

# SECURITIES AND EXCHANGE COMMISSION

## SEC FORM 17-A, AS AMENDED

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

1. For the fiscal year ended  
Dec 31, 2015
2. SEC Identification Number  
52412
3. BIR Tax Identification No.  
000-156-011
4. Exact name of issuer as specified in its charter  
BELLE CORPORATION
5. Province, country or other jurisdiction of incorporation or organization  
Metro Manila Philippines
6. Industry Classification Code(SEC Use Only)
7. Address of principal office  
5/F Tower A, Two ECom Center, Palm Coast Avenue, MOA Complex, Pasay City  
Postal Code  
1300
8. Issuer's telephone number, including area code  
02-6628888
9. Former name or former address, and former fiscal year, if changed since last report  
n/a
10. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Stock, Php 1.00 par value	10,499,179,857

11. Are any or all of registrant's securities listed on a Stock Exchange?  
Yes          No  
If yes, state the name of such stock exchange and the classes of securities listed therein:  
Philippine Stock Exchange, Inc. / Common shares
12. Check whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports)

Yes              No

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

Yes              No

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

P20.6 Billion

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

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

Yes              No

**DOCUMENTS INCORPORATED BY REFERENCE**

15. If any of the following documents are incorporated by reference, briefly describe them and identify the part of SEC Form 17-A into which the document is incorporated:

(a) Any annual report to security holders

n/a

(b) Any information statement filed pursuant to SRC Rule 20

n/a

(c) Any prospectus filed pursuant to SRC Rule 8.1

n/a

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



## Belle Corporation BEL

### PSE Disclosure Form 17-1 - Annual Report *References: SRC Rule 17 and Sections 17.2 and 17.8 of the Revised Disclosure Rules*

For the fiscal year ended	Dec 31, 2015
Currency (indicate units, if applicable)	Php in Thousands

#### Balance Sheet

	Year Ending	Previous Year Ending
	Dec 31, 2015	Dec 31, 2014
Current Assets	12,978,356	14,616,891
Total Assets	43,692,165	41,391,086
Current Liabilities	6,886,015	7,354,303
Total Liabilities	17,619,039	13,960,205
Retained Earnings/(Deficit)	4,903,882	6,530,078
Stockholders' Equity	26,073,126	27,430,881
Stockholders' Equity - Parent	22,940,596	24,597,618
Book Value per Share	2.48	2.6

#### Income Statement

	Year Ending	Previous Year Ending
	Dec 31, 2015	Dec 31, 2014
Operating Revenue	5,195,482	3,163,792
Other Revenue	142,336	2,260,397
Gross Revenue	5,337,818	5,424,189
Operating Expense	2,318,313	1,281,514
Other Expense	925,661	1,452,532

Gross Expense	3,243,974	2,734,046
Net Income/(Loss) Before Tax	2,093,844	2,690,143
Income Tax Expense	669,334	133,469
Net Income/(Loss) After Tax	1,424,510	2,556,674
Net Income/(Loss) Attributable to Parent Equity Holder	1,186,460	2,202,253
Earnings/(Loss) Per Share (Basic)	0.11	0.21
Earnings/(Loss) Per Share (Diluted)	0.11	0.21

#### Financial Ratios

	Formula	Fiscal Year Ended	Previous Fiscal Year
		Dec 31, 2015	Dec 31, 2014
Liquidity Analysis Ratios:			
Current Ratio or Working Capital Ratio	Current Assets / Current Liabilities	1.88	1.99
Quick Ratio	(Current Assets - Inventory - Prepayments) / Current Liabilities	0.52	0.6
Solvency Ratio	Total Assets / Total Liabilities	0.4	0.33
Financial Leverage Ratios			
Debt Ratio	Total Debt/Total Assets	0.14	0.11
Debt-to-Equity Ratio	Total Debt/Total Stockholders' Equity	0.23	0.17
Interest Coverage	Earnings Before Interest and Taxes (EBIT) / Interest Charges	7.64	10.7
Asset to Equity Ratio	Total Assets / Total Stockholders' Equity	1.68	1.51
Profitability Ratios			
Gross Profit Margin	Sales - Cost of Goods Sold or Cost of Service / Sales	0.55	0.59
Net Profit Margin	Net Profit / Sales	0.27	0.8
Return on Assets	Net Income / Total Assets	0.03	0.07
Return on Equity	Net Income / Total Stockholders' Equity	0.05	0.1
Price/Earnings Ratio	Price Per Share / Earnings Per Common Share	25	22.6

#### Other Relevant Information

n/a

#### Filed on behalf by:

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



103152016000874

**SECURITIES AND EXCHANGE COMMISSION**

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Company Information

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**SECURITIES AND EXCHANGE COMMISSION**

