formerly Powerball Gaming and Entertainment Corporation, is recognized monthly in accordance with the Outsourcing Memorandum of Agreement (OMOA).

Lease Income. Lease income arising from operating leases on investment properties is accounted for on a straight-line basis over the terms of the lease.

Revenue from Property Management. Revenue is recognized as services of providing utilities and maintenance are performed.

Gain on Finance Lease. Gain on finance lease pertains to the income arising from the difference between the fair value of an asset and its cost. Gain on finance lease is recognized when incremental economic benefit will flow to the entity and the amount can be measured reliably. This is presented under "Other income (expenses)" account in the statement of comprehensive income.

Dividends (presented under "Other revenue" account). Revenue is recognized when the Company's right to receive the payment is established.

Income from Forfeitures (presented under "Other revenue" account). This represents income from forfeitures of the deposits and, to a certain extent, installments from customers in the event of a default and/or from cancellations of sales. Revenue is recognized upon approval of cancellation.

Penalty (presented under "Other revenue" account). Penalty pertains to income from surcharges for buyers' default and late payments. Income is recognized when penalty is actually collected.

Income from Playing Rights (presented under "Other revenue" account). Revenue from sale of club shares and playing rights are recognized when the risk and rewards of ownership of the shares and playing rights have been passed to the buyer and the amount of revenue can be reliably measured.

Brand and trademark income (presented under "Other income (loss)" account). Income is recognized at point in time upon transfer of a non-assignable, non-transferable and exclusive right to use of instant scratch tickets' brand and trademarks.

Other Income. Revenue is recognized when there is an incremental economic benefit, other than the usual business operations, that will flow to the Company and the amount of the revenue can be measured reliably.

Revenue Recognition Prior to Adoption of PFRS 15 on Sale of Real Estate

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the amount of the revenue can be reliably measured, regardless of when the payment is received. 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 Company assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent. Except for "Commission income," the Company has concluded that it is acting as a principal in all of its revenue arrangements since it is the principal obligor in all the revenue arrangements, has pricing latitude, and is also exposed to inventory and credit risks. The following specific recognition criteria must also be met before revenue is recognized:

Sale of Real Estate. Revenue from sale of real estate, which include the sale of lots and condominium units, are accounted for under the full accrual method of accounting. Under this method, revenue and cost is recognized when: (a) the collectibility of the sales price is reasonably assured; (b) the earnings process is virtually complete; and (c) the seller does not have a substantial continuing involvement with the subject properties.

Real estate sales, where the Company has material obligations under the sales contract to provide improvements after the property are sold, are accounted for under the POC method. Under this method, the gain on sale is realized as the related obligations are fulfilled and the units are completed, measured principally on the basis of the estimated completion of a physical proportion of the contract work.

If none of the revenue recognition criteria are met, deposit method is applied until all the conditions for recording a sale are met. Pending recognition of sale, cash received from buyers is accounted as customers' deposits included under "Trade and other current liabilities" account in the consolidated statements of financial position.

Costs and Expense Recognition
Costs and expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decrease in equity, other than those relating to distributions to equity participants. Costs and expenses are recognized in profit or loss in the consolidated statement of comprehensive income on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined; or immediately when

expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify, cease to qualify, for recognition in the consolidated statement of financial position as an asset.

Cost of real estate sold is recognized consistent with the revenue recognition method applied. Cost of real estate sold includes all direct materials and labor costs, and those indirect costs related to contract performance. Cost of real estate sold before the completion of the development includes estimated costs for future development work, all estimated by the Company's project engineers. When it is probable that the labor contract cost will exceed total contract revenue, the expected loss is recognized immediately. Changes in job performance, job conditions and estimated profitability, including those arising from contract penalty provisions and final contract settlements which may result in revisions to estimated costs and gross margins, are recognized in the year in which the revisions are determined. The cost of inventory recognized in profit or loss in the consolidated statement of comprehensive income upon sale is determined with reference to the specific costs incurred on the property, allocated to the saleable area based on relative size and takes into account the percentage of completion used for revenue recognition purposes.

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date. The arrangement is, or contains a lease if fulfillment 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 the arrangement.

Company as a Lessee. A lease is classified at the inception date as a finance lease or an operating lease.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are charged against profit or loss in the consolidated statement of comprehensive income on a straight-line basis over the lease term.

Finance leases, which transfer to the Company substantially all the risks and rewards incidental to ownership of the leased item, are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Company as a Lessor. Leases where the Company does not transfer substantially all the risks and rewards of ownership of the asset are classified as operating leases. Rental income is recognized on a straight-line basis over the term of the lease. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same bases as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Finance leases which transfer to the lessee substantially all the risks and benefits incidental to ownership of the leased item, are recorded as finance lease receivable measured at present value of the minimum lease payments. Lease payments from the lessee are apportioned between finance lease income and reduction of the lease receivable so as to achieve a constant rate of interest on the remaining balance of the receivable. Lease income is recognized under "Interest income on finance lease" account in the consolidated statement of comprehensive income.

The cost of the leased item is derecognized at inception of the lease. Cost includes estimated cost to complete the construction of a leased item and recognized as "Estimated liability on construction costs" separately shown in the consolidated statements of financial position and shall be settled based on actual billings from the contractors and adjusted upon completion of the construction. Any difference between the actual cost incurred and the estimated liability on construction costs are recognized in profit or loss.

Capitalization of Operating Lease. Where a building will be constructed on a land under operating lease, the operating lease costs that are incurred during the construction period are capitalized as part of the construction cost of the building. Such lease costs are viewed as costs directly attributable to bringing the building to the location and condition necessary for it to be capable of operating in a manner intended by management. Lease costs are necessary and unavoidable costs of constructing the building, because without this lease, no construction could occur. Otherwise, this may be expensed outright.

Borrowing Costs
Borrowing costs directly attributable to the development of the Company's projects that necessarily take a substantial period of time to get ready for its intended use are capitalized as part of the cost of the investment property account in the consolidated statement of financial position. Capitalization of borrowing costs ceases when substantially all the activities necessary to prepare the asset for its intended use is complete. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Pension Costs
The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:
- Service cost
- Net interest on the net defined benefit liability or asset
- 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, difference between interest income and 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 other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognized in the profit or loss on the earlier of:

- The date of the plan amendment or curtailment, and
- The date that the Group recognize related restructuring costs.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Company, nor can they be paid directly to the Company. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The Company's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Actuarial valuations are made with sufficient regularity that the amounts recognized in the consolidated financial statements do not differ materially from the amounts that would be determined at the reporting period.

Foreign Currency-denominated Transactions and Translations

Transactions denominated in foreign currency are recorded in Philippine peso by applying to the foreign currency amount the exchange rate between the Philippine peso and the foreign currency at the date of transaction. Monetary assets and monetary liabilities denominated in foreign currencies are translated using the Philippine peso closing exchange rate at the reporting date. All differences arising from settlement or translation are recognized in profit or loss in the consolidated statement of comprehensive income. Nonmonetary items measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of initial transactions. Nonmonetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Income 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 authority. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Current income tax relating to item recognized directly in equity is recognized in equity and not in the profit or loss. 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 Income Tax. Deferred income tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

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

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries and associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and by the parent, venture or investor, respectively, 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 benefits of unused tax credits and any unused tax losses from excess minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) and net operating loss carryover (NOLCO) to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and carry forward benefits 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; and
- in respect of deductible temporary differences associated with investments in subsidiaries and 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 assets to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

Deferred tax assets and deferred tax 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 as at the reporting date.

Deferred tax relating to items recognized in “Other comprehensive income” account are included in “Other comprehensive income” account in the consolidated statement of comprehensive income and not in 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 levied by the same taxation authority.

Value-Added Tax (VAT)

Revenues, expenses and assets are recognized net of the amount of VAT, if applicable:

When VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the balance sheet. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of goods and/or services (output VAT), the excess is recognized as an asset in the consolidated statement of financial position to the extent of the recoverable amount.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of "Input VAT" under "Other current assets" account or "Output VAT" under "Trade and other current liabilities" account, respectively, in the consolidated statements of financial position.

Earnings Per Share (EPS)
Basic EPS is computed by dividing net profit or loss for the year attributable to common equity holders of the parent, after recognition of the dividend requirement of preferred shares, as applicable, by the weighted average number of issued and outstanding common shares during the year, after giving retroactive effect to any stock dividends declared during the year.

Diluted EPS is computed by dividing net profit or loss for the year attributable to common equity holders of the parent by the weighted average number of issued and outstanding common shares during the year plus the weighted average number of common shares that would be issued on conversion of all the dilutive potential common shares into common shares. The calculation of diluted EPS does not assume conversion, exercise, or other issue of potential common shares that would have an anti-dilutive effect on EPS.

As the Company has no dilutive potential common shares outstanding, basic and diluted EPS are stated at the same amount.

Operating Segments
For management purposes, the Company is organized into business units based on the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and services.

Provisions
Provisions are recognized when the 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 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 any provision is presented as part of profit or loss in the consolidated statement of comprehensive income, net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pretax 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 interest expense.

Contingencies
Contingent liabilities are not recognized in the consolidated financial statements. They are disclosed in the notes to the consolidated financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but are disclosed in the notes to consolidated financial statements when an inflow of economic benefits is probable.

Events after the Reporting Period
Post year-end events that provide additional information about the Company's financial position at the reporting period (adjusting events), if any, are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to consolidated financial statements when material.

6. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Company's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in future periods.

Judgments and estimates are continually evaluated and are based on experience and other factors, including expectations of future events that are to believe to be reasonable under the circumstances.

Judgments
In the process of applying the Company's accounting policies, management has made the following judgments, apart from those involving estimations, which has the most significant effect on the amounts recognized in the consolidated financial statements:

Recognition of Revenue and Cost of Sale of Real Estate (beginning January 1, 2018).

Existence of a contract
The Company's primary document for a contract with a customer is a signed contract to sell, which contain all the criteria to qualify as contract with the customer under PFRS 15.

In addition, part of the assessment process of the Company before revenue recognition is to assess the probability that the Company will collect the consideration to which it will be entitled in exchange for the real estate property that will be transferred to the customer. In evaluating whether collectability of an amount of consideration is probable, an entity considers the significance of the customer's initial payments in relation to the total contract price. Collectability is also assessed by considering factors such as past history customer, age of receivables and contract assets and pricing of the property. Management regularly evaluates the historical cancellations if it would still support its current threshold of customers' equity before commencing revenue recognition.

Revenue recognition method and measure of progress
The Company concluded that revenue for real estate sales is to be recognized over time because (a) the Company's performance does not create an asset with an alternative use and; (b) the Company has an enforceable right for performance completed to date. The promised property is specifically identified in the contract and the contractual restriction on the Company's ability to direct the promised property for another use is substantive. This is because the property promised to the customer is not interchangeable with other properties without breaching the contract and without incurring significant costs that otherwise would not have been incurred in relation to that contract. In addition, under the current legal framework, the customer is contractually obliged to make payments to the developer up to the performance completed to date.

The Company has determined that output method used in measuring the progress of the performance obligation faithfully depicts the Company's performance in transferring control of real estate development to the customers.

Identifying performance obligation
The Company has various contracts to sell covering (a) serviced lot and (b) condominium unit. The Company concluded that there is one performance obligation in each of these contracts because, for serviced lot, the developer integrates the plots it sells with the associated infrastructure to be able to transfer the serviced land promised in the contract. For the contract covering condominium unit, the developer has the obligation to deliver the condominium unit duly constructed in a specific lot and fully integrated into the serviced land in accordance with the approved plan. Included also in this performance obligation is the Company's service is to transfer the title of the real estate unit to the customer.

Recognition of Revenue and Cost of Sale of Real Estate (effective January 1, 2018). Selecting an appropriate revenue recognition method for a particular sale transaction requires certain judgments based on sufficiency of cumulative payments by the buyer, completion of development and existence of a binding sales agreement between the Company and the buyer. The completion of development is determined based on actual costs incurred over the total estimated development costs reconciled with the Company engineer's judgment and estimates on the physical portion of contract work done if the development cost is beyond preliminary stage.

Revenue and cost from sale of real estate amounted to ₱670.5 million and ₱363.6 million, respectively, in 2018 (see Note 30).

Recognition of Revenue and Cost of Sale of Real Estate (prior to January 1, 2018). Selecting an appropriate revenue recognition method for a particular sale transaction requires certain judgments based on sufficiency of cumulative payments by the buyer, completion of development and existence of a binding sales agreement between the Company and the buyer. The completion of development is determined based on actual costs incurred over the total estimated development costs reconciled with the Company engineer's judgment and estimates on the physical portion of contract work done if the development cost is beyond preliminary stage.

Revenue and cost from sale of real estate amount to ₱596.7 million and ₱308.4 million, respectively in 2017, and ₱350.3 million and ₱120.5 million, respectively in 2016 (see Note 30).

Business Combinations. The Company acquires subsidiaries which own real estate and gaming operations. At the time of acquisition, the Company considers whether the acquisition represents an acquisition of a business or a group of assets and liabilities. The Company accounts for an acquisition as a business combination where an integrated set of business processes is acquired in addition to the asset acquired. More specifically, consideration is made of the extent to which significant processes are acquired and, in particular, the extent of services provided by the subsidiary.

When the acquisition of subsidiary does not constitute a business, it is accounted for as an acquisition of a group of assets and liabilities. The cost of the acquisition is allocated to the assets and liabilities acquired based upon their relative fair values and no goodwill or deferred tax is recognized.

Please refer to Note 18 for the Company's most recent business combinations.

Determining Subsidiaries with Material Non-controlling Interests and Material Associates.
The Company is required to disclose certain financial information on its subsidiaries with material NCI and material associates. There are also qualitative considerations including the nature of relationship between the Company and the subsidiary or associate and the nature of their businesses.

Management determines material subsidiaries with material NCI as those with assets, non-controlling interests, revenues and net income greater than 5% of consolidated assets, NCI, revenues and net income. Material associates are those where the Company's carrying amount of investment or equity in net earnings is greater than 5% of the consolidated assets or net income at year end.

The Company has determined PLC as a subsidiary with material NCI in 2018 and 2017 (see Note 2). The Company has no material associates in 2018 and 2017 (see Note 13).

Evaluation of 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 fulfillment of the arrangement depends on specific asset or assets and the arrangement conveys a right to use the asset.

Finance Lease - as a Lessor. The Parent Company has entered into a lease agreement with Melco for the lease of a building. Management has determined based on evaluation of the terms and conditions of the arrangement, that the Parent Company transfers substantially all the risks and benefits incidental to ownership of the building and that the present value of the minimum lease payments amounts to at least substantially all of the fair value of the building at the lease inception date. On those bases, the Parent Company accounted for the lease of the building structures under finance lease.

Interest income on finance lease in 2018, 2017 and 2016 amounted to ₱1,663.8 million, ₱2,069.8 million and ₱2,003.8 million, respectively. The outstanding balance of finance lease receivables as at December 31, 2018 and 2017 amounted to nil and ₱18,083.2 million, respectively (see Note 37).

Change in the Classification of Lease from Finance Lease to Operating Lease. The classification of the lease is determined at the inception of the lease, which is based on the risks and rewards incidental to ownership of leased asset. Risks include the possibilities of losses from idle capacity or technological obsolescence and variations in return because of changing economic conditions. Rewards may be represented by the expectation of profitable operation over the asset's economic life and gain from appreciation in value or realization of a residual value. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership. If at any time, the lessor and lessee agree to change the provisions of the lease, other than by renewing the lease, in a manner that would have resulted in a different classification of the lease if the changed terms had been in effect at the inception of the lease, the revised agreement is regarded as a new agreement over its term.

In 2018, the parties agreed to change the use of a portion of the building. Also, in 2018, the Parent Company engaged a third party to study the actual use of the building. Based on the result of the study, Management believes that there is a substantial change in the use of the building from the inception of the lease (e.g., parking to retail, non-gaming to gaming). The changes in the use of the building from the inception of the lease resulted to different lease rates as indicated in the lease agreement. The Parent Company assessed that based on the terms of the new agreement and the fair value and useful life of the asset at the date of revision of terms results to change in the classification of lease from finance lease to operating lease. The change in the classification of lease resulted to increase in investment property, rental income and depreciation expense in 2018 by ₱18,225.8 million, ₱532.1 million and ₱116.5 million, respectively. Receivables and interest income decreased in 2018 by ₱18,418 million and ₱461.3 million, respectively. The change in the classification of the lease will also result in an annual increase in rental income and depreciation expense by ₱310.3 million and ₱483.9 million in succeeding periods and will result to decrease in interest income on finance lease by ₱2,166.0 million in 2019 adjusted by the impact of EIR in succeeding period (see Note 15).

Operating Lease - as a Lessor. The Parent Company, as a lessor, has accounted for the lease agreements for its land and building under an operating lease. The Parent Company has determined that it has not transferred the significant risks and rewards of ownership of the leased properties to the lessee because of the following factors:

a) the lessee will not acquire ownership of the leased properties upon termination of the lease;
b) the lessee was not given an option to purchase the assets at a price that is sufficiently lower than the fair value at the date of the option;
c) the lease term is not a major part of the economic life of the asset; and
d) the present value of the minimum lease payments is not substantially all of the fair value of the leased asset.

Lease income earned from lease of land and building amounted to ₱724.4 million in 2018, and ₱190.0 million in 2017 and 2016 (see Note 37).

POSC and TGTI leases to Philippine Charity Sweepstakes Office (PCSO) the lottery equipment it uses for its nationwide on-line lottery operations. POSC and TGTI have determined that it has retained substantially all the risks and benefits of ownership of the lottery equipment being leased to PCSO. The ownership of the asset is not transferred to the lessee by the end of the lease term, the lessee 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.

Revenue from equipment rental amounted to ₱1,448.3 million, ₱1,840.5 million and ₱1,579.7 million in 2018, in 2017, and in 2016 (see Note 37).

Finance Lease - as a Lessee. POSC also entered into various finance lease agreements covering certain lottery equipment. POSC determined that it bears substantially all the risks and rewards incidental to the ownership of the said properties under finance lease agreements.

The carrying amount of lottery equipment under finance lease arrangements amounted to ₱30.9 million and ₱103.7 million as at December 31, 2018 and 2017, respectively (see Notes 16 and 37).

Operating Lease - as a Lessee. The Company, as a lessee, has entered into lease agreements for its office space, land, parking lots, machinery, office and transportation equipment. The Company has determined that it has not acquired the significant risks and rewards of ownership of the leased properties, thus the Company recognized the lease agreements as operating leases.

Rent expense recognized from operating lease amounted to ₱189.5 million, ₱141.8 million, ₱103.1 million in 2018, 2017 and 2016, respectively (see Notes 33 and 37).

Estimates and Assumptions
The key assumptions concerning the future and other key sources of estimation uncertainty at reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below. The Company based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, many changes due to market changes or circumstances arising that are beyond the control of the Company. Such changes are related in the assumptions when they occur.

Determination of Fair Value of Financial Assets and Financial Liabilities. Certain financial assets and financial liabilities are carried and disclosed at fair value, which requires extensive use of accounting estimates and judgments. While significant components of fair value measurement were determined using verifiable objective evidence (i.e., foreign exchange rates and interest rates), the amount of changes in fair value would differ if the Company utilized a different valuation methodology. Any changes in the assumptions could affect the fair value of these financial assets and financial liabilities. Please refer to Note 43 for the required disclosures on the fair value of the Company's financial assets and financial liabilities.

Determination of Impairment of Receivables, Contract Assets and Advances to Associates (Upon Adoption of PFRS 9). The impairment provisions for financial assets are based on assumptions about risk of default and expected loss rates. The Company uses judgment in making these assumptions and selected inputs to the impairment calculation, based on the Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

There was no provision for impairment recognized in 2018. The aggregate carrying values of receivables, contract assets and advances to associates amounted to ₱2,367.5 million (see Notes 10 and 13).

Determination of Impairment of Receivables, Finance Lease Receivables and Advances to Associates (Prior to Adoption of PFRS 9). The Company maintains an allowance for doubtful accounts at a level considered adequate to provide for potential uncollectible receivables and advances. The level of this allowance is evaluated by the management on the basis of factors that affect the collectability of the accounts. These factors include, but are not limited to, the age and status of receivable, the length of relationship with the customers and related parties, the counterparty's payment behavior and known market factors.

The Company reviews the allowance on a continuous basis. Accounts that are specifically identified to be potentially uncollectible are provided with adequate allowance through charges to income in the form of provision for doubtful accounts. The amount and timing of recorded provision for doubtful accounts for any period would differ if the Company made different judgments or utilized different estimates. An increase in the Company's allowance for doubtful accounts would increase the recorded operating expenses and decrease its assets.

Provision for doubtful accounts amounted to ₱7.7 million and ₱43.2 million in 2017 and 2016, respectively (see Notes 10 and 35). The aggregate carrying values of receivables, finance lease receivables, contract assets and advances to associates amounted to ₱20,179.5 million as at December 31, 2017. Allowance for doubtful accounts amounted to ₱396.4 million as at December 31, 2017 (see Notes 10 and 13).

Determination of NRV of Real Estate for Sale and Supplies Inventory. Real Estate for sale and supplies inventory are stated at lower of cost and NRV. The Company writes down the carrying value of real estate for sale and supplies inventory whenever the NRV becomes lower than cost due to changes in estimated selling prices less cost to sell. The carrying value is reviewed at least annually for any decline in value.

There was no provision for write-down of inventories in 2018 and 2017. The carrying values of inventories carried at lower of cost and NRV are as follows:

	2018	2017
	(In Thousands)	
Real estate for sale and land held for future development – at cost (see Note 11)	**₱3,474,362**	₱3,742,431
Spare parts and supplies* (see Note 12)	**63,953**	65,729

**Included under "Other current assets" account in the consolidated statements of financial position.*

Determination of Impairment of AFS Financial Assets (prior to adoption of PFRS 9). The Company determines that AFS financial assets are impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The Company determines that a decline in fair value of greater than 20% of cost is considered to be a significant decline and a decline for a period of more than 12 months is considered to be a prolonged decline. This determination of what is significant or prolonged requires judgment. In making this judgment, the Company evaluates, among other factors, the normal volatility in share price for quoted equities.

No provision for impairment loss was recognized in 2017 and 2016. The carrying values of AFS financial assets amounted to ₱2,475.3 million as at December 31, 2017 (see Note 14).

Estimating Impairment of Goodwill. The Company determines whether goodwill is impaired at least annually. This requires the estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating value in use requires management to make an estimate of the expected future cash flows from the cash-generating units and to choose a suitable discount rate to calculate the present value of those cash flows.

The Company recognized an impairment loss amounting to ₱110.9 million in 2018 and nil in 2017. The carrying amount of goodwill as at December 31, 2018 and 2017 amounted to ₱1,721.3 million and ₱1,832.3 million, respectively (see Note 18).

Determination of Impairment of Nonfinancial Assets (Except Goodwill). The Company assesses whether there are any indicators of impairment for all nonfinancial assets at each reporting date. Investments in associates, investment properties, property and equipment and intangible assets are reviewed for impairment when there are indicators that the carrying amounts may not be recoverable. Intangible asset is reviewed annually for impairment while it is still not yet available for use. Determining the value in use of these nonfinancial assets, which requires the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the Company to make estimates and assumptions that can materially affect the consolidated financial statements. Future events could cause the Company to conclude that such nonfinancial assets are impaired. Any resulting impairment loss could have a material adverse impact on the Company's consolidated financial statements.