**SEC FORM 17-A**

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

1. For the fiscal year ended **December 31, 2015**
2. SEC Identification Number: **52412**
3. BIR Tax Identification No. **000-156-011**
4. Exact name of registrant as specified in its charter: **BELLE CORPORATION**
5. **Metro Manila, Philippines**  
Province, Country or other jurisdiction of  
incorporation or organization
6. \_\_\_\_\_ (SEC Use Only)  
Industry Classification Code
7. **5<sup>th</sup> Floor, Tower A, Two E-Com Center, Palm Coast Avenue, Mall of Asia Complex, CBP 1-A, Pasay City**  
Address of principal office  
  
**1300**  
Postal Code
8. **662 - 8888**  
Registrant's telephone number, including area code
9. **28/F, East Tower, Philippine Stock Exchange Centre, Exchange Road, Ortigas Center, Pasig City**  
Former address
10. Securities registered pursuant to Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Outstanding
<b>Common Stock, P 1.00 par value</b>	<b>10,518,853,857</b>
	Amount of Debt Outstanding
	<b>Php 6.0 Billion</b>
11. Are any or all of these securities listed on the Philippine Stock Exchange.  
Yes [ ☒ ]      No [ ☐ ]

12. Indicate by check mark whether the registrant:

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

Yes ☒ No ☐

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

Yes ☒ No ☐

13. Aggregate market value of voting stock held by non-affiliates: **P22.3 Billion**

This was computed by multiplying the no. of voting stocks held by non-affiliates (7,244,089,963) by the stock's closing price of ₱3.08 per share on February 29, 2016.

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## **PART I - BUSINESS AND GENERAL INFORMATION**

### **Item 1. Business**

#### **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 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 approximately 16.5 million of its SMPH shares in 2015, and holds about 92.1 million shares as of December 31, 2015.

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 the foundation and structure of the integrated resorts in 2010 on 6.2 hectares of land along the entrance of the Entertainment City. In October 2012, Belle and PLAI entered into a Cooperation Agreement with MELCO Crown Entertainment Limited and its Philippine affiliates (collectively, "MCE"). The Cooperation Agreement placed Belle as a co-licensee and the owner of the land and buildings and MCE 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 MCE 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, Nobhill, Pinecrest Village, Plantation Hills, Tagaytay Highlands Golf Club, Tagaytay Midlands Golf Club, The Belleview, 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 newest development area in Batangas, and was introduced by Belle in April 2007. This project consists of subdivision lots located south of the existing 18-hole Tagaytay Midlands golf course in Talisay, Batangas. The construction of 9 more holes for the Tagaytay Midlands golf course also commenced after ground breaking for Lakeside Fairways, during the first half of 2008. As of

December 31, 2015, Belle's Lakeside Fairways projects comprising of Kew Gardens, Terrazas de Alava, Lakeside Enclave and Tivoli Place, Cotswold, Yume and Katsura were 100% complete. As of December 31, 2015, the first three phases of Sycamore Heights was 100% complete and the fourth phase is slated to be complete by end of year end of 2016.

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 Pacific Online as of December 31, 2015.

Premium Leisure Corporation ("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 Corporation 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, 2015. 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 MCE, PLAI will be entitled to receive from MCE 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.