There were no indicators of impairment in 2018 and 2017. Thus, no impairment loss was recognized. The carrying values of nonfinancial assets subjected to impairment review as at December 31, 2018 and 2017 are as follows:

	2018	2017
	(In Thousands)	
Investments in associates (see Note 13)	**₱123,351**	₱123,351
Investment properties (see Note 15)	**20,094,843**	1,869,025
Property and equipment (see Note 16)	**369,939**	648,444
Intangible asset (see Note 17)	**4,581,040**	5,001,237

Realizability of Deferred Tax Assets. Deferred tax assets are recognized for all deductible temporary differences and unused tax losses to the extent that it is probable that taxable income will be available against which the deferred tax assets can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized based upon the likely timing and level of future taxable profit together with future tax planning strategies.

The carrying value of recognized deferred tax assets amounted to ₱110.1 million and ₱3,479.7 million as at December 31, 2018 and 2017, respectively. Unrecognized deferred tax assets amounted to ₱1,065.3 million and ₱1,053.3 million as at December 31, 2018 and 2017, respectively (see Note 36).

Determination and Computation of Pension Cost. The cost of defined benefit pension plans and present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases and mortality rates. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. Pension asset amounted to ₱7.9 million and ₱13.4 million as at December 31, 2018 and 2017, respectively. Pension liability amounted to ₱8.6 million and ₱24.1 million as at December 31, 2018 and 2017, respectively (see Note 38). Pension cost recognized in profit or loss amounted to ₱23.5 million, ₱19.5 million and ₱15.7 million in 2018, 2017 and 2016, respectively. The remeasurement gain (loss) recognized in other comprehensive income amounted to ₱23.5 million, (₱7.2 million) and (₱6.0 million) in 2018, 2017 and 2016, respectively (see Note 38).

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

Further details about the assumptions used are provided in Note 38.

Evaluation of Legal Contingencies. The Company recognizes provision for possible claims when it is determined that an unfavorable outcome is probable and the amount of the claim can be reasonably estimated. The determination of reserves required, if any, is based on analysis of such individual issue, often with the assistance of outside legal counsel (see Note 41).

7. Segment Information

The primary segment reporting format is presented based on business segments in which the Company's risks and rates of return are affected predominantly by differences in the products and services provided. Thus, the operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

The Company is primarily in the businesses of real estate development, property management and gaming and gaming-related activities. Others pertain to investment companies which are mostly dormant.

Segment assets include all operating assets used by a segment and consist principally of operating cash and cash equivalents, receivables, finance lease receivables, real estate for sale, land held for future development, investment properties and property and equipment, net of accumulated depreciation and impairment. Segment liabilities include all operating liabilities and consist principally of accounts payable and other liabilities. Segment assets and liabilities do not include deferred income taxes, investments and advances, and borrowings.

Segment revenue, segment expenses and segment performance include transfers among business segments. The transfers, if any, are accounted for at competitive market prices charged to unaffiliated customers for similar products. Such transfers are eliminated in consolidation.

The amounts of segment assets and liabilities and segment profit or loss are based on measurement principles that are similar to those used in measuring principles that are similar to those used in measuring assets and liabilities and profit or loss in the consolidated financial statements, which are in accordance with PFRSs.

Financial information about the Company's business segments are shown below:

	2018				
	Real Estate Development and Property Management	**Gaming and Gaming Related Activities**	**Others**	**Eliminations/ Adjustments**	**Consolidated**
			(In Thousands)		
Earnings Information					
Revenue	**₱4,518,820**	**₱5,299,948**	**₱–**	**(₱1,303,756)**	**₱8,515,012**
Costs and expenses	**(1,446,903)**	**(2,961,539)**	**(18,212)**	**470,051**	**(3,956,603)**
Interest expense	**(567,382)**	**(6,187)**	**–**	**108,708**	**(464,861)**
Interest income	**9,412**	**48,770**	**69**	**–**	**58,251**
Other income (loss)	**(31,965)**	**231,869**	**(134,212)**	**(292,513)**	**(226,821)**
Impairment loss on goodwill	**–**	**(110,934)**	**–**	**–**	**(110,934)**
Income before income tax	**2,481,982**	**2,501,927**	**(152,355)**	**(1,017,510)**	**3,814,044**
Provision for income tax	**407,905**	**181,005**	**–**	**–**	**588,910**
Net income for the year	**2,074,077**	**2,320,923**	**(152,356)**	**(1,017,510)**	**3,225,134**
Net income attributable to equity holders of the parent	**2,074,077**	**2,169,039**	**(152,356)**	**(1,443,058)**	**2,647,757**
Other Information					
Investments in and advances to associates	**₱9,970,452**	**₱–**	**₱11,222**	**(₱9,903,657)**	**₱78,017**
Investments at FVPL	**–**	**155,705**	**–**	**–**	**155,705**
Investments at FVOCI	**4,764,540**	**746,827**	**–**	**(740,595)**	**4,770,772**
Total assets	**41,977,085**	**19,617,701**	**284,273**	**(19,387,973)**	**42,491,086**
Total liabilities	**17,085,830**	**1,713,648**	**373,843**	**(6,527,466)**	**12,645,855**
Capital expenditures	**20,883**	**45,683**	**–**	**–**	**66,566**
Depreciation and amortization	**(244,516)**	**(461,473)**	**(11,851)**	**123,539**	**(594,571)**

	2017				
	Real Estate Development and Property Management	Gaming and Gaming Related Activities	Others	Eliminations/ Adjustments	Consolidated
			(In Thousands)		
Earnings Information					
Revenue	₱3,830,857	₱5,153,439	₱–	(₱972,236)	₱8,012,060
Costs and expenses	(991,311)	(2,763,810)	(18,183)	310,739	(3,462,565)
Interest expense	(547,566)	(10,859)	–	54,760	(503,665)
Interest income	7,859	75,977	501	(54,760)	29,577
Other income	124,193	(108,332)	133,545	82,807	232,213
Income before income tax	2,424,032	2,346,415	115,863	(578,690)	4,307,620
Provision for income tax	(513,437)	(255,830)	(27,712)	–	(796,979)
Net income for the year	1,910,595	2,090,585	88,151	(578,690)	3,510,641
Net income attributable to equity holders of the parent	1,910,595	1,844,378	88,151	(970,712)	2,872,412
Other Information					
Investments in and advances to associates	10,066,626	–	–	(9,988,651)	77,975
Investments held for trading	2,101,183	178,483	–	–	2,279,666
Available-for-sale financial assets	2,469,306	1,248,688	–	(1,242,707)	2,475,287
Total assets	41,950,422	19,306,481	522,554	(18,045,764)	43,733,693
Total liabilities	15,864,760	1,653,711	459,768	(4,605,720)	13,372,519
Capital expenditures	97,346	156,789	–	(36,000)	218,135
Depreciation and amortization	(34,492)	(464,032)	(5,636)	122,938	(381,222)

	2016				
	Real Estate Development and Property Management	Gaming and Gaming Related Activities	Others	Eliminations/ Adjustments	Consolidated
			(In Thousands)		
Earnings Information					
Revenue	₱3,388,084	₱3,603,233	₱–	(₱669,809)	₱6,321,508
Costs and expenses	(784,930)	(2,130,972)	(4,005)	221,136	(2,698,771)
Interest expense	(371,721)	(12,750)	(4,139)	32,831	(355,779)
Interest income	14,463	14,314	5	–	28,782
Other income	657,331	(24,225)	63	46,850	680,019
Income before income tax	2,903,227	1,449,600	(8,076)	(368,992)	3,975,759
Provision for income tax	(597,035)	(282,601)	–	–	(879,636)
Net income for the year	2,306,192	1,166,999	(8,076)	(368,992)	3,096,123
Net income attributable to equity holders of the parent	2,306,192	968,750	(8,076)	(566,749)	2,700,117
Other Information					
Investments in and advances to associates	₱9,908,421	₱–	₱3,762,761	(₱13,593,279)	₱77,903
Investments held for trading	2,066,720	165,990	–	–	2,232,710
Available-for-sale financial assets	2,004,811	1,170,226	–	(1,148,093)	2,026,944
Total assets	40,927,293	17,481,494	3,995,540	(20,839,369)	41,564,958
Total liabilities	16,283,684	891,282	4,008,025	(7,361,815)	13,821,176
Capital expenditures	22,542	112,119	–	–	134,661
Depreciation and amortization	(35,094)	(496,032)	–	167,136	(363,990)

Revenues from a certain customer in the Company's real estate development business and gaming revenue share - net amounting to ₱5,610.1 million, ₱4,869.2 million and ₱3,836.9 million for the years ended December 31, 2018, 2017 and 2016, respectively, are solely collectible from Melco while revenues from the Company's gaming and other gaming-related activities amounting to ₱1,448.3 million, ₱1,840.5 million and ₱1,579.7 million for the year ended December 31, 2018, 2017 and 2016 are solely collectible from PCSO.

The following illustrate the reconciliations of reportable segment revenues, net profit, assets and liabilities to the Company's corresponding amounts:

	2018	2017	2016
		(In Thousands)	
Revenues			
Total revenue for reportable segments	**₱9,818,768**	₱8,984,296	₱6,991,317
Elimination for intercompany revenue	**(1,303,756)**	(972,236)	(669,809)
Total consolidated revenues	**₱8,515,012**	₱8,012,060	₱6,321,508
Net Profit for the Year			
Total profit for reportable segments	**₱4,242,644**	₱4,089,331	₱3,465,116
Elimination for intercompany profits	**(1,017,510)**	(578,690)	(368,993)
Consolidated net profit	**₱3,225,134**	₱3,510,641	₱3,096,123
Assets			
Total assets for reportable segments	**₱37,486,591**	₱38,900,765	₱37,227,401
Investments in and advances to associates	**78,017**	77,975	77,903
Investments at FVOCI	**4,770,773**	2,475,287	2,026,944
Investments at FVPL	**155,705**	2,279,666	2,232,710
Total assets	**₱42,491,086**	₱43,733,693	₱41,564,958

	2018	2017	2016
		(In Thousands)	
Liabilities			
Total liabilities for reportable segments	**₱2,410,123**	₱2,311,826	₱1,609,374
Loans payable	**1,500,017**	2,500,017	2,000,017
Long-term debt	**6,002,431**	6,259,375	4,621,875
Deferred tax liabilities - net	**2,667,581**	2,220,559	1,742,187
Advances from related parties*	**65,703**	62,096	62,347
Estimated liability on construction costs	–	18,646	23,376
Nontrade liability	–	–	3,762,000
Total liabilities	**₱12,645,855**	₱13,372,519	₱13,821,176

**Presented under "Trade payables and other current liabilities" account in the consolidated statements of financial position.*

The Parent Company's Executive Committee, the chief operating decision maker of the Company, monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements. However, financing (including interest expense and interest income) and income taxes are managed as a whole and are not allocated to operating segments. Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

Disclosure of the geographical information regarding the Company's revenues from external customers and total assets have not been provided since all of the Company's consolidated revenues are derived from operations within the Philippines.

Capital expenditures consist of additions of property and equipment and expenditures on investment properties.

Disaggregated revenue information

Set out below is the disaggregation of the Company's revenue from contracts with customers for the year ended December 31, 2018:

Type of service	**Real Estate Development and Property Management**	**Gaming and gaming related activities**	**Total**
		(In Thousands)	
Gaming revenue - share	₱–	₱3,211,857	₱3,211,857
Sale of real estate	670,527	–	670,527
Commission and distribution income	–	487,626	487,626
Revenue from property management	186,194	–	186,194
Revenue from contracts with customers	₱856,721	₱3,699,483	₱4,556,204

All revenue from contracts with customers pertains to revenue transferred over time.

Reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information follows:

Type of service	Real Estate Development and Property Management	Gaming and gaming related activities	Total
		(In Thousands)	
Revenue per segment reporting	₱4,518,820	₱5,299,948	₱9,818,768
Interest income on finance lease	(1,663,824)	–	(1,663,824)
Lease income	(724,431)	–	(724,431)
Other income	(95,327)	–	(95,327)
Dividend income	(22,030)	(4,966)	(26,996)
Equipment rental		(1,448,318)	(1,448,318)
Intracompany eliminated balances			
Dividend income	(1,102,575)	(38,473)	(1,141,048)
Other income	(53,912)	(108,708)	(162,620)
Total revenue from contracts with customers	₱856,721	₱3,699,483	₱4,556,204

8. Cash and Cash Equivalents

This account consists of:

	2018	2017
	(In Thousands)	
Cash on hand and in banks	**₱2,448,886**	₱2,088,403
Cash equivalents	**204,831**	1,622,845
	₱2,653,717	₱3,711,248

Cash in banks earn interest at the respective bank deposit rates. Cash equivalents are short-term investments which are made for varying periods of up to three months depending on the immediate cash requirements of the Company and earn interest at the respective short-term investment rates.

Interest income earned from cash in banks and cash equivalents amounted to ₱45.7 million, ₱29.6 million and ₱28.8 million in 2018, 2017 and 2016, respectively (see Note 34).

9. Financial Assets at Fair Value through Profit or Loss

This account consists of investments of the Parent Company in Tagaytay Midlands Golf Club, Inc. (TMGCI), The Country Club at Tagaytay Highlands, Inc. (Country Club), Tagaytay Highlands International Golf Club, Inc. (Tagaytay Highlands), and investments of POSC in shares of stock of Leisure and Resorts World Corporation (LRWC), Vantage Equities, Inc. and Philippine Long Distance Telephone Company.

Due to the adoption of PFRS 9 in 2018, the Company classified its TMGCI, Country Club, and Tagaytay Highlands shares as Financial Assets at FVOCI.

The movements in financial assets at FVPL in 2018 and 2017 are as follows:

	2018	2017
	(In Thousands)	
Balance at beginning of year, as previously presented	**₱2,279,666**	₱2,232,710
Reclassification to financial assets at FVOCI (see Notes 3 and 14)	**(2,101,183)**	–
Balance at beginning of year, as restated	**178,483**	2,232,710
Additions	**–**	17,034
Disposals	**(10,875)**	(37,783)
Unrealized marked-to-market gain (loss)	**(11,903)**	67,705
Balance at end of year	**₱155,705**	₱2,279,666

Dividend income realized from financial assets at FVPL amounted to ₱5.0 million, ₱5.7 million and ₱5.2 million in 2018, 2017 and 2016, respectively (see Note 27).

10. Receivables and Contract Assets

Receivables

This account consists of:

	2018	2017
	(In Thousands)	
Trade receivables:		
Leases (see Note 37)	**₱559,760**	₱353,877
Equipment rental and instant scratch ticket sales	**400,539**	492,662
Property management	**139,431**	125,503
Gaming revenue share receivable	**99,105**	183,875
Real estate sales	**98,144**	935,249
Accrued interest	**2,406**	750
Others	**274,309**	279,935
	1,573,694	2,371,851
Less allowance for doubtful accounts	**264,513**	276,067
	1,309,181	2,095,784
Less non-current portion of receivables from real estate sale	**–**	389,515
	₱1,309,181	₱1,706,269

- Trade receivables from real estate sales are noninterest-bearing and are generally collected in installment within 3 to 5 years.
- Trade receivables from equipment rentals and sales of instant scratch tickets, leases and property management are generally on a 30 to 60 days credit term.
- Gaming revenue share receivable is collectible on a 20 days credit term. This pertains to the Company's receivable from Melco for the gaming revenue share in the operations of City of Dreams Manila.

- Other receivables pertain primarily to receivables from sale of land to third parties. These are noninterest-bearing and generally have 30 to 90 days term.

Movement in allowance for doubtful accounts is as follows:

	2018		
	Trade	**Others**	**Total**
		(In Thousands)	
Balance at beginning of year	**₱103,383**	**₱172,684**	**₱276,067**
Write-off	**(6,750)**	**(4,804)**	**(11,554)**
Balance at end of year	**₱96,633**	**₱167,880**	**₱264,513**

	2017		
	Trade	Others	Total
		(In Thousands)	
Balance at beginning of year	₱107,440	₱172,684	₱280,124
Additions from acquisition of subsidiaries (see Note 18)	6,750	–	6,750
Provision (see Note 35)	7,704	–	7,704
Write-off	(18,511)	–	(18,511)
Balance at end of year	₱103,383	₱172,684	₱276,067

Contract Assets
This account in 2018 consists of:

	(in Thousands)
Current portion	₱417,164
Noncurrent portion	640,569
	₱1,057,733

As at December 31, 2018 and 2017, trade receivables and contract assets from real estate with nominal amount of ₱1,254.3 million and ₱1,010.8 million, respectively, were recorded initially at fair value. The fair value of the receivables was obtained by discounting future cash flows using applicable interest rates ranging from 3.29% to 19.75% and 3.85% to 13.95% in 2018 and 2017, respectively. The unamortized discount amounted to ₱98.4 million and ₱75.5 million as at December 31, 2018 and 2017, respectively. Amortization of discount on trade receivables from real estate, shown under "Other revenue" account in the consolidated statements of comprehensive income, amounted to ₱68.6 million, ₱56.3 million and ₱48.2 million in 2018, 2017 and 2016, respectively (see Note 27).

Movement of unamortized discount on trade receivables from real estate sales and contract assets are as follows:

	2018	2017
	(In Thousands)	
Contract assets at nominal amount	**₱1,156,115**	₱–
Trade receivables at nominal amount	**98,144**	1,010,751
	1,254,259	1,010,751
Less discount on trade receivables:		
Balance at beginning of year	**75,502**	56,574
Discount recognized during the year	**91,499**	75,225
Amortization during the year (see Note 27)	**(68,619)**	(56,297)
	98,382	75,502
Balance at end of year	**₱1,155,877**	₱935,249

11. Real Estate for Sale and Land Held for Future Development

These accounts, measured at cost, consist of:

	2018	2017
	(In Thousands)	
Land held for future development	**₱2,998,577**	₱3,099,166
Real estate for sale	**475,785**	643,265
	₱3,474,362	₱3,742,431

Real Estate for Sale
A summary of the movement in real estate for sale is set out below:

	2018	2017
	(In Thousands)	
Balance at beginning of year	**₱643,265**	₱802,854
Cost of real estate sold (see Note 30)	**(363,568)**	(256,500)
Reclassifications from land held for future development	**118,329**	(5,527)
Construction/development costs incurred	**51,221**	53,072
Repossession	**26,538**	49,366
Balance at end of year	**₱475,785**	₱643,265

Land Held for Future Development
A summary of the movement in land held for development in 2018 and 2017 is set out below:

	2018	2017
	(In Thousands)	
Balance at beginning of year	**₱3,099,166**	₱3,092,399
Land acquired/additional costs during the year	**33,764**	1,240
Reclassifications to inventories	**(118,329)**	5,527
Other adjustments	**(16,024)**	–
Balance at end of year	**₱2,998,577**	₱3,099,166

Land held for future development consists of properties in Tagaytay City, Batangas and Cavite. It includes certain parcels of land with a carrying value amounting to ₱946.1 million and ₱931.2 million as at December 31, 2018 and 2017, respectively, which are already in the Company's possession but are not yet fully paid pending the transfer of certificates of title to the Company. Outstanding payable related to the acquisition shown under "Trade and other current liabilities" account in the consolidated statements of financial position amounted to ₱183.6 million and ₱177.3 million as at December 31, 2018 and 2017, respectively (see Note 20).

In 2018, in compliance with PIC Q&A 2018-11, the Company's land held for future development qualifies as inventory. There was no change in the accounting policy adopted by the Company. However, the Company changed its classification of land held for future development from noncurrent asset to current asset to be aligned with its accounting policy (i.e., inventory). Accordingly, the prior year balance of land held for future development account was reclassified to current asset to be aligned with current period's presentation (see Note 3). The reclassification increased total current assets and decreased total noncurrent assets as at December 31, 2017 by ₱3,099.2 million. The reclassification did not have impact on consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cashflows. The reclassification has also no impact on the Company's basic/diluted earnings per share.

12. **Other Current Assets**

This account consists of:

	2018	2017
	(In Thousands)	
Creditable withholding tax - net of allowance for probable loss of ₱4.3 million in 2018 and 2017	**₱842,344**	₱659,793
Input VAT - net of allowance for probable loss of ₱0.1 million in 2018 and 2017	**435,619**	361,593
Prepaid expenses and others	**219,844**	177,451
Spare parts and supplies - net of allowance for decline in value of ₱3.8 million in 2018 and 2017	**63,953**	65,729
Advances to contractors and suppliers - net of allowance for doubtful accounts of ₱14.9 million in 2018 and 2017	**190,895**	54,740
Deposits (see Note 40)	**10,000**	27,955
Advances to officers and employees - net of allowance for doubtful accounts of ₱3.5 million in 2018 and 2017	**402**	702
	₱1,763,057	₱1,347,963

- Creditable withholding tax pertains to the withholding tax related to the goods sold and services rendered by the Company.

- Input VAT pertains to the VAT arising from the construction of the investment properties and land under development.

- Prepaid expenses and others pertain to various prepaid expenses such as insurance, commission, subscription and refundable deposits for various contracts.

- Advances to contractors and suppliers are noninterest-bearing and are expected to be applied against future billings.

- Advances to officers and employees are noninterest-bearing and are normally liquidated within a year.

In 2017, the Company sold other current assets resulting to gain amounting to ₱85.7 million (see Note 35).

In 2017, the Company wrote-off input VAT amounting to ₱25.0 million (see Note 35).

13. **Investments in and Advances to Associates** - net

This account consists of investments in APC Group, Inc., an entity incorporated in the Philippines, where the Company has an effective interest of 48.8%:

	2018	2017
	(In Thousands)	
Investments in associates - net of impairment in value of ₱354.0 million in 2018 and 2017	**₱123,351**	₱123,351
Subscription payable	**(45,928)**	(45,928)
Advances to associates - net of allowance for doubtful accounts of ₱120.3 million in 2018 and 2017 (see Note 39)	**594**	552
	₱78,017	₱77,975

In April 2016, the Parent Company sold Woodland Development Corporation for a consideration of ₱9.6 million resulting to a gain amounting to ₱5.6 million (see Note 35).

Investments in associates as of December 31, 2018 and 2017 consist of:

	(In Thousands)
Acquisition cost	₱5,716,536
Accumulated equity in net losses	(5,250,726)
Accumulated share in unrealized gain on AFS financial assets of associates - Balance at beginning and end of year	14,061
Total	479,871
Allowance for impairment in value:	(354,019)
Equity in cost of Parent Company common shares held by associates	(2,501)
	₱123,351

Fair values of investment in APC, which is publicly listed in the Philippine stock exchange, amounted to ₱1,417.5 million and ₱1,680.0 million as at December 31, 2018 and 2017, respectively. Fair values were determined by reference to quoted market price at the close of business as at reporting date.

Allowance for Doubtful Accounts of Advances to Associates
Allowance for doubtful accounts on advances to associates amounted to ₱120.3 million as at December 31, 2018 and 2017.

14. Available-for-sale Financial Assets and Financial Assets at Fair Value Through Other Comprehensive Income

These accounts pertain to investments in equity instruments classified as financial assets at FVOCI under PFRS 9 as at December 31, 2018 and AFS financial assets under PAS 39 as at December 31, 2017.

These accounts consist of:

	2018	2017
	(In Thousands)	
Shares of stock:		
Quoted	**₱2,257,121**	₱2,365,728
Unquoted	**851**	839
Club shares	**2,512,800**	108,720
	₱4,770,772	₱2,475,287

The Company has a Development Agreement (DA) with TMGCI for the construction and development of a 36-hole golf course which was amended on December 15, 1999. The terms of the amended DA call for as many subscriptions as there are shares, such that the club shares issued by TMGCI to the Company as the development progresses were in proportion to pre-agreed amount of development cost, inclusive of the initial capital contribution.

Financial Assets at FVOCI (December 31, 2018)
The movement of financial assets at FVOCI in 2018 is as follows:

	(In Thousands)
Cost	
Balance at beginning of year, as previously presented	₱–
Reclassification from AFS financial assets	1,133,184
Reclassification from investments held for trading (see Notes 3 and 9)	2,649,181
Balance at beginning of year, as restated	3,782,365
Additions	15,350
Disposals	(74,167)
Balance at end of year	3,723,548
Cumulative unrealized gain (loss) on financial assets at FVOCI	
Balance at beginning of year, as previously presented	–
Reclassification from AFS financial assets	1,365,458
Reclassification from investments held for trading (see Notes 3 and 9)	(547,998)
Reclassification of impairment loss on AFS financial assets previously charged to retained earnings	(23,355)
Balance at beginning of year, as restated	794,105
Unrealized gain during the year	283,020
Realized gain on disposal during the year	(29,901)
Balance at end of year	1,047,224
	₱4,770,772

Dividend income earned from financial assets at FVOCI amounted to ₱22.0 million in 2018 (see Note 27).

Available-for-sale Financial Assets (December 31, 2017)
The movement of AFS financial assets in 2017 is as follows:

	(In Thousands)
Cost	
Balance at beginning of year	₱1,213,361
Disposals for the year	(80,177)
Balance at end of year	1,133,184
Cumulative unrealized gain on AFS financial assets	
Balance at beginning of year	836,938
Unrealized gain during the year	605,066
Realized loss transferred to profit or loss	(76,546)
Balance at end of year	1,365,458
Accumulated impairment loss	
Balance at beginning and end of year	(23,355)
	₱2,475,287

Dividend income earned from AFS financial assets amounted to ₱17.1 million and ₱23.2 million in 2017 and 2016, respectively (see Note 27).

Gain from sale of AFS investments amounted to ₱76.5 million and ₱351.7 million in 2017 and 2016, respectively (see Note 35).

15. **Investment Properties**

Movements in investment properties are as follows:

	2018		
	Land	**Building**	**Total**
		(In Thousands)	
Cost			
Balance at beginning of year	**₱1,869,025**	**₱–**	**₱1,869,025**
Reclassification (see Note 37)	–	**18,342,299**	**18,342,299**
Balance at end of year	**1,869,025**	**18,342,299**	**20,211,324**
Accumulated depreciation			
Balance at beginning of year	–	–	–
Depreciation (see Note 31)	–	**116,481**	**116,481**
Balance at end of year	–	**116,481**	**116,481**
	₱1,869,025	**₱18,225,818**	**₱20,094,843**

	2017
	Land
	(In Thousands)
Cost	
Balance at beginning of year	₱1,540,961
Addition	328,064
Balance at end of year	₱1,869,025

Related liability on construction costs amounted to nil and ₱18.6 million as at December 31, 2018 and 2017, respectively.

On October 14, 2018, Melco converted a portion of the leased parking spaces to a food and entertainment area. Consequently, the change in the usage of leased premises prompted the Company to reassess its lease accounting of the City of Dreams Manila building. After considering the impact of the changes introduced by the change in usage of leased premises, the Company changed its lease accounting from finance lease to operating lease effective October 14, 2018. As part of the Company's accounting policy, the balance of finance lease receivables as of the date of change amounting to ₱18,342.3 million was reclassified to "Investment property" account, and was considered as the cost of the City of Dreams Manila building.

The fair value of investment properties as at January 18, 2018 and August 2, 2018 are higher than its carrying value as determined by an independent appraiser who holds a recognized and relevant professional qualification. The valuation of investment properties was based on income approach for the building and sales comparison approach for the land. The fair value represents the amount at which the assets can be exchanged between a knowledgeable, willing seller and a knowledgeable, willing buyer in an arm's length transaction at the date of valuation, in accordance with International Valuation Standards as set out by the International Valuation Standards Committee.

In determining the fair value of the investment properties, the independent appraisers considered the neighborhood data, community facilities and utilities, land data, sales prices of similar or substitute properties and the highest and best use of investment properties. The Company assessed that the highest and best use of its properties does not differ from their current use.

The Company believes that same conditions were present as at date of valuation and as at December 31, 2018.

Rent income generated from investment properties amounted to ₱724.4 million in 2018 and ₱190.0 million in 2017 and 2016. Direct cost related to the investment properties amounted to ₱341.6 million, ₱196.8 million and ₱209.4 million in 2018, 2017 and 2016, respectively (see Note 31).

16. Property and Equipment

The movements of this account is as follows:

2018	Lottery Equipment	Land and Leasehold Improvements	Machinery and Equipment	Condominium Units and Improvements	Transportation Equipment	Office Furniture, Fixtures and Equipment	Construction-in-progress	Total
				(In Thousands)				
Cost								
Balance at beginning of year	₱1,204,933	₱296,073	₱279,743	₱248,167	₱62,878	₱182,876	₱92,443	₱2,367,113
Additions	13,502	8,324	9,544	1,110	13,889	16,138	4,061	66,568
Reclassification	–	95,374	–	–	–	–	(95,374)	–
Disposal	(301,540)	(7,443)	–	(5,010)	(14,157)	(7,896)	–	(336,046)
Balance at end of year	916,895	392,328	289,287	244,267	62,610	191,118	1,130	2,097,635
Accumulated Depreciation, Amortization and Impairment Loss								
Balance at beginning of year	880,722	284,978	213,268	208,633	18,954	112,114	–	1,718,669
Depreciation and amortization for the year (see Notes 28, 32 and 33)	176,628	100,408	10,789	13,884	16,876	31,821	–	350,406
Disposal	(301,374)	(7,443)	(4,915)	–	(13,757)	(7,890)	–	(335,379)
Balance at end of year	755,976	377,943	219,142	222,517	22,073	136,045	–	1,733,696
Net Book Value	₱160,919	₱14,385	₱70,145	₱21,750	₱40,537	₱55,073	₱1,130	₱363,939

2017	Lottery Equipment	Land and Leasehold Improvements	Machinery and Equipment	Condominium Units and Improvements	Transportation Equipment	Office Furniture, Fixtures and Equipment	Construction-in-progress	Total
				(In Thousands)				
Cost								
Balance at beginning of year	₱1,138,331	₱288,247	₱254,393	₱248,089	₱69,570	₱169,011	₱87,279	₱2,254,920
Additions from acquisition of subsidiaries (see Note 18)	–	4,358	–	–	–	24,307	–	28,665
Additions	116,251	3,468	20,267	78	17,540	22,220	10,247	190,071
Reclassification	–	–	5,083	–	–	–	(5,083)	–
Disposal	(49,649)	–	–	–	(24,232)	(32,662)	–	(106,543)
Balance at end of year	1,204,933	296,073	279,743	248,167	62,878	182,876	92,443	2,367,113
Accumulated Depreciation, Amortization and Impairment Loss								
Balance at beginning of year	755,875	271,681	198,672	197,349	27,179	113,786	–	1,564,542
Depreciation and amortization for the year (see Notes 28, 32 and 33)	174,496	13,297	14,596	11,284	15,112	30,967	–	259,752
Disposal	(49,649)	–	–	–	(23,337)	(32,639)	–	(105,625)
Balance at end of year	880,722	284,978	213,268	208,633	18,954	112,114	–	1,718,669
Net Book Value	₱324,211	₱11,095	₱66,475	₱39,534	₱43,924	₱70,762	₱92,443	₱648,444

Allowance for impairment loss on property and equipment amounted to ₱186.3 million as at December 31, 2018 and 2017.

Carrying amount of equipment under finance lease are included as part of "Lottery equipment" under "Property and equipment" account with carrying amount of 30.9 million and 103.7 million as at December 31, 2018 and 2017, respectively (see Note 37).

The cost of fully depreciated property and equipment which are still being used amounted to ₱1,173.8 million and ₱1,184.9 million as at December 31, 2018 and 2017, respectively. The Company has no idle assets as at December 31, 2018 and 2017.

17. Intangible Asset

Intangible asset includes the gaming license granted by PAGCOR for which PLAI is a co-licensee to operate integrated resorts, including casinos. On April 29, 2015, PAGCOR granted the Regular Gaming License ("License"), which has the same terms and conditions of the provisional license. The License runs concurrent with PAGCOR's Congressional Franchise, set to expire in 2033, renewable for another 25 years by the Philippine Congress.

The amortization of the intangible asset started on December 14, 2014, the effectivity of the Notice to Commence Casino Operations granted by PAGCOR.

As part of the Company's annual review process, the Company, starting on April 1, 2016, changed the estimated useful life of the intangible asset to consider the renewal period of another twenty-five (25) years of the PAGCOR's Congressional Franchise upon its expiration in 2033 and to consider other industry developments.

The movements in intangible asset are as follows:

	2018	2017
	(In Thousands)	
Cost		
Balance at beginning of year	**₱5,571,186**	₱5,261,186
Additions	**–**	310,000
Write-off (see Note 35)	**(310,000)**	–
Balance at end of year	**5,261,186**	5,571,186
Accumulated Amortization		
Balance at beginning of year	**569,949**	448,479
Amortization (see Notes 29 and 33)	**127,685**	121,470
Write-off (see Note 35)	**(17,488)**	–
Balance at end of year	**680,146**	569,949
	₱4,581,040	₱5,001,237

The unamortized life of the license as at December 31, 2018 is 39.5 years.

18. Goodwill and Business Combination

Goodwill acquired from business combinations as at December 31, 2018 and 2017 consist of:

	2018	2017
	(In Thousands)	
Acquisition of:		
POSC	**₱1,717,644**	₱1,717,644
FRI	**110,934**	110,934
LCC subsidiaries	**3,683**	3,683
	1,832,261	1,832,261
Allowance for impairment (see Note 35)	**(110,934)**	–
	₱1,721,327	₱1,832,261

Movements in this account are as follow:

	2018	2017
	(In Thousands)	
Balance at beginning of year	**₱1,832,261**	₱1,828,578
Additions	**–**	3,683
Impairment (see Note 35)	**(110,934)**	–
Balance at end of year	**₱1,721,327**	₱1,832,261

The goodwill from the acquisitions have been subjected to the annual impairment review in 2018 and 2017. The recoverable amounts of the operations have been determined based on a value in use calculation using cash flow projections based on financial budgets approved by management. The cash flow projections cover five years.

The Company did not identify any impairment indicators relating to goodwill in POSC and LCC subsidiaries as at December 31, 2018 and 2017 as it expects to realize the synergies from the business combinations.

Key Assumptions Used in Value in Use Calculations

The calculation of value in use for the cash-generating units are most sensitive to the following assumptions explained as follows:

POSC

Management assessed that no reasonably possible change in pre-tax discount rates and future cash inflows would cause the carrying value of goodwill in 2018 and 2017 to materiality exceed its recoverable amount.

Discount Rate. Discount rate reflects management's estimate of the risks specific to the cash-generating unit. The pre-tax discount rate of 12.21% and 10.61% was used in 2018 and 2017, respectively, based on the Weighted Average Cost of Capital (WACC) of POSC.

Revenue Growth Rate, Long-Term Growth Rate and Terminal Values. An annual increase in revenue ranging from 3% to 10% and 2% to 6% per annum were applied in the 5-year cash flow projections in 2018 and 2017, respectively, based on historical performance of POSC. The long-term growth rate used to extrapolate cash flow projections beyond the period covered by the most recent budgets/forecasts is 4% in 2018 and 2017, respectively. The long-term growth rate used in the normalization of free cash flows represents the expected growth rate of the economy at the end of the 5th year and onwards, with reference to growth rates compiled by industry specialist.

FRI

The recoverable amount of goodwill from the acquisition of FRI by TGTI was determined based on value-in-use calculations using actual past results and observable market data such as growth rates, operating margins, among others.

With the recent change in FRI's exclusivity arrangement with its principal, the carrying amount of the goodwill and cash generating unit to which goodwill relates to materially exceed its recoverable amount.

Growth rates and operating margins used to estimate future performance are equally based on past performance and experience of growth rates, operating margins achievable in the relevant industry. The expected cash flows are discounted by applying a suitable WACC. The pre-tax discount rate applied to cash flow projections is 9.4% and 8.7% in 2018 and 2017, respectively. The long-term growth rate is 6.6% in 2017.

LCC Subsidiaries

The recoverable amount of goodwill from the acquisition of LCC subsidiaries was determined based on a 5-year value-in-use calculation, using actual past results and observable market data.

Growth rates and operating margins used to estimate future performance are equally based on past performance and experience of growth rates and operating margins achievable in the relevant industry. The expected cash flows are discounted by applying a suitable WACC. The discount rate applied to pretax cash flow projections was 10.2% and 3.0% for the terminal growth rate.

Management believes that no reasonably possible change in the key assumptions would cause the carrying amount of the goodwill and cash generating unit to which goodwill relates to materially exceed its recoverable amount.

Finalization of Goodwill on Acquisition of LCC Subsidiaries

On July 1, 2017, LCC acquired 100% ownership interest in nine entities (see Note 2). Based on management's judgment, the acquisition is assessed to be an acquisition of a business. The provisional fair values of the assets and liabilities of the nine entities acquired, total consideration and provisional goodwill as at July 1, 2017 are as follows:

		(In Thousands)
Total consideration:		
Purchase price of shares	₱10,250	
Receivables in the acquired entities	144,613	
Payables to the acquired entities	(60,000)	₱94,863
Total assets acquired:		
Cash and cash equivalents	76,695	
Receivables (net of allowance for doubtful accounts amounting to ₱6.8 million)	7,114	
Other current assets	24,874	
Property and equipment (see Note 16)	28,665	
Other noncurrent assets	23,491	160,839
Less liabilities assumed:		
Trade payables and other current liabilities	62,816	
Pension liability (see Note 38)	616	
Income tax payable	6,227	69,659
Goodwill		₱3,683

Net cash flows on acquisition is as follows :

	(In Thousands)
Cash acquired from subsidiaries	₱76,695
Cash paid on acquisition	(10,250)
	₱66,445

In 2018, the fair values of the assets acquired and liabilities assumed were finalized. There were no changes or adjustments made from that of provisionally recognized in 2017.

The goodwill represents the value of expected synergies arising from the acquisition. None of the goodwill recognized is expected to be deductible for income tax purposes.

The gross amount and fair value of the trade receivables amounted to ₱13.9 million and ₱7.1 million in 2017, respectively. The Company expects to collect an amount equal to the fair value of the LCC subsidiaries' receivables as of acquisition date.

From the date of acquisition, LCC subsidiaries contributed ₱142.2 million of revenue and ₱10.1 million net income from continuing operations of the Company in 2017. If the combination had taken place on January 1, 2017, revenue from continuing operations would have increased by ₱276.2 million and its income before tax would have decreased by ₱27.4 million, for the year ended December 31, 2017.

19. Other Noncurrent Assets

This account consists of:

	2018	2017
	(In Thousands)	
Deferred input VAT	**₱235,510**	₱434,439
Guarantee bonds (see Notes 40 and 43)	**42,000**	35,000
Refundable deposits and construction bond (see Notes 37 and 43)	**22,315**	23,074
Others	**150,848**	47,824
	₱450,673	₱540,337

20. Trade and Other Current Liabilities

This account consists of:

	2018	2017
	(In Thousands)	
Trade	**₱424,693**	₱478,079
Accrued expenses:		
Project cost accrual	**75,165**	70,304
Interest	**34,089**	29,038
Professional and management fees	**28,934**	1,200
Rent	**9,561**	37,943
Land transfer fees	**8,682**	5,279
Selling	**5,340**	6,941
Salaries	**3,900**	3,331
Others	**1,064,519**	433,489
Payables pertaining to land acquisitions (see Note 11)	**183,582**	177,291
Customers' deposits	**85,535**	129,654
Consultancy, software and license and management fees payable (see Note 40)	**37,585**	85,722
Withholding and output tax payable	**18,799**	124,904
Advances from related parties (see Note 39)	**65,703**	62,095
Unearned income	–	268,864
Refundable deposit and others	**64,056**	97,049
	₱2,110,143	₱2,011,183

- Trade payables are non-interest bearing with an average term of 90 days.

- Accrued expenses and other expenses pertain to accruals for land transfer fees, professional and management fees, selling, interest, salaries, communication, rent and utilities and other expenses which are normally settled with an average term of 30 to 90 days. Accrued expenses also includes provisions. The Company regularly provides for its usual potential liabilities. Provisions represents estimated probable losses. The information usually required by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, is not disclosed on the grounds that it can be expected to prejudice the Company's position.

- Unearned income pertains to the advance payment from Melco, which will be applied as payment of PLAI's gaming revenue share in the following financial year.

- Payables pertaining to land acquisitions represent unpaid purchase price of land acquired from various land owners (see Note 11). These are noninterest-bearing and are due and demandable.

- Customers' deposits pertain to collections received from buyers for projects with pending recognition of sale.

- Refer to Note 40 for the terms of the consultancy, software and license fees and management fees payable.

21. Loans Payable

Loans payable represents unsecured peso-denominated loans obtained from local banks with interest of 3.25% to 5.50% in 2018 and 3.25% in 2017. Loans payable have historically been renewed or rolled-over.

The carrying amount of outstanding loans payable amounted to ₱1,500.0 million and ₱2,500.0 million as at December 31, 2018 and 2017, respectively.

Interest expense on loans payable charged to operations amounted to ₱96.3 million, ₱90.1 million and ₱51.2 million in 2018, 2017 and 2016 respectively (see Note 34).

22. Other Noncurrent Liabilities

This account consists of the following:

	2018	2017
	(In Thousands)	
Deferred lease income	**₱158,427**	₱115,598
Refundable deposits	**153,422**	115,979
Contract liabilities	**464**	–
Installment payable	–	2,763
	₱312,313	₱234,340

Deferred lease income is recognized initially as the difference between the principal amount and present value of refundable deposits at the lease inception date and subsequently amortized on a straight-line basis over the lease term.

23. **Long-term Debt**

This account consists of the following:

	2018	2017
	(In Thousands)	
Loans	**₱6,002,430**	₱6,259,375
Current portion of long-term debt	**(2,091,319)**	(1,056,944)
Noncurrent long-term debt	**₱3,911,111**	₱5,202,431

Maybank Philippines, Inc. (Maybank)
On June 30, 2014, Belle obtained an unsecured five-year term loan from Maybank in the amount of ₱1,000.0 million for the purpose of financing the construction of Phase 1 City of Dreams Manila. The five-year term loan shall be availed within one year from the signing of the loan agreement and bears an interest floater rate based on applicable 90-days Philippine Dealing System Treasury Reference Rate-Fixing (“PDST-F”) plus spread and fixed rate based on 5-year PDST-F plus spread. During the term of the loan, Belle agrees not to sell, lease, dispose any of its assets on the City of Dreams Manila without prior written consent from Maybank and comply with the following financial covenants: minimum current ratio of 1.0x and maximum debt to equity ratio of 2.0x. Amounts of ₱150.0 million, ₱100.0 million and ₱750.0 million were drawn from the facility on August 26, 2014, September 22, 2014 and December 11, 2015, respectively. Outstanding balance of the loan as at December 31, 2018 and 2017 amounted to ₱196.9 million and ₱459.4 million, respectively.

On May 26, 2017, Belle obtained an unsecured five-year term loan from Maybank in the amount of ₱500.0 million for the purpose of financing the Termination Agreement (see Note 24). The five-year term loan shall be availed within ninety days from the signing of the loan agreement and bears an fixed interest rate based on applicable 5-year Philippine Dealing System Treasury Reference Rate-R2 (“PDST-R2”) plus spread or Bangko Sentral ng Pilipinas (BSP) Overnight Borrowing rate plus spread, whichever is higher. During the term of the loan, Belle should comply with the following financial covenants: minimum current ratio of 1.0x and maximum debt to equity ratio of 2.0x. On June 23, 2017, ₱500.0 million was drawn from the facility. Outstanding balance of the loan as at December 31, 2018 and 2017 amounted to ₱388.9 million and ₱500.0 million, respectively.

Rizal Commercial Banking Corporation (RCBC)
On June 9, 2014, Belle obtained an unsecured five-year term loan, reckoned from the date of the initial drawdown, from RCBC in the amount of ₱1,500.0 million for the purpose of financing the construction of real estate developments projects in Tagaytay Highlands and Tagaytay Midlands area and conversion and titling costs of raw lands. The five-year term loan bears a floor rate interest 5.5% plus spread. During the term of the loan, Belle should comply with the following financial covenants: minimum current ratio of 1.3x and maximum debt to equity ratio of 2.0x. Amounts of ₱400.0 million, ₱200.0 million and ₱900.0 million were drawn on July 9, 2014, September 30, 2014 and November 12, 2014, respectively. Outstanding balance of the loan as at December 31, 2018 and 2017 amounted to ₱1,200.0 million and ₱1,300.0 million, respectively.

United Coconut Planters Bank (UCPB)
On February 11, 2015, Belle obtained an unsecured four-year term loan from UCPB in the amount of ₱1,000.0 million for the purpose of financing the construction of City of Dreams Manila. The term loan bears a fixed rate of 6.25% per annum. During the term of the loan, Belle agrees not to make investments in, or enter into any other business substantially different from the business in which the Belle is presently engaged, or make capital investments in excess of two percent (2%) of the consolidated stockholder’s equity as at end of the last fiscal year, except for the total capital expenditures for City of Dreams project in the amount not exceeding ₱4,000.0 million, and those

allocated for the real estate development projects. During the term of the loan, Belle should comply with the following financial covenants: minimum current ratio of 1.3x and maximum net debt to equity ratio of 2.0x. Amounts of ₱500.0 million and ₱500.0 million were drawn on February 23, 2015 and December 29, 2015, respectively. Outstanding balance of the loan as at December 31, 2018 and 2017 amounted to ₱416.7 million and ₱750.0 million, respectively.

EastWest Bank (EWB)
On January 30, 2015, Belle obtained an unsecured five-year term loan from EWB in the amount of ₱1,500.0 million for the purpose of financing its capital expenditures. The term loan bears a fixed rate of 5.75% per annum. During the term of the loan, Belle should comply with the following financial covenants: minimum current ratio of 1.0x and maximum debt to equity ratio of 3.0x. On January 30, 2015, ₱1,500.0 million was drawn from the facility. Outstanding balance of the loan as at December 31, 2018 and 2017 amounted to ₱1,000.0 million and ₱1,250.0 million, respectively.

Robinsons Bank
On February 28, 2017 and March 27, 2017, Belle availed ₱1,000.0 million and ₱1,000.0 million, respectively, from its ₱2,000.0 million facility. These are unsecured five-year term loan with annual interest fixed rate based on applicable 5-year PDST-R2 plus spread. Belle should comply with the following financial covenants: minimum current ratio of 1.0x and maximum debt to equity ratio of 3.0x. Outstanding balance of the loan as at December 31, 2018 and 2017 amounted to ₱2,000.0 million.

BDO Unibank, Inc.
On March 6, 2018, Belle availed ₱3,000.0 million facility for the purpose of refinancing the Company's short term loans with other banks and other general funding requirements. The seven-year term loan shall be availed within six months from the signing of the loan agreement. On September 12, 2018, ₱500.0 million was drawn from the facility. The seven-year term loan is unsecured and bears an interest rate of 4.9515% per annum fixed for 90 days, to be repriced every 30 to 180 days as agreed by parties. During the term of the loan, Belle should comply with the following financial covenants: minimum current ratio of 1.0x and maximum debt to equity ratio of 2.0x. Outstanding balance of the loan as at December 31, 2018 amounted to ₱800.0 million.