#### *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:

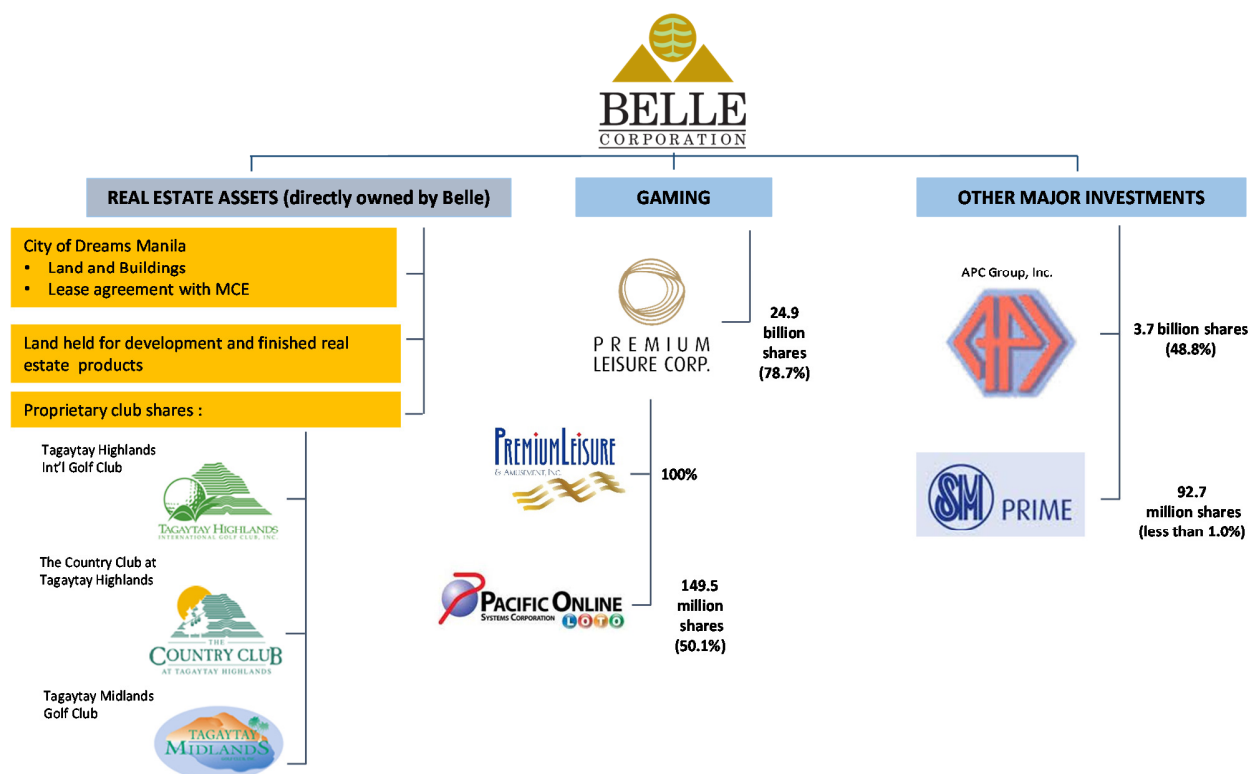
- Total investment commitment of US\$1 billion, with at least US\$650 million as of the opening date of the integrated resort (including up to US\$150 million in market value of land used for the resort) and the balance of US\$350 million within three years of such opening date;
- At least 800 hotel 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 MCE, which places Belle as a co-licensee and the owner of the land and buildings and MCE 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 MCE were expected to make equal investment contributions to the project. MCE 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 MCE 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 MCE, which in turn co-terminus with the License from PAGCOR, and provides for monthly rentals (with annual escalation) to be paid by MCE to Belle in respect of the land and buildings. PLAI and MCE 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 management and operation of the integrated resort and PLAI was accorded a share of earnings from gaming operations in the resort.

On October 9, 2013, MCE announced that the integrated resort will be branded as “City of Dreams Manila”, the namesake of MCE’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. 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 MCE, 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, 2015**



**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 Additional Interest in Pacific Online

The Company's total ownership in Pacific Online increased to 51.9% during 2014, from 34.9% as at December 31, 2013, after a series of share purchases in the secondary market at the Philippine Stock Exchange (PSE). As a result, the Company consolidated Pacific Online effective June 5, 2014. This transaction is a business combination achieved in stages and accounted for using the acquisition method. The primary reason for acquiring the additional interest in Pacific Online was to expand the Company's share in the gaming business.

Additional Subscription in PLC

On June 20, 2014, Belle and PLC entered into a subscription agreement for 24.7 billion common shares of PLC at a subscription price of ₱0.369 per share or a total of ₱9,114.3 million, thereby increasing Belle's interest in PLC to 89.8%.

Corporate Reorganization

On July 22, 2014, A Deed of Sale of Shares was executed covering the sale by Belle to Premium Leisure Corp. ("PLC") of all its equity interest in PremiumLeisure and Amusement, Inc. ("PLAI"), consisting of Fifty

Thousand (50,000) Common Shares, at a price of Ten Billion Eight Hundred Forty-Seven Million Eight Hundred Twenty Thousand Pesos (₱10,847,820,000.00).

On the same day, the Corporation sold most of its shares in Pacific Online Systems Corporation ("Pacific Online") to PLC. Belle Corporation sold the equivalent of approximately Thirty-Four and a Half Percent (34.5%) of the outstanding capital stock of Pacific Online, or a total of 101,668,953 Common Shares, at a previously agreed price of Fifteen Pesos (₱15.00) per share, or an aggregate of One Billion Five Hundred Twenty-Five Million Thirty-Four Thousand Two Hundred Ninety-Five Pesos (₱1,525,034,295.00) which will be paid for in cash. On August 5, 2015, Belle sold its remaining 47.9 million shares of Pacific Online to PLC. The transfers of Pacific Online shares from Belle to PLC were executed through the facilities of the Exchange through special block sales.

During September and October 2014, Belle, its subsidiaries and affiliates sold a total of approximately 3.5 billion PLC shares 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 approximately 78.7%, which is unchanged as of December 31, 2015. This transaction is considered as a sale of interest in PLC without losing control; thus, all of the related gains and transaction costs were accounted for directly in equity.