Covenants. The loan agreements provide certain restrictions and requirements principally with respect to maintenance of required financial ratios and material change in ownership or control. As at December 31, 2018 and 2017, the Parent Company is in compliance with the terms of its loan covenants.

Repayment Schedule
The repayment schedules of long-term debt are as follows:

	2018	2017
	(In Thousands)	
2018	**₱–**	1,056,944
2019	**2,091,319**	2,091,320
2020	**944,444**	944,444
2021	**111,111**	111,111
2022	**2,055,556**	2,055,556
2023	**8,000**	–
2024	**8,000**	–
2025	**784,000**	–
	₱6,002,430	₱6,259,375

Interest expense on the loans from long-term debt amounted to ₱346.7 million, ₱344.7 million and ₱260.4 million in 2018, 2017 and 2016, respectively (see Note 34).

24. **Nontrade Liability**

On May 20, 2013, Belle, PLAI, BGRHI, AB Leisure Global, Inc. (ABLGI) and LRWC (the Parties) entered into a Memorandum of Agreement (MOA), whereby Belle and PLAI have agreed to grant ABLGI the right to a settlement amount ("Settlement") in consideration of the waiver of ABLGI's rights as casino operator, the termination of ABLGI agreements and the grant of advances of ₱4,000.0 million (ABLGI advance) as funding for the construction of the casino integrated resort building.

In December 2014, the implementing agreement has been executed with effectivity of terms and conditions retrospective January 1, 2014. The ₱4,000.0 million ABLGI advance was determined as the fair value of ABLGI's Settlement. In 2015, ABLGI advanced additional ₱780.0 million. Such liability shall be accreted over the term of the liability using the EIR method.

On November 3, 2016, the Parties executed a Termination Agreement, whereby the Parties have agreed to terminate and dissolve the MOA and implementing agreement effective March 31, 2017. Under the Termination Agreement, the Parent Company will pay ABLGI a sum of ₱4,780.0 million to terminate the obligation stated under the MOA. Of the total consideration, ₱1,018.0 million was paid upon execution of the Termination Agreement and the balance to be paid simultaneously upon effectivity of the Termination Agreement. Unless and until full payment of the remaining obligation, LRWC/ABLGI shall continue to be entitled to its rights under the MOA. The new terms of the Termination Agreement warrant derecognition of the old liability and recognition of a new one since there is a substantial modification on the agreement. This termination resulted to a gain amounting to ₱634.8 million in 2016 presented as part of "Other income" in the consolidated statements of comprehensive income (see Note 35). On March 31, 2017, Belle paid the remaining balance of the nontrade liability.

The interest component of the ABLGI advance amounting to ₱455.2 million was recognized as "Accretion of nontrade liability" in the consolidated statements of comprehensive income in 2016. Payment made to ABLGI amounted ₱335.5 million in 2016.

Interest expense on the nontrade liability amounted to nil, ₱38.1 million and ₱27.3 million in 2018, 2017 and 2016, respectively (see Note 34).

25. **Equity**

<u>Preferred Stock</u>
As at December 31, 2018 and 2017, the Company has not issued any preferred stock out of the authorized 6,000,000,000 shares with a ₱1 par value. Under the provisions of the Company's articles of incorporation, the rights and features of the preferred stock shall be determined through a resolution of the BOD prior to issuance.

Common Stock
As at December 31, 2018 and 2017, the authorized common stock of the Company is 14,000,000,000 shares with a ₱1 par value. The movement in outstanding common stock at the beginning and end of year is as follows:

	Number of Shares		
	Issued	Treasury	Outstanding
Balance, as at December 31, 2016	10,560,999,857	(62,320,000)	10,498,679,857
Acquisition during the year	–	–	–
Balance, as at December 31, 2017	10,560,999,857	(62,320,000)	10,498,679,857
Acquisition during the year	–	(735,553,560)	(735,553,560)
Balance, as at December 31, 2018	10,560,999,857	(797,873,560)	9,763,126,297

The following summarizes the information on the Parent Company's registration of securities under the Securities Regulation Code:

Date of SEC Approval	Authorized Shares	Number of Shares Issued	Issue/ Offer Price
August 20, 1973	6,000,000,000	6,000,000,000	₱0.01
March 19, 1976	2,000,000,000	464,900,000	0.01
December 7, 1990	–	920,000,000	0.01
1990	–	833,500,000	0.01
October 19, 1990	(7,000,000,000)	(8,136,216,000)	1.00
June 18, 1991	–	3,381,840	1.00
1991	–	47,435,860	1.00
1992	–	11,005,500	1.00
December 7, 1993	–	473,550,000	1.00
1993	–	95,573,400	1.00
January 24, 1994	–	100,000,000	1.00
August 3, 1994	–	2,057,948	7.00
August 3, 1994	–	960,375	10.00
June 6, 1995	–	138,257,863	1.00
February 14, 1995	1,000,000,000	–	1.00
March 8, 1995	–	312,068,408	1.00
March 17, 1995	2,000,000,000	–	1.00
March 28, 1995	–	627,068,412	1.00
July 5, 1995	–	78,060,262	1.00
September 1, 1995	–	100,000,000	1.00
March 1, 1995	–	94,857,072	1.00
September 13, 1995	–	103,423,030	1.00
1995	–	123,990,631	1.00
1996	–	386,225,990	1.00
February 21, 1997	10,000,000,000	–	1.00
1997	–	57,493,686	1.00
1998	–	36,325,586	1.00
March 19, 1999	–	16,600,000	1.00
April 26, 1999	–	450,000,000	1.00
April 27, 1999	–	300,000,000	1.00
1999	–	306,109,896	1.00
2000	–	2,266,666	1.00
2001	–	2,402,003,117	1.00
April 14, 2011	–	2,700,000,000	1.95
July 18, 2011	–	119,869,990	3.00
July 18, 2011	–	1,388,613,267	3.00
October 6, 2015	–	1,617,058	1.00
	14,000,000,000	10,560,999,857	

In a special meeting on November 18, 1989, the stockholders approved the increase in par value of capital stock from ₱0.01 to ₱1.00 and the decrease in the number of shares of authorized from 8.0 billion to 1.0 billion common shares. The resulting increase in par and reduction in the number of shares was approved by the Philippine SEC on October 19, 1990.

On February 14, 1995, the SEC approved the increase in authorized capital stock from 1.0 billion shares with a par value of ₱1.00 to 2.0 billion shares with the same par value. Subsequently, on March 17, 1995, the SEC approved another increase in authorized capital stock from 2.0 billion shares to 4.0 billion shares with the same par value.

On February 21, 1997, the SEC approved the increase in the authorized capital stock from 4.0 billion shares at a par value of ₱1.00 per share to 20.0 billion shares divided into 6.0 billion preferred shares and 14 billion common shares, both at ₱1.00 par value.

The Parent Company declared stock dividends in 1991 and 1995.

Additional paid-in capital
This pertains to paid-in subscriptions in excess of par value.

Treasury Shares
In 2018, the Parent Company repurchased a total of 735,553,560 Parent Company common shares at a total cost amounting to ₱2,295.5 million. The total number of treasury shares held total to 797,873,560 shares with a cost amounting to ₱2,476.7 million as at December 31, 2018 and 62,320,000 shares as at December 31, 2017 and 2016 with a cost amounting to ₱181.2 million.

Cost of Parent Company Common Shares Held by Subsidiaries
As at December 31, 2018 and 2017, Parallax, SLW, PLC, POSC collectively hold Parent Company common shares totaling 319,041,183 and 318,941,183, with cost of ₱1,695.4 million and ₱1,585.3 million, respectively. These are presented as "Cost of Parent Company common shares held by subsidiaries" account in the consolidated statements of financial position.

Non-controlling Interests
In 2017, subsidiaries of the Parent Company acquired interest in fellow subsidiaries. This was accounted for as equity transaction with a corresponding adjustment to non-controlling interest.

Acquisition of non-controlling interests related to these transactions amounted to ₱36.6 million in 2017.

Retained Earnings
The consolidated retained earnings as at December 31, 2018 and 2017 includes the earnings of the subsidiaries and associates which are not currently available for dividend declaration unless declared by the subsidiaries and associates of the Parent Company. The Parent Company's retained earnings available for dividend declaration, computed based on the regulatory requirements of SEC, amounted to ₱3,024.2 million and ₱4,311.0 million as at December 31, 2018 and 2017, respectively.

Dividends
On February 29, 2016, the Parent Company's BOD approved the declaration of cash dividends of nine-and-a-half centavos (₱0.095) per share, totaling ₱1,003.3 million. The record date to determine the shareholders entitled to receive the cash dividends was set to March 14, 2016 with the payment made on March 29, 2016. Total dividends above are inclusive of dividends paid to related party shareholders amounting to ₱33.9 million.

On February 28, 2017, the Parent Company's BOD approved the declaration of cash dividends of nine-and-a-half centavos (₱0.095) per share, totaling ₱997.4 million. The record date to determine the shareholders entitled to receive the cash dividends was set to March 14, 2017 with the payment made on March 30, 2017. Total dividends above are inclusive of dividends paid to related party shareholders amounting to ₱29.7 million.

On February 23, 2018, the Parent Company's BOD approved the declaration of cash dividends of Twelve Centavos (₱0.012) per share, totaling ₱1,267.3 million. The record date to determine the shareholders entitled to receive the cash dividends was set to March 9, 2018 with the payment made on March 23, 2018.

26. Gaming Revenue Share - net

Gaming revenue share is determined as follows:

	2018	2017	2016
		(In Thousands)	
Gaming revenue share - gross	**₱7,551,166**	₱6,119,061	₱2,171,573
Less PAGCOR license fee paid by Melco	**4,339,309**	3,509,708	528,597
Gaming revenue share - net	**₱3,211,857**	₱2,609,353	₱1,642,976

27. Other Revenue

This account consists of:

	2018	2017	2016
		(In Thousands)	
Amortization of discount on trade receivables (see Note 10)	**₱68,619**	₱56,297	₱48,204
Dividend income (see Notes 9 and 14)	**26,998**	22,794	28,371
Gain on sale of model unit	**8,093**	–	–
Income from playing rights	**7,321**	7,352	4,295
Income from forfeitures	**1,953**	5,419	13,750
Penalty	**805**	2,395	2,624
Gain on sale of club shares	–	11,610	13,533
Others	**8,446**	4,379	8,353
	₱122,235	₱110,246	₱119,130

Income from forfeitures represents deposits, and to a certain extent, installment payments from customers forfeited in the event of default and/or cancellations of real estate sales.

Penalty pertains to income from surcharges for buyers' default and late payments. Income is recognized when penalty is actually collected.

Others pertain to revenues from sale of scrap supplies and various administrative fees, such as utilities charges and payroll processing fees, during the year.

28. Cost of Lottery Services

This account consists of:

	2018	2017	2016
		(In Thousands)	
Online lottery system expenses	**₱237,205**	₱193,378	₱122,173
Depreciation and amortization (see Note 16)	**199,847**	194,986	138,892
Software and license fees (see Note 40)	**195,747**	191,656	186,644
Rental and utilities	**159,012**	62,976	23,800
Operating supplies	**150,146**	205,297	183,151
Personnel costs	**139,907**	127,100	48,684
Communication fees	**112,114**	113,335	95,692
Consultancy fees (see Note 40)	**74,978**	135,425	122,801
Others	**1,204**	14,289	9,426
	₱1,270,160	₱1,238,442	₱931,263

29. Cost of Gaming Operations

This account consists of:

	2018	2017	2016
		(In Thousands)	
Amortization of intangible asset (Note 17)	**₱115,834**	₱115,834	₱157,634
Consultancy fees (Note 40)	**35,102**	78,764	221,814
Payroll-related expenses	**11,117**	11,536	11,073
Marketing expenses (Note 39)	**8,400**	20,702	20,160
Transportation and travel	**4,138**	4,780	2,796
Representation and entertainment	**3,673**	3,014	3,030
	₱178,264	₱234,630	₱416,507

30. Cost of Real Estate Sold

The cost of real estate sold amounted to ₱363.6 million, ₱256.5 million and ₱120.5 million in 2018, 2017 and 2016, respectively.

31. **Cost of Lease Income**

This account consists of:

	2018	2017	2016
		(In Thousands)	
Taxes	**₱137,555**	₱135,641	₱136,987
Depreciation and amortization (see Note 15)	**116,481**	–	–
Rental (see Note 37)	**48,873**	42,530	46,403
Insurance	**38,556**	18,660	26,001
Maintenance	**135**	–	–
	₱341,600	₱196,831	₱209,391

32. **Cost of Services for Property Management**

This account consists of:

	2018	2017	2016
		(In Thousands)	
Power and maintenance	**₱69,199**	₱15,074	₱2,984
Water services	**65,761**	53,833	60,829
	₱134,960	₱68,907	₱63,813

The cost of services for property management includes depreciation and amortization amounting to ₱16.9 million, ₱15.2 million and ₱13.0 million in 2018, 2017 in 2016, respectively (see Note 16).

33. **General and Administrative Expenses**

This account consists of:

	2018	2017	2016
		(In Thousands)	
Personnel costs (see Note 38)	**₱249,630**	₱224,379	₱198,280
Security, janitorial and service fees (Note 39)	**153,784**	60,914	43,425
Depreciation and amortization (see Notes 16 and 17)	**145,523**	55,217	54,511
Taxes and licenses	**127,930**	88,887	63,476
Transportation and travel	**87,202**	98,895	67,089
Representation and entertainment	**70,026**	76,285	50,970
Rentals and utilities (see Notes 37 and 39)	**46,665**	55,687	54,360
Management and professional fees (Notes 39 and 40)	**41,046**	85,339	93,054

(Forward)

	2018	2017	2016
		(In Thousands)	
Selling expenses	**₱39,224**	₱35,305	₱15,336
Repairs and maintenance	**29,247**	19,407	16,418
Marketing and advertising (see Note 39)	**24,976**	14,285	22,579
Communication	**14,305**	9,110	18,466
Registration fees	**7,178**	6,782	24,529
Insurance	**1,655**	2,037	3,274
ABLGI compensation fee	**–**	69,518	44,881
Others	**629,660**	565,208	186,632
	₱1,668,051	₱1,467,255	₱957,280

Others pertain to office supplies, insurance, seminar fees, association dues incurred during the year and regular provisions of the Company.

34. Interest Income and Interest Expense

The sources of the Company's interest income follow:

	2018	2017	2016
		(In Thousands)	
Cash and cash equivalents (see Note 8)	**₱45,695**	₱29,577	₱28,782
Contract assets (see Note 40)	**12,556**	–	–
	₱58,251	₱29,577	₱28,782

The sources of the Company's interest expense follow:

	2018	2017	2016
		(In Thousands)	
Long-term debt (see Note 23)	**₱346,663**	₱344,738	₱260,411
Loans payable (see Note 21)	**96,260**	90,112	51,224
Finance lease obligation (see Note 37)	**6,187**	10,859	12,749
Nontrade liability (see Note 24)	**–**	38,090	27,256
Others	**15,751**	19,866	4,139
	₱464,861	₱503,665	₱355,779

35. Other Income (Loss)

This account consists of:

	2018	2017	2016
		(In Thousands)	
Write-off of intangible asset (see Note 17)	**(₱292,512)**	₱–	₱–
Brand and trademark license income (see Note 40)	**203,459**	–	–
Impairment of goodwill (see Note 18)	**(110,934)**	–	–

(Forward)

	2018	2017	2016
		(In Thousands)	
Excess input VAT	**₱32,627**	₱28,754	₱10,084
Gain on sale of:			
Property and equipment	**1,039**	20,102	30
Financial assets at FVPL (Note 9)	**1,548**	–	–
Other current assets (see Note 12)	–	85,678	–
Available-for-sale investments (see Note 14)	–	76,546	351,680
Investment in associates (see Note 13)	–	–	5,603
Bank service charges	**(32,127)**	(33,339)	(27,756)
Write-off of:			
Deposits	**(150,000)**	–	–
Input VAT (see Note 12)	–	(25,000)	–
Provision for:			
Doubtful accounts on receivables (see Note 10)	–	(7,704)	(13,823)
Doubtful accounts on advances to associates	–	–	(29,398)
Gain on termination of ABLGI advances (see Note 24)	–	–	634,800
Reversal of impairment on investment in associates	–	–	45,928
Others – net	**21,731**	21,112	4,480
	(₱325,169)	₱166,149	₱981,628

36. **Income Taxes**

The provision for current income tax consists of the following:

	2018	2017	2016
		(In Thousands)	
RCIT	**₱223,241**	₱277,358	₱253,673
MCIT	**2,174**	38,972	29,788
	₱225,415	₱316,330	₱283,461

The movements in NOLCO of the Parent Company are as follows:

	2018	2017
	(In Thousands)	
NOLCO:		
Balance at beginning of year	**₱–**	₱422,177
Applications	–	(407,476)
Expired	–	(14,701)
Balance at end of year	**₱–**	₱–

The movements in MCIT of the Parent Company are as follows:

	2018	2017
	(In Thousands)	
MCIT:		
Balance at beginning of year	**₱83,017**	₱69,229
Additions	**–**	32,375
Expired	**–**	(18,587)
Application	**(83,017)**	–
Balance at end of year	**₱–**	₱83,017

As at December 31, 2018, the carryforward benefits of NOLCO and MCIT that can be claimed by PLC and its subsidiaries as deductions from regular taxable income and RCIT due, respectively, are as follows:

Year Incurred/Paid	Expiry Date	NOLCO	MCIT
		(In Thousands)	
2016	December 31, 2019	₱40	₱657
2017	December 31, 2020	29	–
2018	December 31, 2021	8,705	2,174
		₱8,774	₱2,831

The movements in NOLCO of PLC and its subsidiaries are as follows:

	2018	2017
	(In Thousands)	
NOLCO:		
Balance at beginning of year	**₱5,050**	₱8,661
Additions	**8,705**	4,903
Applications	**(4,889)**	(8,437)
Expirations	**(92)**	(77)
Balance at end of year	**₱8,774**	₱5,050

The movements in MCIT of PLC and its subsidiaries are as follows:

	2018	2017
	(In Thousands)	
MCIT:		
Balance at beginning of year	**₱1,257**	₱1,257
Additions	**2,174**	–
Expirations	**(600)**	–
Balance at end of year	**₱2,831**	₱1,257

PLC and its subsidiaries are using itemized deduction in computing their taxable income, except for PLAI, who elected to use Optional Standard Deduction (OSD) until second quarter of 2016.

The components of net deferred tax assets of the subsidiaries as at December 31, 2018 and 2017, respectively, are as follows:

	2018	2017
	(In Thousands)	
Deferred tax assets:		
Unamortized past service costs	**₱7,495**	₱7,726
Allowance for impairment losses on trade and other receivables	**4,046**	4,046
NOLCO	**2,602**	1,467
Unrealized foreign exchange loss	**121**	477
Accrued expenses	**–**	2,789
	14,264	16,505
Deferred tax liabilities:		
Retirement benefits liabilities	**(5,089)**	–
Others	**(311)**	(311)
Pension asset	**–**	(754)
	(5,400)	(1,065)
Net deferred tax assets	**₱8,864**	₱15,440

The components of the net deferred tax liabilities of the Parent Company and POSC are as follows:

	2018	2017
	(In Thousands)	
Deferred tax assets:		
Deferred lease income	**₱47,528**	₱34,679
Discount on trade receivables	**29,298**	22,434
Doubtful accounts	**7,140**	7,140
Unamortized past service costs	**4,903**	2,857
Accrued rent expense	**2,835**	2,046
Accrued expenses	**2,417**	–
Accretion of refundable deposits	**860**	889
Accrued selling expenses	**720**	720
Unrealized foreign exchange loss	**145**	-
Construction cost – net	**–**	3,301,789
MCIT	**–**	83,017
Estimated liability on construction costs	**–**	5,594
Pension liability	**–**	1,987
	95,846	3,463,152

(Forward)

	2018	2017
	(In Thousands)	
Deferred tax liabilities:		
Excess of carrying amount of investment property over construction costs	**(₱2,348,424)**	₱–
Deferred income on real estate sales	**(159,857)**	(108,924)
Accrued rent income	**(150,940)**	(110,043)
Unaccreted discount on refundable deposits	**(51,860)**	(38,176)
Contract assets	**(50,405)**	–
Unrealized gain on sale of real estate	**(798)**	(798)
Deferred lease expense	**(686)**	(730)
Retirement	**(346)**	–
Unrealized foreign exchange gain - net	**(111)**	(86)
Finance lease receivable	–	(5,424,954)
	(2,763,427)	(5,683,711)
Net deferred tax liabilities	**(₱2,667,581)**	(₱2,220,559)

The components of the Company's temporary differences as at December 31, 2018 and 2017 for which deferred tax assets were not recognized are follows:

	2018	2017
	(In Thousands)	
Allowances for:		
Impairment of project development costs	**₱2,136,820**	₱2,136,820
Doubtful accounts	**739,191**	739,191
Unrealized mark-to-market loss on club shares held for trading	**631,183**	842,580
Impairment losses	**569,463**	569,463
Probable losses	**33,309**	33,309
Excess MCIT over RCIT	**2,831**	1,257
NOLCO	**99**	176
	₱4,112,896	₱4,322,796

The deferred tax assets of the above temporary differences amounting to ₱1,065.3 million and ₱1,053.3 million as at December 31, 2018 and 2017, respectively, were not recognized since management believes that it is not probable that taxable income will be available against which the deferred tax assets can be utilized.

For income tax purposes, lease of the building structures accounted for as finance lease are treated as operating lease (see Note 37).

The reconciliation between the provision for income tax computed at statutory tax rate and the provision for income tax shown in the consolidated statement of comprehensive income is as follows:

	2018	2017	2016
		(In Thousands)	
Income tax at statutory income tax rate of 30%	**₱1,144,230**	₱1,292,363	₱1,303,210
Income tax effects of:			
Nontaxable income	**(986,632)**	(797,970)	(764,042)

(Forward)

	2018	2017	2016
		(In Thousands)	
Change in unrecognized deferred tax assets	**₱7,648**	(₱6,933)	₱197,131
Nondeductible expenses and others	**422,408**	315,086	182,941
Mark-to-market loss (gain) on securities	**3,571**	(147)	(55,707)
Excess of MCIT over RCIT	**1,503**	18,586	29,131
Income subjected to final tax	**(5,302)**	(24,933)	(8,614)
Income subjected to capital gains tax	**524**	(3,483)	(4,455)
Expired NOLCO	**–**	4,410	41
Others	**960**	–	–
	₱588,910	₱796,979	₱879,636

Philippine Economic Zone Authority (PEZA)
In 2010, the Company's pre-qualification clearance from PEZA in relation with its efforts to secure a Tourism Economic Zone status for a portion of its flagship project, Tagaytay Highlands, has been approved. However, as at February 28, 2019, this approval has not yet been issued with a Presidential Proclamation.

On October 11, 2012, Presidential Proclamation No. 491 has been issued creating and designating eleven parcels of land with an aggregate area of approximately 69,510 square meters located at Aseana Business Park, Paranaque City, as Tourism Economic Zone. Consequently, on November 27, 2012, the Parent Company received its Certificate of Registration from PEZA as the developer of the City of Dreams Manila. The Company shall not be entitled to PEZA incentives.