#### Acquisition of Falcon Resources Inc.

On June 16, 2014, Total Gaming Technologies Inc. ("TGTI"), a subsidiary of Pacific Online, and the shareholders of Falcon Resources Inc. ("FRI") entered into a Memorandum of Understanding for the intention of TGTI to acquire the latter's interest in FRI, thereby attaining 100% ownership on December 11, 2014. FRI is a Philippine corporation engaged in gaming consultancy services and is a sub-distributor for Pacific Online.

#### **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 door 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 in gaming-related businesses. PLC owns 100% of PLAI and approximately 50.1% of POSC.
2. PremiumLeisure & 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 PLC, Belle's subsidiary.
3. Pacific Online Systems Corporation ("Pacific Online"), leases on-line betting equipment to the Philippine Charity Sweepstakes Office ("PCSO") for their lottery operations in the Visayas and Mindanao regions. Belle and its subsidiaries own a total of 50.1% of POSC, which is a publicly listed company.

## Revenues and Other Income

The following are the major revenue and other income items in 2015 and 2014:

	2015		2014	
	Amount in Thousands	% of Total Revenue	Amount in Thousands	% of Total Revenue
<b>Revenues and Other Income</b>				
Interest income on finance lease	1,917,354	36%	1,409,173	26%
Equipment rental and instant scratch ticket sales	1,537,648	29%	949,721	18%
Sale of real estate and club shares	347,775	7%	300,252	6%
Lease income	190,906	4%	188,757	3%
Equity in net earnings of associates	27,340	1%	117,190	2%
Revenue from property management	112,682	2%	115,356	2%
Gaming revenue share - net	756,238	14%	38,809	1%
Interest and investment income	34,470	1%	29,979	1%
Fair value change due to cancellation of Swap Agreement	-	0%	1,219,133	23%
Gain on significant acquisitions - net	-	0%	879,348	16%
Other revenues	332,879	6%	161,724	3%
<b>Total</b>	<b>5,257,292</b>	<b>100%</b>	<b>5,409,442</b>	<b>100%</b>

## 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 services. 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 2015, 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, Nobhill and The Verandas at Saratoga Hills), 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 99% complete. The project was launched in April 2010.

Lakeview Heights:

The project was completed in 2002.

**Lakeside Fairways:**

As of December 31, 2015, As of December 31, 2015, Belle's Lakeside Fairways projects comprising of Kew Gardens, Terrazas de Alava, Lakeside Enclave and Tivoli Place, Cotswold, Yume and Katsura were 100% complete. As of December 31, 2015, the first three phases of Sycamore Heights was 100% complete and the fourth phase is slated to be complete by end of year end of 2016.

**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 an 18-hole golf course were completed and fully operational in 1998. An additional 9-hole golf course was completed and operational in 2015.

**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 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 MCE, which placed Belle as a co-licensee and owner of the land and buildings and MCE 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 31 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.

MCE, whose major shareholders are Melco International Development Limited and Crown Limited, is 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, a Crown Hotel, a Grand Hyatt Hotel, a Hard Rock 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, MCE 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, Landco, Fil-Estate and Brittany Corporation, with respect to its residential and subdivision projects. Some of these developers, like Ayala Land, 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 will be competing against casinos operated by PAGCOR and the other two licensees that are already operating – Resorts World Manila of Travelers International Hotel Group, Inc. ("Travelers") and Solaire Resort and Casino of Bloomberry Resorts Corporation. Travelers has also broken ground on its planned Resorts World Bayshore project in PAGCOR City, with the opening thereof reportedly estimated by Travelers in late 2018. The integrated resort of the fourth licensee, Universal Entertainment Corporation. ("Universal"), has been delayed from the original planned opening date in 2015, and Universal currently estimates to open its resort in 2017.

## **Suppliers**

The Company has a broad base of local and foreign suppliers.

## **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.

### **No. of Employees**

As of December 31, 2015, Belle has one hundred forty-one (141) 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	16
Senior Managers to Managers	20
Supervisors and Rank and File	105
Total	141

Aside from the basic salary and 13<sup>th</sup> 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. However, the Company believes that other major property companies do not generally pursue leisure property development as a core business area.

#### *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.

## **Item 2. Properties**

Belle owns undeveloped properties, mostly in Batangas, for future development into residential properties, recreational clubs, and leisure estates for sale. Belle has complete ownership over these real estate properties classified under "Land held for future development" in its books. A small portion of these properties have either liens, encumbrances, or mortgaged to banks as security for term loans.

In 2001, Belle transferred approximately 534 hectares of undeveloped land, mostly in Tagaytay City, to Highlands Prime. Highlands Prime was initially a wholly owned subsidiary of Belle, and became a 36%-owned affiliate after its initial public offering in 2002. In 2013, SM Land Inc. launched a tender offer for all shares of Highlands Prime in exchange for shares in SMPH, under which Belle exchanged its 809 million shares in Highlands Prime for approximately 109 million shares in SMPH.