Tax Reform for Acceleration and Inclusion Act (TRAIN)
Republic Act (RA) No.10963 or the TRAIN was signed into law on December 19, 2017 and took effect January 1, 2018, making the new tax law enacted as of the reporting date. Although the TRAIN changes existing tax law and includes several provisions that generally affect businesses on a prospective basis, the management assessed that the same do not have any significant impact on the financial statement balances as of the reporting date.

37. Lease Commitments

Company as a Lessor

Finance Lease

Lease Agreement with Melco. On October 25, 2012, the Parent Company, as a lessor, entered into a lease agreement with Melco for the lease of land and building structures to be used in the City of Dreams Manila project ("the Project"). The lease period is co-terminus with the operating agreement between the Company and Melco which is effective on March 13, 2013 until the expiration of the License on July 11, 2033.

The Company made an assessment at inception of the lease and recorded the lease of the building structures under a finance lease and the lease of the land under an operating lease.

The Company recognized a finance lease receivable equivalent to the net investment in the lease. The average implicit interest rate on the finance lease was 15.75% per annum at inception of the lease. The lease payments made by the lessee are split into an interest component and a principal component using the effective interest method. The lease receivable is reduced by the principal received. The interest component of the payments is recognized as "Interest income on finance lease" in the consolidated statement of comprehensive income.

In 2018, the Parent Company and Melco agreed to revise the use of a portion of the building. Management assessed that the change in use resulted in substantial modification of the terms of the agreement. Thus, starting October 2018, the Parent Company started to change rental based on new rates. The change in the terms resulted in reclassification of the lease from finance lease to operating lease. Accordingly, the Parent Company derecognized the balance of the outstanding finance lease receivables amounting to ₱18,342.3 million and capitalized the same as the cost of the building (see Note 15).

As at December 31, 2017, the nominal amount of minimum lease payments and the carrying value of finance lease receivable are as follows:

	2017
	(In Thousands)
Within one year	₱1,790,424
In more than one year and not more than five years	9,000,735
In more than five years	33,031,150
	43,822,309
Unearned finance income	(25,739,128)
Net investment (present value of the minimum lease payments)	18,083,181
Current portion of receivables under finance lease	1,689,973
Noncurrent portion of receivables under finance lease	₱16,393,208

Interest income on finance lease amounted to ₱1,663.8 million, ₱2,069.8 million and ₱2,003.8 million in 2018, 2017 and 2016, respectively.

Operating Lease

Lease Agreement with Melco. The Parent Company recognized lease income on the lease of land and building by Melco amounting to ₱724.4 million in 2018 and ₱190.0 million in 2017 and 2016.

As at December 31, 2018 and 2017, the minimum lease payments to be received by the Parent Company on the lease on the land and building are as follows:

	2018	2017
	(In Thousands)	
Within one year	**₱2,132,323**	₱135,593
In more than one year and not more than five years	**13,110,557**	680,301
In more than five years	**24,112,134**	2,395,935
	₱39,355,014	₱3,211,829

The Company carried receivables relating to these leases of ₱559.8 million and ₱353.9 million under the "Receivables" account in the consolidated statements of financial position as at December 31, 2018 and 2017, respectively (see Note 10).

Costs incurred for these leases, which consists of taxes, property insurance and other costs, are presented under "Cost of lease income" account in the consolidated statements of comprehensive income (see Note 31).

Lease Agreements with PCSO. POSC leases to PCSO online lotto equipment and accessories for a period of 1 year until July 31, 2019 as provided in the 2018 Amended Equipment Lease Agreement (ELA). Rental payments are based on a percentage of gross amount of lotto ticket sales from the operation of all PCSO's lotto terminals or a fixed annual rental of ₱35,000 per terminal in commercial operation, whichever is higher. Rental income recognized in the consolidated statement of income amounted to ₱788.6 million, ₱1,036.9 million and ₱931.8 million in 2018, 2017 and 2016, respectively.

Future minimum rental income for the remaining lease term of one year is ₱82.2 million and ₱85.9 million as at December 31, 2018 and 2017, respectively.

TGTI leases to PCSO online KENO equipment and accessories for a period of 10 years from the time the ELA will run in commercial operations. Rental payment by PCSO is based on certain percentage of gross amount of Online KENO games from the operation of all PCSO's terminal or a fixed annual rental of ₱40,000 per terminal in commercial operation, whichever is higher. Rental income recognized in the consolidated statement of income amounted to ₱659.7 million, ₱803.6 million and ₱647.9 million in 2018, 2017 and 2016, respectively. Future minimum rental income for the remaining lease terms is as follows:

	2018	2017
	(In Thousands)	
Within one year	**₱98,160**	₱96,400
After one year but not more than five years	**73,620**	141,400
	₱171,780	₱237,800

Company as a Lessee

Finance Lease

Lottery Equipment. The contracts for the supply of online lottery system entered into by POSC with Scientific Games and Intralot and by TGTI with Intralot contain a lease which is accounted for as finance lease. These related equipment are included as part of "Lottery equipment" under "Property and equipment" account with carrying amount of ₱30.9 million and ₱103.7 million as at December 31, 2018 and 2017, respectively (see Note 16).

Future minimum lease payments under these finance leases together with the present value of the minimum lease payments are as follows:

	2018	2017
	(In Thousands)	
Within one year	**₱22,254**	₱45,341
After one year but not more than five years	**16,690**	38,944
Total future minimum lease payments	**38,944**	84,285
Less amount representing interest	**3,570**	9,422
Present value of lease payments	**35,374**	74,863
Less current portion of obligations under finance lease	**19,379**	39,489
Noncurrent portion of obligations under finance lease	**₱15,995**	₱35,374

The contracts of POSC remain effective until July 31, 2019, the expiration date of the ELA. Payment to Scientific Games is based on a pre-agreed percentage of POSC's revenue from PCSO's conduct of online lottery games running on the system provided by Scientific Games. Payment to Intralot is based on a pre-agreed percentage of the revenue generated by the terminals from PCSO's conduct of online lottery operations or a fixed amount of US$110 per terminal per month, whichever is higher.

Payments to Scientific Games and Intralot include the non-lease elements which are presented as "Software and license fees" account under "Cost of lottery services" in the consolidated statements of comprehensive income (see Note 28).

The contract of TGTI with Intralot commenced upon the commercial operation of 200 outlets and remains effective for 10 years until September 30, 2020. Payment to Intralot is based on a percentage of the gross receipts of PCSO from its online KENO games or a fixed amount of US$60 per terminal per month, whichever is higher.

POSC initially recognized the finance lease liability based on the fair value of the equipment or the sales price since the minimum lease payments cannot be established, as the monthly payment varies depending on the revenue generated by the leased equipment.

Operating Lease

a. POSC leases certain office spaces for periods of one to three years up to 2019. The lease agreements provide for minimum rental commitments with annual rental escalation rate of 5% to 10%. Rent expense recognized in the profit or loss amounted to ₱18.6 million, ₱16.2 million and ₱11.0 million in 2018, 2017 and 2016, respectively.

b. LotoPac, LCC and FRI lease certain properties that are renewed annually at the option of both companies. Rent expense recognized in the profit or loss amounted to ₱97.4 million, ₱62.9 million and ₱29.2 million in 2018, 2017 and 2016, respectively.

c. TGTI entered into lease contracts with the following: (1) Keewswen Development Corp. for the lease of its office space for a period of five years which commenced on February 1, 2011 expired on January 31, 2016 which was renewed for a period of two years which commenced on February 1, 2016 to January 31, 2018, (2) MBH Trading & Manufacturing Corporation for the lease of its warehouse for a period of seven years commencing on August 1, 2010 and expired on July 31, 2017 which was also renewed up to July 2020, and (3) George W.G Angel for a parking space for a period of one year, renewable upon mutual consent of the parties. Rent expense recognized in the consolidated statement of income amounted to ₱10.6 million, ₱8.0 million and ₱6.0 million in 2018, 2017 and 2016, respectively.

   The above operating leases have no restrictions and contingent rentals.

   Future minimum rental expense for the remaining lease terms are as follows:

	2018	2017
	(In Thousands)	
Within one year	**₱75,365**	₱87,722
After one year but not more than five years	**13,491**	42,104
	₱88,856	₱129,826

Other Operating Lease Agreements
The Parent Company entered into a lease agreement for a parcel of land situated in Aseana Business Park, Parañaque City. The 20,218 square meter land area lease shall be for a period of 10 years commencing on April 23, 2010, inclusive of two years construction period. Rental payments are subject to escalation as stated in the agreement. The contract may be renewed or extended by written agreement of the parties and upon such terms and conditions that are mutually acceptable to them. The Parent Company also paid ₱4.4 million refundable deposit which formed part of “Other noncurrent assets - refundable deposits and construction bond” in the consolidated statements of financial position (see Note 19). On April 15, 2012, the parties agreed to extend the lease term for an additional 15 years ending on April 22, 2035. Total rent expense charged to operations amounted to ₱42.5 million, ₱36.2 million and ₱33.1 million in 2018, 2017 and 2016, respectively (see Note 31).

On May 12, 2012, the Parent Company entered into an operating lease agreement with SM Prime Holdings, Inc. (formerly SM Land, Inc.) covering its office space. The lease term is five years, with option to renew subject to mutually agreed upon terms and conditions. Rent is payable within 30 days upon receipt of the billing. On August 1, 2017, the operating lease agreement was renewed for another five years ending on July 31, 2022. Total rent expense charged to operations amounted to ₱10.2 million, ₱9.7 million and ₱8.1 million in 2018, 2017 and 2016, respectively (see Notes 33 and 39).

The Parent Company and Belle Bay City, through its Board of Liquidators, entered into a Memorandum of Agreement granting the Parent Company an absolute and exclusive right to build and use “air rights” a bridge way over a particular lot owned by Belle Bay City. The agreement shall be a period of 50 years or upon termination of the Parent Company’s business operation on the bridge way whichever comes earlier. The air rights shall be used to connect City of Dreams Manila Phase 1 and Phase 2. Rental payments are subject to escalation as stated in the agreement. Total rent expense charged to operations relating to this transaction amounted to ₱6.4 million in 2018 and 2017 and ₱13.3 million in 2016 (see Note 31). The Parent Company also paid ₱1.1 million refundable deposit which formed part of “Other noncurrent assets - refundable deposits and construction bond” in the consolidated statements of financial position (see Note 19).

The Company also has several operating lease arrangements on parking lots, machineries, office space and transportation equipment. Total rent expense charged to operations relating to these lease agreements amounted to ₱3.8 million in 2018, ₱2.4 million in 2017 and ₱2.4 million in 2016 (see Note 33).

The future minimum rental payments by the Company under the operating lease agreements are as follows:

	2018	2017
	(In Thousands)	
Within one year	**₱50,331**	₱57,087
After one year but not more than five years	**279,477**	305,356
After more than five years	**568,845**	623,715
	₱898,653	₱986,158

38. **Pension Costs**

The Parent Company and certain of its subsidiaries have funded, noncontributory defined benefit pension plans covering all regular and permanent employees. The benefits are based on employees' projected salaries and number of years of service. Costs are determined in accordance with the actuarial study, the latest of which is dated December 31, 2018.

PLC is covered under Republic Act No. 7641 which provides a defined benefit minimum guarantee for its qualified employees.

The following tables summarize the components of pension costs recognized in the consolidated statements of comprehensive income and the pension asset and pension liability recognized in the consolidated statements of financial position.

Changes in the retirement benefits of the Company in 2018 are as follows:

	Present Value of Defined Benefit Obligation	Fair Value of Plan Assets	Change in the Effect of Asset Ceiling	Pension Asset (Liability)
		(In Thousands)		
At January 1, 2018	**(₱185,457)**	**₱174,769**	–	**(₱10,688)**
Net retirement income (costs) in profit or loss:				
Current service cost	**(23,085)**	–	–	**(23,085)**
Net interest	**(10,586)**	–	–	**(10,586)**
Interest income	–	**10,203**		**10,203**
	(33,671)	**10,203**	–	**(23,468)**
Benefits paid	**2,426**	**(2,426)**	–	–
Contributions	–	**10,000**	–	**10,000**
Remeasurement gain (loss) recognized in OCI:				
Actuarial changes due to experience adjustment	**2,324**	–	–	**2,324**
Actuarial changes arising from changes in financial assumptions	**28,133**	–	–	**28,133**
Actual return excluding amount included in net interest cost	–	**(6,308)**	–	**(6,308)**
Actuarial changes due to changes in demographic assumptions	**9,850**	**(7,194)**	–	**2,656**
Effect of asset ceiling	–	**(3,375)**	–	**(3,375)**
	40,307	**(16,877)**	–	**23,430**
At December 31, 2018	**(₱176,395)**	**₱175,669**	–	**(₱726)**

Changes in the retirement benefits of the Company in 2017 are as follows:

	Present Value of Defined Benefit Obligation	Fair Value of Plan Assets	Change in the effect of asset ceiling	Pension Asset (Liability)
		(In Thousands)		
At January 1, 2017	(₱155,377)	₱151,496	₱1,379	(₱2,502)
Additions from acquisition of subsidiaries (see Note 18)	(616)	–	–	(616)
Net retirement income (costs) in profit or loss:				
Current service cost	(22,773)	–	–	(22,773)
Net interest	(8,743)	12,099	(36)	3,320
	(31,516)	12,099	(36)	(19,453)
Benefits paid	622	(510)	–	112
Contributions	–	18,955	–	18,955
Remeasurement gain (loss) recognized in OCI:				
Actuarial changes due to experience adjustment	(2,117)	–	–	(2,017)
Actuarial changes arising from changes in financial assumptions	10,985	–	–	10,985
Actual return excluding amount included in net interest cost	–	(4,896)	–	(4,896)
Actuarial changes due to changes in demographic assumptions	(7,438)	–	–	(7,438)
Effect of asset ceiling	–	–	(3,718)	(3,818)
	1,430	(4,896)	(3,718)	(7,184)
At December 31, 2017	(₱185,457)	₱177,144	(₱2,375)	(₱10,688)

The retirement benefits are presented in the consolidated statement of financial position as at December 31, 2018 and 2017 are as follows:

	2018	2017
	(In Thousands)	
Pension asset	**₱7,856**	₱13,414
Pension liability	**(8,582)**	(24,102)
Net pension liability	**(₱726)**	(₱10,688)

The following table presents the fair values of the plan assets of the Company as at December 31:

	2018	2017
	(In Thousands)	
Cash and cash equivalents	**₱15,835**	₱41,192
Debt instruments - government bonds	**97,357**	64,580
Debt instruments - other bonds	**2,526**	2,792
Unit investment trust funds	**47,137**	53,965
Mutual fund	**5,413**	6,049
Others	**7,401**	8,566
	₱175,669	₱177,144

The Company's plan assets is administered by a Trustee. The Company and the retirement plan have no specific matching strategies between the retirement plan assets and define benefit asset or obligation under the retirement plan.

The principal assumptions used to determine retirement plan assets as at December 31 are as follows:

	2018	2017
Discount rates	**7.53%-8.06%**	5.60%-5.77%
Future salary increases	**5.00%-8.00%**	5.00%-10.00%

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as at December 31, 2018 and 2017 assuming if all other assumptions were held constant:

	2018		2017	
	Increase (Decrease)	**Increase (Decrease) in Defined Benefit Obligation (In thousands**	Increase (Decrease)	Increase (Decrease) in Defined Benefit Obligation
		(In Thousands)		*(In Thousands)*
Discount rate	**1.00%**	**(₱9,348)**	1.00%	(₱13,891)
	(1.00%)	**11,107**	(1.00%)	16,945
Salary increase rate	**1.00%**	**10,535**	1.00%	14,929
	(1.00%)	**(9,060)**	(1.00%)	(12,533)

The average duration of the Company's defined benefit obligation is 2.9 years to 15.9 years in 2017.

The maturity analysis of the undiscounted benefit payments follows:

	2018	2017
	(In Thousands)	
Less than 1 year	**₱100,483**	₱50,105
More than 1 year to 5 years	**29,566**	24,758
More than 5 years to 10 years	**71,649**	46,763

39. Related Party Transactions

Related parties are enterprises and individuals that has the ability to control directly, or indirectly through one or more intermediaries or are controlled by, or under common control with the Company, including holding companies, and subsidiaries, or exercise significant influence over the other party in making financial and operating decisions. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the enterprise, 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 the ordinary course of business, the Company has transactions with related parties which consist mainly of extension or availment of noninterest-bearing advances. The outstanding balances at year-end are payable on demand. There have been no guarantees provided or received for any related party receivables or payables. Related party transactions are generally settled in cash.

In considering each possible related entity relationship, attention is directed to the substance of the relationship, and not merely the legal form.

Other Transactions with Associates and Related Companies

The Company has the following significant related party transactions with associates and other related parties:

Related Party	Relationship	Transaction		Transaction Amounts	Outstanding Balance	Terms	Condition
				(In Thousands)			
APC	Associate	Advances to associate (see Note 13)	**2018**	**₱83**	**₱80,047**	Noninterest-bearing, due and demandable	Unsecured, partially provided amounting to ₱79,452 in 2018 and 2017
			2017	189	80,004		
Belle Jai Alai	Associate	Advances to associate (see Note 13)	**2018**	**–**	**29,398**	Noninterest-bearing, due and demandable	Unsecured, fully provided in 2018 and 2017
			2017	–	29,398		
Others	Associate	Advances to associates (see Note 12)	**2018**	–	**11,487**	Noninterest-bearing, due and demandable	Unsecured, fully provided in 2018 and 2017
			2017	–	11,487		
Belle Jai-Alai	Associate	Advances from associate	**2018**	**–**	**(60,753)**	Noninterest-bearing, due and demandable	Unsecured
			2017	–	(60,753)		
SM Prime Holdings, Inc.	With common stockholders	Operating lease (see Note 37)	**2018**	**9,201**	**–**	5 years, renewable	Not applicable
			2017	11,361	(1,342)		
			2016	10,797	(1,594)		
		Management and professional fees (see Note 33)	**2018**	**18,439**	**–**	1 year, renewable	Not applicable
			2017	16,459	–		
			2016	14,765	–		
SM Arena Complex Corporation	With common stockholders	Sponsorship agreement (see Note 29)	**2018**	**18,900**	**4,950**	5 years	Not applicable
			2017	20,702	–		
			2016	20,160	–		
Highlands Prime, Inc. (HPI)	With common stockholders	Service fees (see Note 33)	2018	**14,504**	–	5 years, renewable	Not applicable
			2017	15,829	–		
			2016	2,734	–		
Directors and officers	Key management personnel	Salaries and wages	**2018**	**107,071**	–	Not applicable	Not applicable
			2017	99,531	–		
			2016	98,330	–		
		Short-term employee benefits	**2018**	**12,725**	**–**	Not applicable	Not applicable
			2017	11,946	–		
			2016	8,868	–		
		Long-term employee benefits	**2018**	**7,440**	**–**	Not applicable	Not applicable
			2017	7,019	–		
			2016	6,317	–		
SM Investments Corporation	With common stockholders	Service fees	**2018**	**66,000**	–	Non-interest bearing, 30 days	Not applicable
			2017	–	–		
			2016	–	–		

The following table provides the summary of outstanding balances and transactions for the years ended December 31, 2018, 2017, and 2016 in relation with the table above for the transactions that have been entered into with related parties:

Total Related Party Outstanding Balances before any Allowance for Impairment

	2018	2017
Advances to associates (see Note 13)	**₱120,932**	₱120,889
Advances from associates (see Note 20)	**60,753**	60,753
Advances from other related parties (see Note 20)	**4,950**	1,342

Total Related Party Transactions

	2018	2017	2016
Salaries and wages	**₱107,071**	₱99,531	₱98,330
Sponsorship agreement	**18,900**	20,702	20,160
Management fee	**16,459**	16,459	14,765
Rent expense	**9,201**	11,361	10,797
Service fee	**14,504**	15,829	2,734

Allowance provided on advances to associates charged to "Investments in and Advances to Associates" amounted to ₱120.3 million as at December 31, 2018 and 2017 (see Note 13).

Transactions with other related parties are as follows:

- Belle entered into a sponsorship agreement with SM Arena Complex Corporation (SMACC) for 5 years commencing on May 21, 2012. The Company is charged for a sponsorship fee of ₱95.0 million payable in 5 equal installments of ₱19.0 million annually. In return, SMACC shall grant the Company marketing and promotional entitlements in the MOA Arena during the sponsorship period. The fees are payable within 30 days upon the receipt of billing. In 2016, the agreement was pre-terminated with Belle and PLAI assumed the contract with SMACC.

- In 2014, the Parent Company entered into a renewable one-year management and professional service agreement with SM Prime Holdings, Inc. Management and professional fees charged by SM Prime Holdings, Inc. to the Parent Company amounted to ₱18.4 million, ₱16.5 million and ₱14.8 million in 2018, 2017 and 2016, respectively, which are recognized under "General and administrative expenses" in consolidated statements of comprehensive income. The fees are payable within 30 days upon the receipt of billing.

- In 2015, the Parent Company entered into a renewable one-year service agreement with HPI for manpower supervision. Service fees charged by HPI to the Parent Company amounted to ₱14.5 million, ₱15.8 million and ₱2.7 million in 2018, 2017 and 2016, respectively, which are recognized under "General and administrative expenses" in consolidated statements of comprehensive income.

- In 2018, the Parent Company entered into a renewable one-year professional service agreement with SM Investments Corporation. Service fees charged by SMIC to the Parent Company amounted to 66.0 million in 2018, which are recognized under "General and administrative expenses" in consolidated statements of comprehensive income. The fees are payable within 30 days upon the receipt of billing.

40. **Significant Contracts and Commitments**

Investment Commitment with PAGCOR
The Company and its casino operator is required to have an "Investment Commitment" based on PAGCOR guidelines of US$1.0 billion, of which US$650.0 million shall be invested upon the opening of the casino and the other US$350.0 million shall be invested within a period of three (3) years from the commencement of the casino operations. The Investment Commitment should comprise of the value of land used for the projects and the construction costs of various facilities and infrastructure within the site of the project.

The other salient provisions of the License are: (i) creation of an escrow account where the funds to be used exclusively for the Project are expected to flow through but with a maintaining balance of US$50.0 million and is separately shown as the "Escrow Fund" account in the 2012 consolidated statement of financial position; (ii) issuance of performance bond of US$100.0 million to guarantee the completion of the project; and (iii) issuance of surety bond of US$100.0 million to guarantee the payment to PAGCOR of all fees payable under the License granted by PAGCOR.

In May 2013, the Escrow was terminated as Melco deposited its own Escrow Fund to replace that of the Company.

Cooperation Agreement with Melco
On October 25, 2012, the Company together with PLAI ("Philippine Parties"), formally entered into a Cooperation Agreement with Melco which governs their cooperation in the development and operation of the City of Dreams Manila. The Cooperation Agreement places the Company as a co-licensee and the owner of the site's land and buildings, while Melco will be a co-licensee and operator of all the facilities within the resort complex.

In March 2013, Melco paid the Company the amount of ₱949.6 million which represents various costs Melco agreed to absorb as one of the conditions of the Philippine Parties in including the Melco Parties as co-licensees under the Project.

Operating Agreement with Melco
On March 13, 2013, the Parent Company, together with PLAI, entered into an Operating Agreement with MPHIL Holdings No. 2 Corporation, MPHIL Holdings No.1 Corporation and Melco. Under the terms of the Operating Agreement, Melco was appointed as the sole and exclusive operator and manager of the casino development Project.

The Operating Agreement shall be in full force and effect for the period of the PAGCOR License, unless terminated earlier in accordance with the agreements among the parties.

Pursuant to this agreement, PLAI shares from the performance of the casino gaming operations. Gaming revenue share in 2018, 2017 and 2016 amounted to ₱1,643.0 million, ₱2,609.4 million and ₱1,643.0 million, respectively (see Note 26).

Advisory Services by ABLGI
ABLGI agreed to act in an advisory capacity to the Parent Company and PLAI subject to certain limitations for a consideration equivalent to a percentage of PLAI's income from gaming revenue share.

Effective 2017, ABLGI, Belle and PLAI entered into an agreement to assign the ABLGI's advisory and consulting services to BGRHI (see Note 17).

Consultancy fees to ABLGI amounting to ₱72.9 million and ₱216 million in 2017 and 2016 was presented as part of "Cost of gaming operations" in the 2017 and 2016 consolidated statements of comprehensive income (see Note 29).

Share Swap Agreement
In 1997, PLC (then Sinophil Corporation), together with Belle (then a 32% shareholder) entered into a Swap Agreement with Metroplex whereby PLC issued 3,870,000,000 of its common shares in exchange for 46,381,600 shares of LIR-HK, a Hong Kong-based company, which is a subsidiary of Metroplex.

On August 23, 2001, a Memorandum of Agreement (MOA) was entered into by and among the Parent Company, PLC, Metroplex and LIR-HK rescinding the Swap Agreement and cancelling all obligations stated therein and reversing all the transactions as well as returning all the objects thereof in the following manner:

a. Metroplex shall surrender the certificates of PLC shares held by them in relation to the Swap Agreement. Belle shall then cause the reduction of the capital stock of PLC to the extent constituting the PLC shares of stock surrendered by Metroplex and the cancellation and delisting of such shares from the PSE.

b. PLC shall surrender the LIR-HK shares back to Metroplex.

In view of such definite plan to rescind the Swap Agreement through the MOA or other means, PLC discontinued using the equity method in accounting for its investment in LIR-HK starting from LIR-HK's fiscal year beginning February 1, 1999.

On February 18, 2002, PLC's stockholders approved the cancellation of 3,870,000,000 shares held by Metroplex. However, Metroplex failed to deliver the stock certificates for cancellation covering the 2,000,000,000 shares of their total shareholdings. PLC again presented to its stockholders the reduction of its authorized capital stock to the extent of 1,870,000,000 shares, which were already delivered by Metroplex. On June 3, 2005, the stockholders approved the cancellation and delisting of the 1,870,000,000 shares. On March 28, 2006, the SEC formally approved PLC's application for the capital reduction and cancellation of the 1,870,000,000 PLC shares. The application to delist the said shares was also approved by the PSE.

As a result of the cancellation of the shares, investment in LIR-HK was reduced by ₱2,807.8 million in 2006. The corresponding decrease in PLC's capital stock and additional paid-in capital, and share in cumulative translation adjustments of an associate amounted to ₱1,870.0 million, ₱1,046.9 million and ₱109.1 million, respectively.

In 2007, the PLC acquired LIR-HK's loan from Union Bank of the Philippines which was secured by the 1,000,000,000 shares of PLC held by Metroplex for a total consideration of ₱81.6 million. Upon acquisition, an application for capital reduction and cancellation of 1,000,000,000 PLC shares was filed with the SEC after obtaining stockholders' approval.

On June 24, 2008, upon obtaining the approval of the SEC, the 1,000,000,000 PLC shares in the name of Metroplex were cancelled. As a result, investment in LIR-HK was reduced by ₱1,501.5 million in 2008. The corresponding decrease in PLC's capital stock, additional paid-in capital and share in cumulative translation adjustments of an associate amounted to ₱1,000.0 million, ₱559.8 million and ₱58.3 million, respectively. In 2009, PLC applied with the SEC for further decrease of its authorized capital stock for 1,000,000,000 shares. This application was approved on July 9, 2009 by the SEC. However, PLC did not effect such decrease in authorized capital stock as these cannot be surrendered for cancellation.

In 2009, Metroplex filed before the Court of Appeals (CA) to review the Order of the SEC denying their petition to nullify the approval of the reduction of PLC's capital stock. Petition was elevated to the Supreme Court (SC) after the CA sustained the SEC ruling. The deal was scuttled when the remaining 1,000,000,000 undelivered PLC shares (hereinafter referred to as the "Shares") are being held by another creditor, Evanston Asset Holdings Pte. Ltd ("Evanston"), as collateral for loans obtained by Metroplex. Metroplex was previously negotiating for the release of such pledge to be able to carry out the terms of the MOA. However, during 2012, PLC was informed by Evanston that they had undertaken foreclosure proceedings on the Shares. While Evanston has stated willingness to negotiate with PLC towards the transfer of the Shares, there is no assurance that PLC will be able to acquire the Shares from Evanston. Thus, PLC recognized full impairment loss of ₱1,559.8 million on its investment in LIR-HK in view of the then uncertainty of implementing the MOA rescinding the Swap Agreement.

Notwithstanding the foregoing, cognizant of the fact that whoever had possession of the Shares would be dispossessed of its property by reason of the approval of the decrease in capital which implies the cancellation of said shares, PLC exerted earnest efforts to have the SEC revoke its approval of the third decrease in capital. However, SEC continued to deny any petition on the following grounds:

(i) the documents submitted by appellant in support of its application for the decrease of capital stock, were all complete and regular on its face;
(ii) there was no allegation of fraud, actual or constructive, nor misrepresentation in its application for decrease of authorized capital stock.

In June 2013, PLC filed a Memorandum of Appeal with the SEC to appeal the denial of the petition.

On April 22, 2014, PLC filed with the SEC a Notice of Withdrawal of the Memorandum of Appeal filed on June 20, 2013 and proceeded to effect the cancellation of the shares and compensated the parties who were in possession of the remaining 1,000,000,000 PLC shares. As a result, investment in LIR-HK was reduced by ₱1,501.5 million in 2014. The corresponding decrease in capital stock, additional paid-in capital and share in cumulative translation adjustments of an associate amounted to ₱1,000.0 million, ₱559.8 million and ₱58.3 million, respectively.

Correspondingly, PLC recognized a receivable from Metroplex for ₱340.7 million which was the cost of implementing the MOA rescinding the Swap Agreement and the cancellation of the said Shares.

<u>Equipment Lease Agreement (ELA) between POSC and PCSO</u>
ELA. POSC has an ELA with the PCSO for the lease of not less than 800 lotto terminals, which includes central computer, communications equipment and the right to use the application software and manuals for the central computer system and draw equipment of PCSO for its Visayas-Mindanao (VISMIN) operations for a period of eight years from April 1, 2005 to March 31, 2013.

PCSO is the principal government agency for raising and providing funds for health programs, medical assistance and services, and charities of national character through holding and conducting charity sweepstakes, races, and lotteries.

2012 Amended ELA. On May 22, 2012, the POSC and PCSO amended some provisions of the ELA which reduced the rental fee for the VISMIN operations and included the lease of lotto terminals and supply of betting slips and ticket paper rolls in some of PCSO's Luzon operations for additional lease fee effective June 1, 2012 until March 31, 2013, which is concurrent with the ELA expiry. The amendment also incorporated the fee for maintenance and repair services as part of the rental fee and provided PCSO an option to purchase the equipment related to its VISMIN operations at the end of the lease period for ₱15.0 million.

2013 Amended ELA. On March 26, 2013, the POSC and PCSO further amended some provisions of the ELA which extended it from March 31, 2013 to July 31, 2015. In lieu of the PCSO option to purchase the equipment related to its VISMIN operations, POSC agreed to reduce the rental fee on the lotto terminals for the VISMIN operations and POSC to shoulder the cost of betting slips and ticket paper rolls for the PCSO's Luzon and VISMIN operations. The amendment also incorporated the fee for the supply of betting slips and ticket paper rolls for the PCSO's Luzon operations as part of the rental fee.

2015 Amended ELA. On July 15, 2015, the POSC and PCSO further amended some provisions of the ELA which extended it from August 1, 2015 to July 31, 2018. The amendment also required the POSC to deposit an additional ₱5.0 million cash bond to guarantee the unhampered use and operation of the lottery system, including equipment, servers, network communication and terminals. The additional cash bond is included under "Other noncurrent assets" account in the consolidated statements of financial position.

2018 Amended ELA. On September 12, 2018, the ELA was amended to extend the term from August 1, 2018 to July 31, 2019. The amendment required POSC to post an additional deposit of ₱7.0 million cash bond. The total cash bond of ₱12.0 million is included under "Other noncurrent assets" in the consolidated statements of financial position.

The rental fee, presented as "Equipment rentals" in the consolidated statements of comprehensive income, is based on a percentage of gross sales of lotto terminals from PCSO's VISMIN and Luzon operations or a fixed annual rental of ₱35,000 per terminal in commercial operation, whichever is higher. This covers the equipment rental of lotto terminals, central computer system and communications equipment including the accessories and right to use the application software and manuals for the central computer system and terminals and draw equipment, as well as the supply of betting slips and ticket paper rolls, and maintenance and repair services. The number of installed lotto terminals totaled 4,029 and 4,205 as at December 31, 2018 and 2017, respectively.

Instant Scratch Tickets. On March 25, 2009, POSC entered into a non-exclusive Memorandum of Agreement (MOA) with PCSO, for a period of seven years, effective December 1, 2009 to undertake the printing, distribution and sale of scratch tickets. The MOA requires a cash bond to be deposited in an interest-bearing bank account designated by PCSO to guarantee the payment of all prizes for each series of tickets distributed, subject to review by PCSO, which was paid in January 2010, for a period of seven years from the date of initial launch of the instant tickets and shall be maintained co-terminus with this MOA. The ₱10.0 million cash bond is recognized under "Other noncurrent assets" account in the consolidated statements of financial position (see Note 19).

On March 31, 2015, the POSC entered into an OMOA with PMLC for the authorization of PMLC as the exclusive marketing, distribution, selling and collecting agent of POSC throughout the Philippines. The agreement took effect on April 1, 2015 and shall remain effective as long as the MOA with PCSO or any extension thereof shall be effective.

PMLC agreed to assume POSC's commitment to PCSO to solely shoulder the project cost for the Instant Scratch Ticket program, which consists of the costs of production, distribution, warehousing, printing, handling, software and hardware maintenance, advertising, marketing, selling and other related expenses necessary to totally dispose of all instant tickets. PMLC is entitled to all the revenues, sums and proceeds from the Instant Scratch Tickets beginning April 1, 2015, and shall be obligated to shoulder the pay-outs for all winnings from said tickets sold beginning April 1, 2015. In consideration for the OMOA, PMLC agreed to pay POSC a guaranteed fixed monthly fee of ₱4.0 million starting April 2015. This fee is included as part of "Commission and distribution income" under "Revenue" in the consolidated statements of comprehensive income.

POSC shall continue to pay the share of PCSO and the cash bond pursuant to the MOA, however, PMLC agreed to guarantee payment of the share of PCSO to POSC beginning April 2015. An existing consultancy agreement between POSC and PMLC for the scratch ticket operations was immediately terminated upon execution of the OMOA.

The MOA with POSC expired on November 30, 2016 and the OMOA with PMLC also expired accordingly. All tickets distributed to the retailers and agents, shall be allowed to be marketed continuously until fully sold and the corresponding winnings thereof shall be honored and paid even after the period of the MOA with PCSO.

Brand and Trademark Agreement with PMLC
In 2018, POSC received a certification from the PCSO stating the fulfillment of POSC's obligation under the MOA and thereby clearing POSC of any accountability thereunder. PCSO certified that POSC is entitled to the release of the ₱10.0 million cashbond. The cash bond is expected to be collected in the next financial period. Thus, in 2018, the Company reclassified the cash bond amounting to ₱10.0 million from noncurrent asset to "Other current assets" account (see Note 12).

In January 2018, POSC entered into a Brand and Trademark License Agreement (BTLA) with PMLC granting the latter a non-assignable, non-transferable and exclusive right to use of POSC's instant scratch tickets' brand and trademarks. The agreement has an initial term of five (5) years effective on January 1, 2018, subject to adjustment to conform to and coincide with term of the PMLC's agreement with PCSO for the supply and distribution of its instant scratch tickets. In consideration of the BTLA, PMLC agreed to pay POSC a guaranteed fixed monthly fee of ₱4.0 million starting January 2018. The agreement with PMLC was accounted for as right to use the brand and trademark. POSC already transferred the control to PMLC on January 1, 2018 and there are no other performance obligation to be provided to PMLC. Thus, POSC recognized revenue on the right to use the brand and trademark amounting to ₱203.5 million (see Note 35). Interest income earned in 2018 amounted to ₱12.5 million (see Note 34).

Contract asset was recognized for the earned consideration but not yet collected. Current portion of contract asset as at December 31, 2018 amounted to ₱37.9 million while noncurrent portion amounted to ₱130.1 million.

TGTI Equipment Rental
TGTI has an ELA with PCSO which provides for the lease of the equipment for PCSO's Online KENO games. The lease is for a period of ten (10) years commencing on October 1, 2010, the date of actual operation of at least 200 Online KENO outlets. The rental fee, presented as "Equipment rental" in the consolidated statements of income, is based on a percentage of the gross sales of the "Online KENO" terminals or a fixed annual rental of ₱40,000 per terminal in commercial operation, whichever is higher. The ELA may be extended and/or renewed upon the mutual consent of the parties.

On July 15, 2008, TGTI and PCSO agreed on some amendments to the ELA. Under the terms of the Amended ELA, TGTI shall provide the services of telecommunications integrator and procurement of supplies for the Online KENO operations of PCSO in Luzon and VISMIN areas. In consideration for such services, PCSO shall pay additional fee based on a certain percentage of the gross sales from all Online KENO terminals in operation in Luzon and VISMIN areas computed by PCSO and payable bi-weekly. As at December 31, 2018 and 2017, there are 2,454 and 2,400 Online KENO terminals in operation, respectively.

POSC's Consultancy Agreements, Contracts with Scientific Games and Intralot, Management Agreement

a. Consultancy Agreements

POSC and its subsidiaries hired the services of several consultants for its gaming operations. Consultancy fees are based on a certain percentage of the gross amount of ticket sales of certain variants of lottery operations of PCSO.

b. Scientific Games

On February 15, 2005, POSC entered into a contract with Scientific Games, a company incorporated under the laws of the Republic of Ireland, for the supply of computer hardware and operating system software. Under the terms of the "Contract for the Supply of the Visayas-Mindanao Online Lottery System (CVMOLS)," Scientific Games provided 900 online lottery terminals and terminal software necessary for POSC's leasing operations. In consideration, POSC shall pay Scientific Games a pre-agreed percentage of the revenue generated by the terminals from PCSO's conduct of online lottery operation using the computer hardware and operating system provided by Scientific Games. The contract shall continue as long as the POSC's ELA with PCSO is in effect.

On October 2, 2012, POSC and Scientific Games amended the contract to extend the period from April 1, 2013 until August 31, 2015, and for the supply of additional terminals for the 2012 Amended ELA.

On November 20, 2015, POSC and Scientific Games further amended the contract to extend the period from September 1, 2015 until July 31, 2018 and for Scientific Games to supply 1,500 brand new terminals to POSC. The amended contract also removed the provision for the Inactive Terminal Fee of US$25.00 per terminal per month for any additional terminals not connected to the software provided by Scientific Games.

In August 2018, the contract with Scientific Games was further amended to extend the period thru July 31, 2019.

c. Intralot

i) On March 13, 2006, POSC entered into a contract with Intralot, a company incorporated under the laws of Greece, for the supply of online lottery system necessary for the operation of a new online lottery system effective December 8, 2006. Under the terms of the CVMOLS, Intralot provided POSC the hardware, operating system software and terminals and the required training required to operate the system. In consideration, POSC shall pay Intralot a pre-agreed percentage of the revenue generated by the terminals from PCSO's conduct of online lottery operations or a fixed amount of US$110 per terminal per month, whichever is higher. The Contract shall continue as long as POSC's ELA with PCSO is in effect.

On July 10, 2006, Intralot entered into an agreement with Intralot Inc., a subsidiary domiciled in Atlanta, Georgia, wherein Intralot assigned to Intralot, Inc. the whole of its contract with POSC, including all its rights and obligations arising from it.

On August 16, 2012, POSC and Intralot further agreed to amend the supply agreement for the latter to supply reconditioned or refurbished lotto terminals to the former. These additional terminals are ordered to enable POSC to serve the requirements of PCSO in the 2012 Amended ELA. However, POSC has the option to order from Intralot brand new lotto terminals at a higher price per unit. POSC paid Intralot a pre-agreed percentage of the revenue generated by the terminals from PCSO's online lottery operations in Luzon or US$110.00 per terminal, whichever is higher.

On September 6, 2013, POSC and Intralot further agreed to amend the supply agreement for the latter to provide for additional terminals to enable POSC to expand its online lottery operations. Furthermore, effective April 1, 2013, POSC and Intralot agreed to lower the percentage of revenues paid by the former to the latter.

In April 2016, POSC and Intralot again amended the contract for the latter to supply additional reconditioned or refurbished lotto terminals to the former and extend the term of the contract until August 31, 2018.

On September 25, 2018, the contract with Intralot was further amended to extend the period thru July 31, 2019.

ii) On April 1, 2004, TGTI entered into a contract with Intralot for the supply of online lottery system necessary for the operation of a new online lottery system effective until September 30, 2020. In consideration, the TGTI shall pay Intralot a pre-agreed percentage of the revenue generated by the terminals from PCSO's conduct of online lottery operation. On July 2008, the contract was amended such that instead of receiving monthly remuneration calculated as a percentage of the gross receipts of TGTI from its ELA with PCSO, Intralot will now receive monthly remuneration calculated on a percentage basis of the gross receipts of PCSO from its online keno games.

On March 22, 2011, the contract was further amended for Intralot to supply additional online keno terminals to TGTI and reduced the percentage charged by Intralot to TGTI or US$60.00 per terminal per month on an average basis, whichever is higher. TGTI also undertakes a letter of guarantee amounting to ₱20 million not later than March 28, 2011 in order for TGTI to secure the payment of Intralot's remuneration. The said guarantee bond is recognized under "Other noncurrent assets" account in the consolidated statements of financial position (see Note 19).

d. Management Agreement

POSC and TGTI entered into a Management Agreement with AB Gaming and Leisure Exponent Specialist, Inc. ("Manager") for the latter to provide investment and management counsel and to act as manager and overseer of its operations. In consideration of the Manager's services, POSC shall pay a monthly fee of ₱0.1 million and an amount equivalent to a certain percentage of the annual earnings before interest, taxes, depreciation, and amortization (EBITDA).

Software and license fee recognized as part of "Cost of lottery services" arising from Scientific Games contract and Intralot contracts above amounted to ₱195.7 million, ₱191.7 million and ₱186.6 million in 2018, 2017 and 2016, respectively (see Note 28).

Consultancy and management fees recognized under "Consultancy fees" as part of "Cost of lottery services" amounted to ₱75.0 million, ₱135.5 million and ₱122.8 million in 2018, 2017 and 2016, respectively (see Note 28). Consultancy fees recognized under "Management and professional fees" as part of "General and Administrative Expenses" amounted to ₱25.9 million, nil, and ₱20.5 million in 2018, 2017 and 2016, respectively (see Note 33).

41. Contingencies

a. In the normal course of business, there are certain tax cases and legal cases related to labor disputes and land ownership issues filed against the Company.

b. PLC is a party to a civil case filed by Metroplex before the CA to review the February 26, 2009 Order of the SEC denying the Metroplex petition to nullify the approval of the reduction of PLC's capital stock (see Note 40). On July 17, 2013, the CA sustained the ruling of the SEC, thus Metroplex filed a petition for review with the SC on September 4, 2014. As at February 28, 2019, the Supreme Court has yet to resolve this petition.

   However, as discussed in Note 40, the cancellation of the Swap Agreement was implemented following PLC's filing to the SEC of a Notice of Withdrawal of the Memorandum of Appeal filed on June 20, 2013.

c. The management is still assessing the possible impact of the on-going litigation between Philippine Gaming Management Corporation (PGMC) and PCSO that, if resolved in favor of PGMC, would have the effect of cancelling the existing terminals currently operating in Luzon, as leased by POSC to PCSO.

   On September 5, 2012, a Writ of Preliminary Injunction (Injunction) was issued by Branch 143 of the Regional Trial Court (RTC) of Makati. The Injunction orders PCSO to refrain from: 1) implementing, enforcing or exercising any right arising from the 2012 ELA between the Parent Company PCSO; 2) ordering or allowing the Company, or any third party, to install or operate any equipment, computer or terminal relating to on-line lottery operations in Luzon; and 3) committing any act that in any way violates or otherwise interferes with the ELA between PGMC and PCSO. POSC has filed a case with the Supreme Court to nullify the Injunction.

   On July 17, 2013, the Supreme Court decided on the case brought forth by POSC that it be consolidated with the case between PGMC and PCSO, thus making POSC a party to the case which is now pending before the CA. Meanwhile, PGMC and PCSO have entered into an Interim Settlement whereby they agreed, among others, to maintain the status quo insofar as the POSC terminals already installed in Luzon are concerned. POSC's Request for Arbitration was denied by the International Court of Arbitration on July 17, 2014, due to PCSO's opposition. An Urgent Motion to Resolve was filed by POSC with the CA to compel the court to issue an order to PGMC and PCSO to include the POSC in the negotiations.

   On January 29, 2016, PCSO filed a Manifestation with Motion to Dismiss dated January 12, 2016, stating that the presiding Judge approved PGMC and PCSO's "Interim Settlement" dated December 11, 2013 wherein it was agreed that the case will be archived pending arbitration. PCSO also averred that, on December 13, 2015, PGMC and PCSO executed a "Supplemental and Status Quo Agreement" wherein the parties agreed to dismiss all pending judicial and civil actions between them but shall continue with the arbitration proceedings. Thus, pursuant to the agreement, PCSO prayed for the dismissal of this case which was eventually dismissed by virtue of the Resolution dated March 1, 2016.

On September 13, 2016, POSC filed a Memorandum with the Court of Appeals. The case is now submitted for the resolution. As at February 28, 2019, the case is still pending with the Court of Appeals.

42. **Basic/Diluted EPS**

	2018	2017	2016
	(In Thousands, Except EPS)		
Earnings attributable to Equity holders of the Parent (a)	**₱2,647,757**	₱2,872,412	₱2,700,117
Number of issued common shares at beginning of year	**10,561,000**	10,561,000	10,561,000
Number of common treasury shares at beginning of year	**(62,320)**	(62,320)	(42,146)
Number of parent company common shares held by subsidiaries at beginning of year	**(318,941)**	(357,108)	(353,271)
Sale of entities holding parent commons shares	–	38,542	–
Acquisition of entities holding parent common shares	**(45)**	(3,441)	(3,837)
Weighted average number of treasury shares acquired during the year	**(267,292)**	–	(20,112)
Weighted average number of issued common shares - basic, at end of year (b)	**9,912,402**	10,176,673	10,141,634
Basic/diluted EPS (a/b)	**₱0.267**	₱0.282	₱0.266

There are no common stock equivalents that would have a dilutive effect on the basic EPS.

43. **Financial Assets and Financial Liabilities**

Financial Risk Management Objectives and Policies
The Company's principal financial liabilities are composed of trade and other current liabilities, loans payables, nontrade liability, long-term debt, refundable deposits, installment payable and obligations under finance lease. The main purpose of these financial liabilities is to finance the Company's operations. The Company's principal financial assets include cash and cash equivalents, receivables and finance lease receivables. The Company also holds investments in equity instruments.