Belle also owns approximately 5.1 hectares of land, with long-term leasehold interests in 2.0 hectares, in Paranaque City. The City of Dreams Manila integrated resort is located on 4.2 hectares it owns and the 2.0 hectares it is leasing from the Social Security System (SSS).

The Company may engage in future land banking activities in its historical market of Tagaytay and Batangas as its resources and the real estate market allow. However, as of this date, there is no transaction involving a major acquisition of property that is known or anticipated to occur over the next 12 months.

**Item 3. Legal Proceedings**

The Company and its major subsidiaries and affiliates are not involved in any material legal proceedings, and that their properties are not subject to any material legal proceedings, that could potentially affect their operations and financial capabilities.

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

Except for matters taken up during the Annual Stockholders' Meeting, there were no other matters submitted to a vote of security holders during the period covered by this report.

**PART II - OPERATIONAL AND FINANCIAL INFORMATION****Item 5. Market for Registrant's Common Equity and Related Stockholder Matters****(1) 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 fiscal years of the registrant's common shares, as quoted on the PSE, are as follows:

**Stock Prices**

	High	Low
<b>2015</b>		
<b>First Quarter</b>	<b>4.89</b>	<b>4.10</b>
<b>Second Quarter</b>	<b>4.36</b>	<b>3.28</b>
<b>Third Quarter</b>	<b>3.81</b>	<b>2.99</b>
<b>Fourth Quarter</b>	<b>3.58</b>	<b>2.64</b>
<b>2014</b>		
First Quarter	5.77	4.79
Second Quarter	6.15	4.41
Third Quarter	5.60	4.75
Fourth Quarter	5.30	4.65

As of December 31, 2015, Belle's market capitalization amounted to ₱30.7 billion based on the closing price of ₱2.91 per share. Belle's market capitalization as of February 29, 2016 amounted to ₱32.3 billion based on the closing price of ₱3.08 per share.

## (2) Security Holders

Belle has 1,832 shareholders as of December 31, 2015. Common shares outstanding as of December 31, 2015 totaled 10,560,999,857. The top 20 stockholders as of December 31, 2015, with their corresponding shareholdings and percentage thereof to total shares outstanding, are:

RANK	NAME	No. of Shares Held	% to Total
1	PCD NOMINEE CORPORATION (FILIPINO)	4,400,911,269	41.838
2	PCD NOMINEE CORPORATION (NON-FILIPINO)	2,239,786,664	21.293
3	SYSMART CORPORATION	1,515,413,802	14.407
4	SM DEVELOPMENT CORPORATION	643,498,560	6.118
5	SYBASE EQUITY INVESTMENTS CORPORATION	494,600,577	4.702
6	SOCIAL SECURITY SYSTEM	370,469,140	3.522
7	EASTERN SEC. DEVT. CORP.	171,733,866	1.633
8	JACINTO C. JR. NG	135,860,666	1.292
9	BELLESHARES HOLDINGS, INC.	106,970,622	1.017
10	PREMIUM LEISURE CORP.	99,987,719	0.951
11	JACINTO L. SR. NG	88,835,833	0.845
12	PARALLAX RESOURCES INC.	86,308,131	0.821
13	SLW RESOURCES INC.	66,082,333	0.628
14	JACINTO JR. NG &/OR ANITA C. NG	18,293,333	0.174
15	WILLY N. OCIER	10,746,372	0.102
16	BENITO TAN GUAT	10,020,000	0.095
17	LIM SIEW KIM	6,200,000	0.059
18	F. YAP SECURITIES, INC.	6,127,000	0.058
19	JAMES GO	4,816,999	0.046
20	WILLIAM T. GABALDON	4,000,000	0.038

## (3) Dividends

In April 28, 2014, the Company's Board of Directors ("BOD") approved the declaration of cash dividends of Two Centavos (P0.02.) per share. The record date to determine the shareholders entitled to receive the cash dividends was set on May 13, 2014 with the payment made on June 2, 2014.

On January 27, 2015, the Parent Company's BOD approved the declaration of a special dividend of Eighteen Centavos (P0.18) per share, totaling P1,900.7 million, payable on March 9, 2015 to stockholders of record as of February 10, 2015. On July 31, 2015, the Parent Company's BOD approved the declaration of dividend of P0.095 per share, totaling P1,001.8 million, payable on August 28, 2015 to stockholders of record as of August 14, 2015.

On February 29, 2016, the Parent Company's BOD approved the declaration of cash dividend of P0.095 per share, for a total dividend payment to its common shareholders of approximately P1,000.0 million, payable on March 29, 2016 to stockholders of record as of March 14, 2016.

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.