The main risks arising from the Company's financial assets and financial liabilities are interest rate risk, foreign currency risk, equity price risk, credit risk and liquidity risk. The Company's BOD and management review and agree on the policies for managing each of these risks and these are summarized below.

Interest Rate Risk. Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial assets and financial liabilities. The Company's exposure to interest rate risk relates primarily to the Company's long-term debt which are subject to cash flow interest rate risk.

The Company's policy is to manage its interest cost by limiting its borrowings and entering only into borrowings at fixed and variable interest rates.

Foreign Currency Risk. Foreign currency risk is the risk that the fair value or future cash flows of financial asset or financial liability will fluctuate due to changes in foreign exchange rates.

As at December 31, 2018 and 2017, foreign currency-denominated financial asset and financial liability in US dollars, translated into Philippine peso at the closing rate:

	2018	2017
	(In Thousands)	
Cash and cash equivalents	**$427**	$720
Consultancy and software license fee payable*	**(716)**	(1,001)
Foreign currency-denominated financial assets (liabilities)	**($289)**	($281)

**Presented under "Trade and other current liabilities" account in the consolidated statements of financial position.*

In translating the foreign currency-denominated financial liabilities into peso amounts, the exchange rate used was ₱52.72 to US$1.0 and ₱49.93 to US$1.0, as at December 31, 2018 and 2017, respectively.

It is the Company's policy to ensure that capabilities exist for active but conservative management of its foreign currency risk. The Company seeks to mitigate its transactional currency exposure by maintaining its costs at consistently low levels, regardless of any upward or downward movement in the foreign currency exchange rate.

The following table demonstrates the sensitivity to a reasonably possible change in the U.S. dollar exchange rates, with all other variables held constant, of the Company's consolidated income before tax as at December 31, 2018 and 2017. There is no other impact on the Company's equity other than those already affecting the profit or loss in the consolidated statements of comprehensive income.

	2018		2017	
	Increase in US$ Rate	**Decrease in US$ Rate**	Increase in US$ Rate	Decrease in US$ Rate
	(In Thousands, Except Change in US$ Rate)			
Change in US$ rate*	**1.67**	**(1.67)**	1.78	(1.78)
Effect on income before income tax	**(₱398)**	**₱398**	(₱499)	₱499

**Average movement of U.S. dollar against Philippine peso for the past five years.*

The increase in US$ rate means stronger US dollar against peso while the decrease in US$ means stronger peso against the US dollar.

Equity Price Risk. Equity price risk is the risk that the fair value of quoted investments held for trading and AFS financial assets in listed equities decreases as a result of changes in the value of individual stock. The Company's exposure to equity price risk relates primarily to the Company's investments held for trading. The Company monitors the equity investments based on market expectations. Significant movements within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the BOD.

The following table demonstrates the sensitivity to a reasonably possible change in equity price, with all other variables held constant, of the Company's 2018 and 2017 consolidated total comprehensive income before income tax:

Increase (Decrease) in Equity Price	**2018**	2017
	(In Thousands)	
Impact in profit or loss		
5%	**₱7,785**	₱113,983
(5%)	**(7,785)**	(113,983)
Impact in other comprehensive income		
5%	**₱238,539**	₱123,764
(5%)	**(238,539)**	(123,764)

Credit Risk. Credit risk is the risk that the Company will incur a loss because its customers or counterparties fail to discharge their contractual obligations. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Company's exposure to bad debts is not significant. The Company does not offer credit terms without the specific approval of the management. There is no significant concentration of credit risk.

In the Company's real estate business, title to the property is transferred only upon full payment of the purchase price. There are also provisions in the sales contract which allow forfeiture of installments/deposits made by the customer in favor of the Company and retain ownership of the property. The Company has the right to sell, assign or transfer to third party and any interest under sales contract, including its related receivables from the customers. The Company's primary target customers are high-income individuals and top corporations, in the Philippines and overseas. These measures minimize the credit risk exposure or any margin loss from possible default in the payments of installments.

Trade receivables from sale of real estate units are secured with pre-completed property units. The legal title and ownership of these units will only be transferred to the customers upon full payment of the contract price. Receivables from sale of club shares are secured by the shares held by the Company. For other receivables, since the Company trades only with recognized third parties, there is no requirement for collateral.

With respect to credit risk arising from the financial assets of the Company, which comprise of cash and cash equivalents, investments held for trading, receivables, finance lease receivables, advances to associates, AFS financial assets, deposits, refundable deposits and construction bonds, and guarantee bonds, the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying value of these financial assets.

The table below shows the Company's aging analysis of financial assets.

	2018						
	Neither Past Due nor Impaired	**Past Due but not Impaired**					
		Less than 30 Days	**31 to 60 Days**	**61 to 90 Days**	**Over 90 Days**	**Impaired**	**Total**
				(In Thousands)			
Cash and cash equivalents*	**₱2,647,184**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱2,647,184**
Financial assets at fair value through profit or loss	**155,705**	**–**	**–**	**–**	**–**	**–**	**155,705**
Receivables:							
Trade	**1,848,272**	**14,476**	**11,431**	**14,765**	**195,116**	**102,637**	**2,186,697**
Others	**282,855**	**–**	**–**	**–**	**–**	**161,877**	**444,732**

(Forward)

	2018						
	Neither Past Due nor Impaired	**Past Due but not Impaired**					
		Less than 30 Days	**31 to 60 Days**	**61 to 90 Days**	**Over 90 Days**	**Impaired**	**Total**
				(In Thousands)			
Advances to associates**	**₱594**	**₱–**	**₱–**	**₱–**	**₱–**	**₱120,336**	**₱120,930**
Financial assets at fair value through other comprehensive income	**4,770,772**	**–**	**–**	**–**	**–**	**–**	**4,770,772**
Deposits***	**10,000**	**–**	**–**	**–**	**–**	**–**	**10,000**
Refundable deposit	**22,315**	**–**	**–**	**–**	**–**	**–**	**22,315**
Guarantee bonds****	**42,000**	**–**	**–**	**–**	**–**	**–**	**42,000**
	₱9,779,697	**₱14,476**	**₱11,431**	**₱14,765**	**₱195,116**	**₱384,850**	**₱10,400,335**

**Excluding cash on hand.*
***Presented under "Investments in and advances to associates" account in the consolidated statement of financial position.*
****Presented under "Other current assets" account in the consolidated statement of financial position.*
*****Presented under "Other noncurrent assets" account in the consolidated statement of financial position.*

	2017						
	Neither Past Due nor Impaired	Past Due but not Impaired					
		Less than 30 Days	31 to 60 Days	61 to 90 Days	Over 90 Days	Impaired	Total
				(In Thousands)			
Cash and cash equivalents*	₱3,705,134	₱–	₱–	₱–	₱–	₱–	₱3,705,134
Investments held for trading	2,279,666	–	–	–	–	–	2,279,666
Receivables:							
Trade	1,902,101	7,783	9,934	4,805	63,160	103,383	2,091,166
Others	108,001	–	–	–	–	172,684	280,685
Finance lease receivable	18,083,181	–	–	–	–	–	18,083,181
Advances to associates**	552	–	–	–	–	120,337	120,889
AFS financial assets	2,475,287	–	–	–	–	–	2,475,287
Deposits***	27,955	–	–	–	–	–	27,955
Refundable deposit	23,074	–	–	–	–	–	23,074
Guarantee bonds****	35,000	–	–	–	–	–	35,000
	₱28,639,951	₱7,783	₱9,934	₱4,805	₱63,160	₱396,404	₱29,122,037

**Excluding cash on hand.*
***Presented under "Investments in and advances to associates" account in the consolidated statement of financial position.*
****Presented under "Other current assets" account in the consolidated statement of financial position.*
*****Presented under "Other noncurrent assets" account in the consolidated statement of financial position.*

Financial assets are considered past due when collections are not received on due date.

Past due accounts which pertain to trade receivables from sale of real estate units and club shares are recoverable since the legal title and ownership of the real estate units and club shares will only be transferred to the customers upon full payment of the contract price.

The table below shows the credit quality of the Company's financial assets that are neither past due nor impaired based on historical experience with the corresponding third parties.

	2018			
	High Grade	**Medium Grade**	**Unrated**	**Total**
		(In Thousands)		
Cash and cash equivalents*	**₱2,647,184**	**₱–**	**₱–**	**₱2,647,184**
Financial assets at fair value through profit or loss	**155,705**	**–**	**–**	**155,705**
Receivables:				
Trade	**1,848,272**	**–**	**–**	**1,848,272**
Others	**282,855**	**–**	**–**	**282,855**
Finance lease receivable	**–**	**–**	**–**	**–**
Advances to associates**	**594**	**–**	**–**	**₱594**
Financial assets at fair value through other comprehensive income	**2,257,121**	**851**	**2,512,800**	**4,770,772**
Deposits***	**–**	**10,000**	**–**	**10,000**
Refundable deposit and construction bonds****	**22,315**	**–**	**–**	**22,315**
Guarantee bonds****	**42,000**	**–**	**–**	**42,000**
	₱7,256,046	**₱10,851**	**₱2,512,800**	**₱9,779,697**

**Excluding cash on hand.*
***Presented under "Investments in and advances to associates" account in the consolidated statement of financial position.*
****Presented under "Other current assets" account in the consolidated statement of financial position.*
*****Presented under "Other noncurrent assets" account in the consolidated statement of financial position.*

	2017			
	High Grade	Medium Grade	Unrated	Total
		(In Thousands)		
Cash and cash equivalents*	₱3,705,134	₱–	₱–	₱3,705,134
Investments held for trading	178,483	–	2,101,183	2,279,666
Receivables:				
Trade	1,902,101	–	–	1,902,101
Others	108,001	–	–	108,001
Finance lease receivable	18,083,181	–	–	18,083,181
Advances to associates**	552	–	–	552
AFS financial assets	2,365,716	851	108,720	2,475,287
Deposits***	–	27,955	–	27,955
Refundable deposit and construction bonds****	23,074	–	–	23,074
Guarantee bonds****	35,000	–	–	35,000
	₱26,401,242	₱28,806	₱2,209,903	₱28,639,951

**Excluding cash on hand.*
***Presented under "Investments in and advances to associates" account in the consolidated statement of financial position.*
****Presented under "Other current asset" account in the consolidated statement of financial position.*
*****Presented under "Other noncurrent assets" account in the consolidated statement of financial position.*

High grade financial assets pertain to receivables from clients or customers who have no history of delayed payment while medium grade includes receivables from clients or customers who have history of delayed payment but is currently updated.

Cash in banks, cash equivalents and short-term investments are deposited with the top ten banks in the Philippines; hence, considered high grade.

Unquoted investments held for trading and AFS financial assets are unrated while quoted AFS financial assets are assessed as high grade based on financial status of the counterparty and its current stock price performance in the market.

Liquidity Risk. Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Company seeks to manage its liquidity profile to be able to finance its capital expenditures and service its maturing debts. The Company's objective is to maintain a balance between continuity of funding and flexibility through valuation of projected and actual cash flow information. The Company considers obtaining borrowings as the need arises.

The following table summarizes the maturity profile of the Company's financial assets and financial liabilities as at December 31, 2018 and 2017 based on contractual undiscounted cash flows. The table also analyzes the maturity profile of the Company's financial assets in order to provide a complete view of the Company's contractual commitments and liquidity.

	2018					
	On Demand	**< 6 Months**	**6 Months to 1 Year**	**1–3 Years**	**> 3 Years**	**Total**
			(In Thousands)			
Financial Assets						
Cash and cash equivalents	**₱2,653,717**	**₱–**	**₱–**	**₱–**	**₱–**	**₱2,653,717**
Financial assets at fair value through profit or loss	**155,705**					**155,705**
Receivables	**428,038**	**1,145,658**	**–**	**–**	**–**	**1,573,696**
Contract asset	**–**	**196,619**	**220,545**	**352,849**	**287,720**	**1,057,733**
Advances to associates*	**120,932**	**–**	**–**	**–**	**–**	**120,932**
Financial assets at fair value through other comprehensive income	**–**	**–**	**–**	**–**	**4,770,772**	**4,770,772**
Deposits**	**–**	**–**	**10,000**	**–**	**–**	**10,000**
Refundable deposit and construction bonds	**–**	**–**	**–**	**–**	**22,315**	**22,315**
Guarantee bonds***	**–**	**–**	**–**	**42,000**	**–**	**42,000**
	₱3,358,392	**₱1,342,277**	**₱230,545**	**₱394,849**	**₱5,080,807**	**₱10,406,870**

	2018					
	On Demand	**< 6 Months**	**6 Months to 1 Year**	**1–3 Years**	**> 3 Years**	**Total**
			(In Thousands)			
Financial Liabilities						
Loans payable****	**₱–**	**₱1,507,392**	**₱–**	**₱–**	**₱–**	**₱1,507,392**
Trade and other current liabilities*****	**775,619**	**1,230,190**	**–**	**–**	**–**	**2,005,809**
Refundable deposit	**–**	**–**	**–**	**–**	**153,422**	**153,422**
Long-term debt****	**–**	**751,554**	**1,619,842**	**1,400,856**	**2,992,295**	**6,764,547**
Obligations under finance lease****	**–**	**4,636**	**9,690**	**21,048**	**–**	**35,374**
	₱775,619	**₱3,493,772**	**₱1,629,532**	**₱1,421,904**	**₱3,145,717**	**₱10,466,544**

**Presented under "Investments in and advances to associates" account in the consolidated statement of financial position.*
***Presented under "Other current assets" account and "Other noncurrent assets" account in the consolidated statement of financial position.*
****Presented under "Other noncurrent assets" account in the consolidated statement of financial position.*
*****Including future interest payments.*
******Excluding contract liabilities, statutory payables, installment payable and other liabilities to the government.*

	2017					
	On Demand	< 6 Months	6 Months to 1 Year	1–3 Years	> 3 Years	Total
			(In Thousands)			
Financial Assets						
Cash and cash equivalents	₱3,711,248	₱–	₱–	₱–	₱–	₱3,711,248
Investments held for trading	2,279,666	–	–	–	–	2,279,666
Receivables	361,749	1,347,827	193,153	362,957	106,165	2,371,851
Finance lease receivable****	–	888,037	856,231	3,679,424	22,206,991	27,630,683
Advances to associates*	120,889	–	–	–	–	120,889
AFS financial assets	–	–	–	–	2,475,287	2,475,287
Deposits**	–	–	27,995	–	–	27,955
Refundable deposit and construction bonds	–	–	–	–	23,074	23,074
Guarantee bonds***	–	–	–	35,000	–	35,000
	₱6,473,552	₱2,235,864	₱1,077,379	₱4,077,381	₱24,811,517	₱38,675,653
Financial Liabilities						
Loans payable****	₱–	₱2,520,448	₱–	₱–	₱–	₱2,520,448
Trade and other current liabilities*****	1,756,625	–	–	–	–	1,756,625
Installment payable	–	1,340	1,341	2,763		5,444
Refundable deposit	–	–	–	–	115,979	115,979
Long-term debt****	–	844,292	513,576	3,375,927	2,305,763	7,039,558
Obligations under finance lease****	–	23,501	21,480	38,944	–	83,925
	₱1,756,625	₱3,389,581	₱536,397	₱3,417,634	₱2,421,742	₱11,521,979

**Presented under "Investments in and advances to associates" account in the consolidated statement of financial position.*
***Presented under "Other current assets" account and "Other noncurrent assets" account in the consolidated statement of financial position.*
****Presented under "Other noncurrent assets" account in the consolidated statement of financial position.*
*****Including future interest payments.*
******Excluding customers' deposits, statutory payables, installment payable and other liabilities to the government.*

The Company expects to settle its maturing obligations on long-term debt from its gaming revenues from casino operations, rental income on land and casino building (see Note 39) and expected profits from real estate development operations.

Capital Management

The primary objective of the Company's capital management is to safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. There were no changes made in the objectives, policies or processes in 2018 and 2017.

The Company considers the following as its capital:

	2018	2017
	(In Thousands)	
Common stock	**₱10,561,000**	₱10,561,000
Additional paid-in capital	**5,503,731**	5,503,731
Treasury shares	**(2,476,700)**	(181,185)
Equity share in cost of Parent Company shares held by associates	**(2,501)**	(2,501)
Cost of Parent Company common shares held by subsidiaries	**(1,695,369)**	(1,585,336)
Retained earnings	**10,221,830**	8,194,187
	₱22,111,991	₱22,489,896

Fair Value of Financial Assets and Financial Liabilities
Set out below is a comparison by category and by class of carrying values and fair values of all the Company's financial assets and financial liabilities:

	2018					
	Valuation Date	**Carrying Value**	**Fair Value**	**Quoted (Unadjusted) Prices in Active Markets (Level 1)**	**Significant Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
			(In Thousands)			
Assets						
Assets measured at fair value:						
Through profit or loss	**December 31, 2018**	**₱155,705**	**₱155,705**	**₱155,705**	**₱–**	**₱–**
Through other comprehensive income (quoted)	**December 31, 2018**	**4,769,920**	**4,769,920**	**2,257,120**	**2,512,800**	**–**
Assets for which fair value is disclosed:						
Nonfinancial assets*	**December 31, 2018**	**20,094,843**	**49,969,737**	**–**	**–**	**49,969,737**
Liabilities						
Liabilities for which fair value is disclosed:						
Refundable deposit	**December 31, 2018**					
Long-term debt	**December 31, 2018**	**6,002,431**	**5,868,184**	**–**	**–**	**5,868,184**
Obligations under finance lease	**December 31, 2018**	**35,374**	**35,374**	**–**	**–**	**35,374**

**Consist of investment properties*

	Valuation Date	Carrying Value	Fair Value	Quoted (Unadjusted) Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	2017					
			(In Thousands)			
Assets						
Assets measured at fair value:						
Investments held for trading	December 31, 2017	₱2,279,666	₱2,279,666	₱178,483	₱2,101,183	₱–
AFS financial assets (quoted)	December 31, 2017	2,474,448	2,474,448	2,365,728	108,720	–
Assets for which fair value is disclosed:						
Loans and receivables:						
Receivables -						
Finance lease receivable	December 31, 2017	18,083,181	27,630,682	–	–	27,630,682
Nonfinancial assets*	December 31, 2017	1,869,025	14,876,432	–	–	14,876,432
Liabilities						
Liabilities for which fair value is disclosed:						
Refundable deposit	December 31, 2017	115,979	99,276	–	–	99,276
Long-term debt	December 31, 2017	6,259,375	6,469,243	–	–	6,469,243
Obligations under finance lease	December 31, 2017	74,863	84,285	–	–	84,285

**Consist of investment properties*

The Company has no financial liabilities measured at fair value as at December 31, 2018 and 2017. There were no transfers between fair value measurements in 2018 and 2017.

The following methods and assumptions are used to estimate the fair value of each class of financial assets and financial liabilities:

Cash and Cash Equivalents, Advances to Associates, Receivables (except receivables from real estate), Loans Payable, Trade and Other Current Liabilities and Installment Payable. The carrying values of these financial instruments approximate their fair values due to the relatively short-term maturities of these financial assets and financial liabilities.

Receivable from Real Estate Sales. The fair value of trade receivables from real estate sales is determined by discounting the estimated cash flows using prevailing interest rates as at reporting dates. The discount rates used ranged from 3.29% to 19.75% and 6.4 % to 8.9% in 2018 and 2017, respectively.

Finance Lease Receivables. The fair value of finance lease receivable is determined by discounting the estimated cash flows using prevailing discount rates in 2018 and 2017.

Investments Held for Trading and AFS Financial Assets. The fair values of investments held for trading and AFS financial assets in quoted equity shares are based on quoted prices in the PSE or those shares whose prices are readily available from brokers or other regulatory agency as at reporting date. There are no quoted market prices for the unlisted shares and there are no other reliable sources of their fair values, therefore, these are carried at cost, net of any impairment loss.

Long-term Debt. The fair value long-term loans payable is determined by discounting the obligations' expected future cash flows using the discount rate of 6.53% to 7.06% in 2018 and 3.7% to 5.1% in 2017.

Obligations under Finance Lease. The estimated fair value of obligations under finance lease was calculated using the discounted cash flow methodology, using Bloomberg Valuation service (BVAL) rates ranging from 6.7% to 6.9% in 2018 and PDST 2 rates ranging from 2.4% to 4.3% in 2017, respectively.

44. Supplemental Disclosure of Cash Flow Information

Changes in Liabilities Arising from Financing Activities

	2018					
	January 1, 2018	**Additions**	**Cash flows**	**Interest expense**	**Reclassification from short term to long-term**	**December 31, 2018**
			(In Thousands)			
Dividends payable	**₱–**	**₱1,618,343**	**(₱1,618,343)**	**₱–**	**₱–**	**₱–**
Obligations under finance lease	**74,863**	–	**(45,676)**	**6,187**	–	**35,374**
Loans payable	**2,500,017**	–	**(1,000,000)**	–	–	**1,500,017**
Long-term debt	**6,259,375**	–	**(256,945)**	–	–	**6,002,430**
Total liabilities arising from financing activities	**₱8,834,255**	**₱1,618,343**	**(₱2,920,964)**	**₱6,187**	**₱–**	**₱7,537,821**

	2017					
	January 1, 2017	Additions	Cash flows	Interest expense	Reclassification from short term to long-term	December 31, 2017
			(In Thousands)			
Dividends payable	₱–	₱1,309,630	(₱1,309,630)	₱	₱–	₱–
Obligations under finance lease	119,342	6,439	(61,777)	10,859	–	74,863
Loans payable	2,000,017		1,500,000	–	(1,000,000)	2,500,017
Long-term debt	4,621,875		637,500	–	1,000,000	6,259,375
Nontrade liability	3,762,000		(3,762,000)	–	–	-
Total liabilities arising from financing activities	₱10,503,234	₱1,316,069	(₱2,995,907)	₱10,859	₱–	₱8,834,255

Interest expense for 2018 and 2017 pertains to accretion of obligations under finance lease.

Noncash Activities

The following are the noncash activities in 2018 and 2017:

a. Additions to property and equipment amounting to nil and ₱6.4 million from lease of lottery equipment accounted for as finance lease in 2018 and 2017, respectively.
b. Net assets from the acquisition of LCC subsidiaries in 2017 (see Note 18).

45. Events After Reporting Period

On February 28, 2019, the Parent Company's BOD approved the declaration of cash dividends of Twelve Centavos (₱0.12) per share, totaling ₱1,267.3 million. The record date to determine the shareholders entitled to receive the cash dividends was set to March 14, 2019 with the payment set on March 28, 2019.

SGV
Building a better working world

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BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULES

The Board of Directors and Stockholders
Belle Corporation
5th Floor, Tower A
Two E-Com Center, Palm Coast Avenue
Mall of Asia Complex, CBP-1A, Pasay City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Belle Corporation and subsidiaries as at December 31, 2018 and 2017 and for each of the three years in the period ended December 31, 2018, and have issued our report thereon dated February 28, 2019. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with Securities Regulation Code Rule 68, As Amended (2011) and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic 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 financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Belinda T. Beng Hui
Partner
CPA Certificate No. 88823
SEC Accreditation No. 0923-AR-2 (Group A),
May 1, 2016, valid until May 1, 2019
Tax Identification No. 153-978-243
BIR Accreditation No. 08-001998-78-2018,
March 14, 2018, valid until March 13, 2021
PTR No. 7332528, January 3, 2019, Makati City

February 28, 2019

BELLE CORPORATION AND SUBSIDIARIES
Index to the Consolidated Financial Statements and Supplementary Schedules
December 31, 2018

BELLE CORPORATION AND SUBSIDIARIES

SCHEDULE OF ALL THE EFFECTIVE STANDARDS AND INTERPRETATIONS

DECEMBER 31, 2018

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS **Effective as of December 31, 2018**		**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	✓		
	Amendment to PFRS 1: Meaning of Effective PFRSs			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
	Amendment to PFRS 2: Definition of Vesting Condition			✓
	Amendments to PFRS 2: Share-based Payment, Classification and Measurement of Share-based Payment Transactions			✓
PFRS 3 (Revised)	Business Combinations	✓		
	Amendment to PFRS 3: Accounting for Contingent Consideration in a Business Combination			✓
	Amendment to PFRS 3: Scope Exceptions for Joint Arrangements			✓
	Amendment to PFRS 3: Previously Held Interest in a Joint Arrangements*	Not Early Adopted		
	Amendments to PFRS 3, Definition of a Business*	Not Early Adopted		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PFRS 4: Applying PFRS 9 with PFRS 4			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
	Amendments to PFRS 5: Changes in Methods of Disposals			✓
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: Disclosures - 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	✓		
	Amendments to PFRS 9: Prepayment Features with Negative Compensation*	Not Early Adopted		
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities			✓
	Amendments to PFRS 10, PFRS 12 and PAS 28: Applying the Consolidation Exception			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		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 10, PFRS 12 and PAS 27: Investment Entities			✓
	Amendment to PFRS 12: Clarification of the Scope of the Standard			✓
	Amendments to PFRS 10, PFRS 12 and PAS 28: Applying the Consolidation Exception			✓
PFRS 13	Fair Value Measurement	✓		
	Amendment to PFRS 13: Short-term Receivables and Payables	✓		
	Amendment to PFRS 13: Portfolio Exception	✓		
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers	✓		
PFRS 16	Leases*	Not Early Adopted		
PFRS 17	Insurance Contracts*	Not Early Adopted		
Philippine Accounting Standards				
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 information	✓		
	Amendments to PAS 1: Disclosure Initiative	✓		
	Amendments to PAS 1, Presentation of Financial Statements*	Not Early Adopted		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
	Amendments to PAS 7: Disclosure Initiatives	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
	Amendments PAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*	Not Early Adopted		
PAS 10	Events after the Reporting Period	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
PAS 11	Construction Contracts	✓		
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
	Amendments to PAS 12: Recognition of Deferred Tax Assets for Unrealized Losses	✓		
	Amendments to PAS 12, Income Tax Consequences of Payments on Financial Instruments Classified as Equity*	Not Early Adopted		
PAS 16	Property, Plant and Equipment	✓		
	Amendments to PAS 16: Classification of servicing equipment	✓		
	Amendments to PAS 16 and PAS 38: Revaluation Method - Proportionate Restatement of Accumulated Depreciation and Amortization			✓
	Amendment to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization	✓		
	Amendment to PAS 16 and PAS 41: Bearer Plants			✓
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Amended)	Employee Benefits	✓		
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures	✓		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contribution			✓
	Amendments to PAS 19: Regional Market Issue Regarding Discount Rate	✓		
	Amendments to PAS 19: Plan Amendment, Curtailment or Settlement*	Not Early Adopted		
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	✓		
	Amendments to PAS 23, Borrowing Costs, Borrowing Costs Eligible for Capitalization*	Not Early Adopted		
PAS 24 (Revised)	Related Party Disclosures	✓		
	Amendments to PAS 24: Key Management Personnel	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27	Separate Financial Statements	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
(Amended)	Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities			✓
	Amendments to PAS 27: Equity Method in Separate Financial Statements			✓
PAS 28 (Amended)	Investments in Associates and Joint Ventures	✓		
	Amendments to PFRS 10, PFRS 12 and PAS 28: Applying the Consolidation Exception			✓
	Amendments to PAS 28, Measuring an Associate or Joint Venture at Fair Value			✓
	Amendments to PAS 28: Long-term Interests in Associates and Joint Ventures*	Not Early Adopted		
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 32: Tax effect of distribution to holders of equity instruments	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
	Amendments to PAS 34: Interim Financial Reporting and Segment Information for Total Assets and Liabilities	✓		
	Amendments 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 16 and PAS 38: Revaluation Method - Proportionate Restatement of Accumulated Depreciation and Amortization			✓
	Amendment to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
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			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
	Amendments to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✓
PAS 40	Investment Property	✓		
	Amendments to PAS 40: Clarifying the Interrelationship between PFRS 3 and PAS 40 when Classifying Property as Investment Property or Owner-Occupied Property	✓		
	Amendments to PAS 40: Transfers of Investment Property			
PAS 41	Agriculture			✓
	Amendment to PAS 16 and PAS 41: Bearer Plants			✓
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 8	Scope of PFRS 2			✓

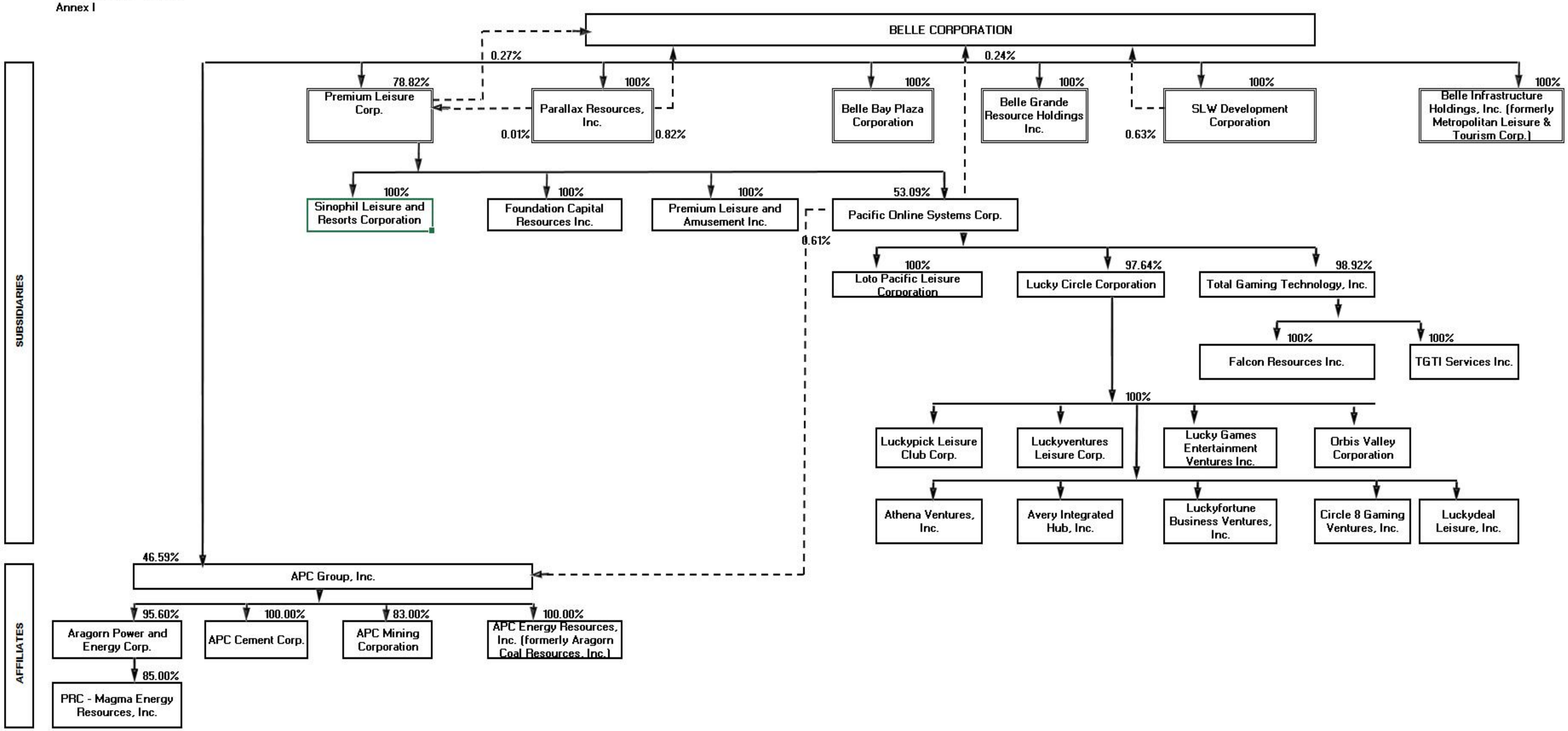
PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC 9 and PAS 39: Embedded Derivatives			✓
IFRIC 10	Interim Financial Reporting and Impairment	✓		
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 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies	✓		✓
IFRIC 22	Foreign Currency Transactions and Advance Consideration			✓
IFRIC 23	Uncertainty over Income Tax Treatment*	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	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
SIC-29	Service Concession Arrangements: Disclosures			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

** Standards and interpretations which will become effective subsequent to December 31, 2018.*

Note: Standards and interpretations tagged as "Not Applicable" are those standards and interpretations which were adopted but the entity has no significant covered transaction as at and for the year ended December 31, 2018.

Belle Corporation
Conglomerate Map
As of December 31, 2018
Annex I



BELLE CORPORATION AND SUBSIDIARIES
Supplementary Schedules Required by Paragraph 6D, Part II
Under SRC Rule 68, As Amended (2011)
December 31, 2018

Schedule A. Financial Assets

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet	Value based on market quotations at balance sheet date	Interest received and accrued
		(In Thousands)		
Loans and receivables				
Cash and cash equivalents	₱2,653,717	₱2,653,717	N/A	₱45,695
Trade receivables	1,200,346	1,200,346	N/A	–
Accrued interest	2,406	2,406	N/A	–
Advances to third parties and others	198,166	198,166	N/A	–
Advances to associates	594	594	N/A	–
Refundable deposits, guarantee bonds and construction bonds	74,315	74,315	N/A	–
Finance lease receivable	–	–	N/A	–
	4,129,544	4,129,544		₱45,695
Financial assets at fair value through profit or loss				
APC Group, Inc.	48,821,000	18,557	18,557	–
Leisure & Resorts World Corporation	10,724,792	34,963	34,963	–
Vantage Equities, Inc.	43,376,750	51,185	51,185	–
LRWC Preferred Shares	50,000,000	51,000	51,000	
		155,705	155,705	–
Financial assets at fair value through other comprehensive income				
SM Prime Holdings, Inc.	61,795,413	2,212,276	2,212,276	–
Spa and Lodge at Tagaytay Highlands, Inc.	193	106,150	106,150	–
SM Investments Corporation	48,878	44,845	44,845	–
Tagaytay Highlands International Golf Club, Inc.	1,316	918,400	918,400	–
The Country Club at Tagaytay Highlands, Inc.	2,278	337,811	337,811	–
Tagaytay Midlands International Golf Club, Inc.	1,763	1,150,439	1,150,439	–
Asian Petroleum	1	11	11	–
Costa De Hamilo	1	757	N/A	–
PLDT	1,605	83	N/A	–
		4,770,772	4,769,932	
		₱28,731,747	₱4,754,114	₱29,577

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

Name and Designation of debtor	Balance of Beginning of Period	Additions	Amounts collected	Amounts Written off	Current	Not Current	Balance at end of period
				(In Thousands)			
Principal stockholder	₱2	₱–	(₱2)	₱–	₱–	₱–	₱–
Employees	3,701	18,170	(19,922)	–	1,949	–	1,949
Officers	221	1	(218)	–	4	–	4
	₱3,924	₱18,171	(₱20,142)	₱–	₱1,953	₱–	₱1,953

Schedule C. Amounts Receivable from Related Parties which are eliminated during the Consolidation of Financial statements

Name and Designation of debtor	Balance of Beginning of Period	Additions	Amounts collected	Allowance for Doubtful Accounts	Current	Not Current	Balance at end of period
				(In Thousands)			
Belle Bay Plaza Corporation	₱1,624,584	₱11	₱–	(₱1,624,558)	₱37	₱–	₱37
Metropolitan Leisure and Tourism Corp.	14	251,544	–	–	251,558	–	251,558
Belle Grande Resource Holdings, Inc.	459,350	–	(348,355)	–	110,995	–	110,995
Premium Leisure Corporation	6,553	14,331	(2,453)	–	18,431	–	18,431
SLW Development Corp.	23,143	1,281	–	–	24,424	–	24,424
Parallax Resources, Inc.	643	2	–	–	645	–	645
Belle Corporation	2,093,268	2,100,000	(55,343)	–	4,137,925	–	4,137,925
	₱4,207,555	₱2,367,169	₱(406,151)	₱(1,624,558)	₱4,544,015	₱–	₱4,544,015

Schedule D. Intangible assets - other assets

Description	Beginning balance	Additions at cost	Charged to cost and expenses	Charged to other accounts	Other Charges additions (deductions)	Ending balance
			(In Thousands)			
License	₱4,696,873	₱–	(₱115,834)	₱–	₱–	₱ 4,581,039
Advisory Services	304,464	–	(304,464)	–	–	–
Goodwill	1,832,261	–	(110,934)	–	–	1,721,327
	6,833,598	₱–	(₱531,232)	₱–	₱–	₱6,302,366

Schedule E. Long-term debt

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"	Amount and Numbers of Periodic Payments		Maturity Date
				Amount	Periodic Payments	
	(In Thousands)					
Maybank	₱1,500,000	₱307,986	₱277,778	₱93,403	18 quarterly installments	June 23, 2022
Rizal Commercial Banking Corporation	1,500,000	1,200,000	–	100,000	3 annual installments and the remaining amount on due date	July 09, 2019
United Coconut Planters Bank	1,000,000	333,333	83,333	83,333	12 quarterly installments	February 21, 2020
Eastwest Bank	1,500,000	250,000	750,000	250,000	3 annual installments and the remaining amount on the due date	January 30, 2020
Robinsons	2,000,000	–	2,000,000	2,000,000	Balloon payment on maturity date	March 27, 2022
BDO Unibank Inc.	800,000	–	800,000	8,000	1% end of 5th year 1% end of 6th year 8% end of 7th year	September 12, 2025
	₱8,300,000	**₱2,091,319**	**₱3,911,111**			

Schedule F. Indebtedness to Related Parties

Name of Related Parties	Balance of Beginning of Period	Additions	Amounts Paid	Current	Not Current	Balance at end of period
None	–	–	–	–	–	–

Schedule G. Guarantees of Securities of Other Issuers

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by person for which statement is filed	Nature of Guarantee
None	–	–	–	–

Schedule H. Capital Stock

Title of Issue	Number of Shares authorized	Number of shares issued and outstanding as shown under statement of financial position	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Directors, officers and employees	Others
Common stock	14,000,000,000	9,763,126,297	–	5,084,456,184	206,827,046	4,471,843,067
Percentage held	–	–	–	52.08%	2.12%	45.80%
Preferred stock	6,000,000,000	–	–	–	–	–
Percentage held	–	–	–	–	–	–

Schedule I. Reconciliation of Retained Earnings Available for Dividend Declaration

	(In Thousands)	
Unappropriated Retained Earnings, as at December 31, 2017		₱10,989,424
Add (less): Accretion of finance lease receivable – net of tax		
Difference of finance lease receivables and cost of building, net of tax	(₱4,901,249)	
Gain on share swap	(946,628)	
Accretion of security deposit	(8,123)	
Deferred tax adjustment, beginning	(160,061)	
Accrued rental (PAS 17 adjustments), net of tax	(220,571)	(6,236,632)
Unappropriated retained earnings, as adjusted to available for dividend distribution as at January 1, 2018		4,752,792
Reclassification of marked-to-market loss from retained earnings to other reserves		547,998
Reclassification of impairment loss from retained earnings to other reserves		7,731
Unappropriated retained earnings available for dividend distribution as at January 1, 2018, as restated		5,308,521
Net income during the period closed to retained earnings	2,074,092	
Less: Accretion of finance lease receivable	(568,537)	
Difference in depreciation on MLP and cost of building	40,035	
Accrued rental (PAS 17 adjustments), net of tax	(136,097)	
Accretion of security deposit	(1,949)	
Movement in deferred tax assets	14,774	1,422,318
		6,730,839
Dividend declaration during the period		(1,259,842)
Treasury shares		(2,476,700)
Realized gain on club shares transferred to retained earnings		29,901
Unappropriated retained earnings as adjusted to available for dividend declaration, at end of year		₱3,024,198

Schedule J. Key Financial Ratios

Ratios	Formula	2018	2017
Asset-to-Equity Ratio	Total assets / Total stockholders' equity	**1.42 : 1.00**	1.44 : 1.00
Current Ratio	Current assets / Current liabilities	**1.71 : 1.00**	2.56 : 1.00
Debt-to-Equity Ratio	Total interest-bearing debt / Total stockholders' equity	**0.25 : 1.00**	0.29 : 1.00
Net Debt-to-Equity Ratio	Total interest-bearing debt less cash and cash equivalents / Total stockholders' equity	**0.16 : 1.00**	0.17 : 1.00
Interest Rate Coverage Ratio	Earnings before interest and taxes / Interest expense	**9.08 : 1.00**	9.49 : 1.00
Return on Asset	Net income / Average total assets	**7.5%**	8.2%
Return on Equity	Net income / Average total stockholders' equity	**10.7%**	12.1%

REPUBLIC OF THE PHILIPPINES)
) S.S.
MAKATI CITY

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **CESAR E.A. VIRATA**, Filipino, of legal age, after having been duly sworn to in accordance with law hereby declare that:

1. I am a nominee for independent director of **Belle Corporation (BEL)** and have been its independent director since May 1996.

2. I am affiliated with the following company/ies or organization/s:

COMPANY / ORGANIZATION	POSITION / RELATIONSHIP	PERIOD OF SERVICE
Rizal Commercial Banking Corp.	Vice Chairman, Non-Exec. Director	1999-Present
Lopez Holdings Corp.	Independent Director	2009-Present
City and Land Developers, Inc.	Independent Director	2009-Present
Business World Publishing Corp.	Independent Director	2012-Present
Cavitex Holdings Corporation	Non-Executive Director	2016-Present
The World Trade Center Mgt. Corp.	Non-Executive Director	1995-Present
Micah Quality Property Dev't Corp.	Non-Executive Director	2017-Present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of BEL, 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 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. 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.

7. I shall inform the Corporate Secretary of BEL of any changes in the abovementioned information within five days from its occurrence.

IN WITNESS WHEREOF, I have hereunto set my hand on this FEB 27 2019 at MAKATI CITY, Metro Manila.

CESAR E.A. VIRATA

SUBSCRIBED AND SWORN TO before me this MAKATI CITY, at MAKATI CITY, affiant exhibiting to me his Tax Identification No. ______________

ATTY. ARTHUR A. SY
Notary Public
NOTARY PUBLIC
UNTIL DECEMBER 31, 2019
PTR NO. 7347749 / 01.11.19 / MAKATI CITY
IBP NO. 548832 / 01.07.02 / PPLM
TIN 174-674-196 ROLL NO. 40024
MCLE NO. V 0011465 / 11.02.15

Doc. No. 755;
Page No. 74;
Book No. XX;
Series of 2019.

REPUBLIC OF THE PHILIPPINES)
MAKATI CITY) S.S.

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **GREGORIO U. KILAYKO**, Filipino, of legal age and a resident of 119 San Enrique St., Ayala Alabang Village, Muntinlupa City, after having been duly sworn to in accordance with law hereby declare that:

1. I am a nominee for independent director of **Belle Corporation (BELLE)** and have been its independent director since 2003.

2. I am affiliated with the following company/ies or organization/s:

Company/Organization	Position/Relationship	Period of Service
SM Prime Holdings, Inc.	Independent Director	2008 to Present
Philequity Fund, Inc.	Independent Director	2014 to Present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of Belle, 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. Directors of SM Prime, including myself, are involved in the following legal proceeding solely by virtue of and in connection with our directorship in SM Prime:

OFFENSE CHARGED/ INVESTIGATED	TRIBUNAL OR AGENCY INVOLVED	STATUS
Other Deceits under Art. 318 of Revised Penal Code	Department of Justice	The City Government of Cebu filed a complaint against directors and officers of SM Prime in their official capacities for alleged non-declaration of machineries of SM Seaside City Cebu in connection with its real property tax assessment. The Complaint was dismissed due to insufficiency of evidence. The Cebu City Government filed a *Motion for Reconsideration* which was denied by the investigating prosecutor assigned by Department of Justice–Manila (**DOJ**).

		The Cebu City Government then filed a *Petition for Review* with the Regional Prosecution Office, Cebu City (**RPO**). The respondents filed their respective Comments to the Petition. The Petition for Review and the Comments have been elevated by the RPO to DOJ. On 9 November 2018, the DOJ indorsed the case back to RPO. On 23 November 2018, the RPO inhibited from the case and returned the case to DOJ. The matter is currently pending with the DOJ.

6. 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.

7. I shall inform the Corporate Secretary of Belle of any changes in the abovementioned information within five days from its occurrence.

IN WITNESS WHEREOF, I have hereunto set my hand on this FEB 27 2019 at MAKATI CITY, Metro Manila.

Gregorio U. Kilayko

MAKATI CITY **SUBSCRIBED AND SWORN TO** before me this FEB 27 2019, at __________, affiant exhibiting to me his Tax Identification No.

ATTY. ARTHUR A. SY
NOTARY PUBLIC
Notary Public
UNTIL DECEMBER 31, 2019
PTR NO. 7347749 / 01.11.19 / MAKATI CITY
IBP NO. 548832 / 01.07.02 / PPLM
TIN 174-674-196 ROLL NO. 40024
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Doc. No. 369;
Page No. 74;
Book No. XX;
Series of 2019.

REPUBLIC OF THE PHILIPPINES)

MAKATI CITY) S.S.

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **AMANDO M. TETANGCO, JR.,** Filipino, of legal age, after having been duly sworn to in accordance with law hereby declare that:

1. I am a nominee for independent director of **Belle Corporation (BEL)** and have been its independent director since December 2017.

2. I am affiliated with the following company/ies or organization/s:

COMPANY/ ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE
St. Luke's Medical Center	Trustee	August 2017-Present
Philippine Airlines	Independent Director	October 2017-Present
Tan Yan Kee Foundation	Trustee	December 2017-Present
Manila Hotel	Independent Director	August 2018-Present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of BEL, 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 disclose that I am the subject of the following criminal/administrative investigation or proceeding (as the case may be):[1]

OFFENSE CHARGED/ INVESTIGATED	TRIBUNAL OR AGENCY INVOLVED	STATUS
See Note 1 below		

6. 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.

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[1] A criminal and administrative case (OMB-C-C-13-0092) against me with the Ombudsman was dismissed on 13 May 2015, the dismissal was elevated to the Court of Appeals (CA-G.R. SP No. 144038), which sustained the dismissal on 15 May 2017. The Court of Appeals' resolution was assailed with the Supreme Court (G.R. 234696) upon the filing of a Petition for Review dated 29 November 2017. As of the date of signing of this Certification, I have not received information that the Supreme Court has given due course to the said petition.

7. I shall inform the Corporate Secretary of BEL of any changes in the abovementioned information within five days from its occurrence.

IN WITNESS WHEREOF, I have hereunto set my hand on this FEB 27 2019 at MAKATI CITY, Metro Manila.

AMANDO M. TETANGCO, JR.

SUBSCRIBED AND SWORN TO before me this FEB 27 2019, at MAKATI CITY, affiant exhibiting to me his Tax Identification No.

ATTY. ARTHUR A. SY
NOTARY PUBLIC
UNTIL DECEMBER 31, 2019
Notary Public
PTR NO. 7347749 / 01.11.19 / MAKATI CITY
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