**(4) 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.

Pursuant to the stock rights offering conducted in September 2011, the Company offered for subscription One Billion Five Hundred Eight Million Four Hundred Eighty-Three Thousand Two Hundred Fifty-Seven (1,508,483,257) common shares out of its authorized but unissued capital stock to qualified shareholders of record as of September 2, 2011 at an exchange ratio of one (1) offer share for every six (6) common shares held by qualified shareholders of record. The offer price was Three Pesos (₱3.00) per share. Exemption from registration has been claimed under Section 10.1(e) of the Securities Regulation Code, being a sale by the Company of its common shares to its own stockholders exclusively, and no commission or other remuneration was paid in connection with such sale of common shares.

## Item 6. Management Discussion and Analysis of Operating Performance and Financial Condition

### December 31, 2015 versus December 31, 2014 Results of Operations (in thousands)

	Years Ended December 31		Horizontal Analysis		Vertical Analysis		
	2015	2014	Increase (Decrease)	2015	2014		
REVENUE							
Interest income on finance lease accounting	P 1,917,354	P 1,409,173	508,181	36.1%	36.9%	44.5%	
Equipment rental and instant scratch ticket sales	1,537,648	949,721	587,927	61.9%	29.6%	30.0%	
Gaming revenue share	756,238	38,809	717,429	1848.6%	14.6%	1.2%	
Sales of real estate and club shares	347,775	300,252	47,523	15.8%	6.7%	9.5%	
Lease income	190,906	188,757	2,149	1.1%	3.7%	6.0%	
Revenue from property management	112,682	115,356	(2,674)	-2.3%	2.2%	3.6%	
Others	332,879	161,724	171,155	105.8%	6.4%	5.1%	
TOTAL REVENUES	5,195,482	3,163,792	2,031,690	64.2%	100.0%	100.0%	
COST OF LOTTERY SERVICES	(595,142)	(306,021)	289,121	94.5%	-11.5%	-9.7%	
COST OF REAL ESTATE AND CLUB SHARES SOLD	(157,942)	(125,856)	32,086	25.5%	-3.0%	-4.0%	
COST OF LEASE INCOME	(152,584)	(11,368)	141,216	1242.2%	-2.9%	-0.4%	
COST OF SERVICES OF PROPERTY MANAGEMENT	(80,208)	(88,052)	(7,844)	-8.9%	-1.5%	-2.8%	
COST OF GAMING OPERATIONS	(382,023)	(18,709)	363,314	1941.9%	-7.4%	-0.6%	
GENERAL AND ADMINISTRATIVE EXPENSES	(950,414)	(731,508)	218,906	29.9%	-18.3%	-23.1%	
ACCRETION OF NONTRADE LIABILITY	(651,684)	(533,348)	118,336	22.2%	-12.5%	-16.9%	
INTEREST EXPENSE	(273,977)	(98,723)	175,254	177.5%	-5.3%	-3.1%	
NET FOREIGN EXCHANGE GAIN (LOSS)	36,135	(7,619)	(43,754)	-574.3%	0.7%	-0.2%	
INTEREST INCOME	34,470	29,979	4,491	15.0%	0.7%	0.9%	
EQUITY IN NET EARNINGS OF ASSOCIATES	27,340	117,190	(89,850)	-76.7%	0.5%	3.7%	
FAIR VALUE CHANGE DUE TO CANCELLATION OF SWAP AGREEMENT	-	1,219,133	(1,219,133)	-100.0%	0.0%	38.5%	
GAIN ON SIGNIFICANT ACQUISITIONS	-	879,348	(879,348)	-100.0%	0.0%	27.8%	
GAIN (LOSS) ON FINANCE LEASE	-	(812,842)	812,842	-100.0%	0.0%	-25.7%	
OTHER INCOME	44,391	14,747	(29,644)	201.0%	0.9%	0.5%	
INCOME BEFORE INCOME TAX	2,093,844	2,690,143	(596,299)	-22.2%	40.3%	85.0%	
PROVISION FOR INCOME TAX							
Current	306,296	179,943	126,353	70.2%	5.9%	5.7%	
Deferred	363,038	(46,474)	409,512	-881.2%	7.0%	-1.5%	
	669,334	133,469	535,865	401.5%	12.9%	4.2%	
CONSOLIDATED NET INCOME	P 1,424,510	P 2,556,674	(1,132,164)	-44.3%	27.4%	80.8%	

Belle Corporation realized total revenues of ₱5,195.5 million and recurring net income of ₱1,334.2 million in 2015. Due to its strong operating and financial performance, the Company paid a total of ₱2,903.8 million in cash dividends to its shareholders during 2015, comprised of a special dividend of ₱1,900.7 million and a regular dividend of ₱1,003.1 million. Belle's operating revenues of ₱5,195.5 million for 2015 were higher by ₱2,031.7 million (64%) over its operating revenues of ₱3,163.8 million for 2014. Its recurring net income of ₱1,334.2 million was ₱297.8 million (29%) higher than its 2014 recurring net income of ₱1,036.4 million. Its total consolidated net income of ₱1,424.5 in 2015 was lower by ₱1,132.2 million (44%) compared to total consolidated net income of ₱2,556.7 million in 2014 due to extraordinary non-recurring income in 2014, principally a ₱1,219.1 million reversal of provisions for probable losses by its Premium Leisure Corporation ("PLC") subsidiary. The Company considers its growth in recurring net income and its dividend payout during 2015 as the more relevant indicators for its future operating trends and prospects. The Company's operating growth in 2015 was attributable to higher revenue from its lease of the City of Dreams Manila property to Philippine entities controlled by Melco Crown Entertainment Limited (collectively, "MCE") and increased income contributed by its listed subsidiaries - PLC and Pacific Online Systems Corporation ("Pacific Online"). PLC has an operating agreement with MCE that accords it a share of gaming revenue or earnings at City of Dreams Manila.

**Revenues**

Total operating revenues of ₱5,195.5 million in 2015 were higher by ₱2,031.7 million (64%), compared to ₱3,163.8 million in 2014, mainly due to the following: increased revenues from Pacific Online by ₱587.9 million (62%) on account of the full year consolidation of Pacific Online in 2015 against approximately 7 months in 2014, with revenues comprised of equipment lease rentals and commission and distribution income; higher interest income on finance lease accounting in 2015, by ₱508.2 million (36%); and an increase in the gaming income share of PLC from City of Dreams Manila, from ₱38.8 million in 2014 to ₱756.2 million in 2015.

**Cost of Lottery Services**

Cost of lottery services pertains to direct costs of Pacific Online amounting to ₱595.1 million for the year ended December 31, 2015. Cost of lottery services increased by ₱289.1 million (95%), due mainly to full year consolidation of Pacific Online in 2015.

**Cost of Real Estate and Club Shares Sold**

Costs of real estate and clubs shares sold increased by ₱32.1 million (26%) to ₱157.9 million for the year ended December 31, 2015, from ₱125.9 million for the year ended December 31, 2014, due mainly to higher unit sales of real estate and club shares during the 2015 period.

**Cost of Lease Income**

Cost of lease income pertains to property taxes, property insurance and other related costs directly attributable to the lease of the City of Dreams Manila property to MCE. This increased from ₱11.4 million in 2014 to ₱152.6 million in 2015 due to the substantial completion and opening of City of Dreams Manila in December 2014, which thereby increased the real property taxes, building insurance and lease expenses for 2015.

**Cost of Services of Property Management**

Cost of services of property management decreased by ₱7.8 million (9%) to ₱80.2 million for the year ended December 31, 2015, from ₱88.1 million for the year ended December 31, 2014, due to lower power and water usage by customers in 2015.

**Cost of Gaming Operations**

Cost of gaming operations refers to the service fee paid to consultants by PLC, in respect of its gaming operations, amortization of gaming license and other direct fees. The increase from ₱18.7 million in 2014 to ₱382.0 million (1,942%) in 2015 was due to the substantial completion and opening of City of Dreams Manila in December 2014, which thereby increased the amortization of PLAI's gaming License (amounting to ₱279.2 million), consultancy fees, marketing expenses and salaries and wages.

**General and Administrative Expenses**

General and administrative expenses increased by ₱218.9 million (30%), from ₱731.5 million for 2014, to ₱950.4 million in 2015. The increase in general and administrative expenses was due to consolidation in 2015 of ₱609.0 million in general and administrative expenses at Pacific Online.

**Equity in Net Earnings of Associates**

The Company's equity in net earnings of associates decreased by ₱89.9 million (77%) to ₱27.3 million for 2015, compared to ₱117.2 million for 2014, due to the consolidation of Pacific Online starting June 5, 2014. The Company's investment in Pacific Online was previously accounted for using the equity method before June 5, 2014.

**Financial Income (Expense)**

Interest expense increased by ₱175.3 million to ₱274.0 million for 2015, from ₱98.7 million for 2014. The increase in interest expense in 2015 was due to the Company's ceasing to capitalize costs of borrowings directly used to fund construction of City of Dreams Manila, which was substantially completed as of the end of 2014. Interest income increased by ₱4.5 million (15%), to ₱34.5 million for 2015, from ₱30.0 million for 2014, due to increases in average invested cash levels during 2015.

**Net Foreign Exchange Loss**

The net foreign exchange translation gain of ₱44.4 million for 2015 was recorded on a US\$15.0 million US\$-denominated portion of an advances to contractors totalling ₱1.1 billion or US\$25.0 million equivalent (the "Escrow Deposit") being maintained by the Company in respect of City of Dreams Manila (based on a foreign exchange rate of ₱47.06:US\$1.00 as of December 31, 2015 vs. the average exchange rate of approximately ₱44.61:US\$1.00 for the relevant conversion transactions in various dates). The Company's net foreign exchange translation loss of ₱7.6 million in 2014 was caused by a loss of ₱10.6 million on the Company's US\$22.0 million Floating Rate Notes ("FRNs"), which were fully repaid in May 2014, offset by ₱3.0 million in foreign exchange gains on US\$-denominated deposits. The foreign exchange translation loss on the FRNs was based on an exchange rate of ₱44.88:US\$1.00 when the FRNs were repaid vs. ₱44.40:US\$1.00 as of December 31, 2013.

**Provision for Income Tax**

Provision for income tax increased by ₱535.9 million (402%), to ₱669.3 million for 2015 from ₱133.5 million for 2014, due to higher taxable income in 2015, as well as the tax deduction in 2014 for the realized foreign exchange loss upon repayment of the FRNs in May 2014.

**Net Income**

As a result of the foregoing, the Company realized total consolidated net income of ₱1,424.5 million for 2015. This is ₱1,132.2 million (44%) lower than consolidated net income of ₱2,556.7 million for 2014, due to higher extraordinary non-recurring income in 2014. Non-recurring income in 2014 amounted to approximately ₱1,520.2 million (net of related tax provisions) and were comprised of: a ₱31.4 million (pre-tax) gain on redemption of SMIC retail bonds in April 2014; a ₱1,219.1 million reversal of investment loss reserves by PLC (before ₱243.9 million deferred tax benefit); a ₱812.8 million Loss on Finance Lease; a ₱879.3 million gain on re-measurement of investment, net of non-recurring business acquisition costs at Pacific Online. Net non-recurring income in 2015 of ₱90.3 million pertains to the gain on sale of 16.4 million shares of SM Prime Holdings, Inc.

Excluding non-recurring items, Belle's recurring net income for 2015 was ₱1,334.2 million, which was ₱297.7 million (29%) higher compared to recurring net income for 2014 of about ₱1,036.5 million. The Company's consistent profitability helped allow it to pay cash dividends to its shareholders totaling ₱2,903.8 million (₱0.275 per share) during 2015, comprised of a special dividend of ₱1,900.7 million (₱0.18 per share) in March 2015 and a regular dividend of ₱1,003.1 million (₱0.095 per share) in August 2015.



## December 31, 2015 versus December 31, 2014 Statement of Financial Position (in thousands)

December 31				Horizontal Analysis		Vertical Analysis	
	2015	2014		Inc (Dec)	%	2015	2014
<b>ASSETS</b>							
<b>Current Assets</b>							
Cash and cash equivalents	P 3,570,065	P 6,326,509		(2,756,444)	-43.6%	8.2%	15.3%
Investments held for trading	226,747	262,815		(36,068)	-13.7%	0.5%	0.6%
Receivables	1,599,607	1,474,911		124,696	8.5%	3.7%	3.6%
Current portion of finance lease receivable	1,419,651	722,745		696,906	96.4%	3.2%	1.7%
Real estate for sale	843,074	935,530		(92,456)	-9.9%	1.9%	2.3%
Club shares	2,995,593	2,700,551		295,042	10.9%	6.9%	6.5%
Other current assets	2,323,619	1,938,830		129,789	5.9%	5.3%	5.3%
	<b>12,978,356</b>	<b>14,616,891</b>		<b>(1,638,535)</b>	<b>-11.2%</b>	<b>29.7%</b>	<b>35.3%</b>
<b>Noncurrent Assets</b>							
Land held for development	3,018,515	3,018,515		–	0.0%	6.9%	7.3%
Finance lease receivable - net of current portion	15,725,603	8,866,747		6,858,856	77.4%	36.0%	21.4%
Investments in and advances to associates - net	65,364	93,909		(28,545)	-30.4%	0.1%	0.2%
Available-for-sale financial assets	2,041,303	1,887,379		153,924	8.2%	4.7%	4.6%
Investment properties	1,540,961	4,432,277		(2,891,316)	-65.2%	3.5%	10.7%
Property and equipment	770,716	576,817		193,899	33.6%	1.8%	1.4%
Intangible asset	4,970,341	5,249,552		(279,211)	-5.3%	11.4%	12.7%
Goodwill	1,828,578	1,828,578		–	0.0%	4.2%	4.4%
Pension asset	–	1,103		(1,103)	-100.0%	0.0%	0.0%
Deferred tax asset	42,261	41,234		1,027	100.0%	0.1%	0.1%
Other noncurrent assets	710,167	778,084		(67,917)	-8.7%	1.6%	1.9%
	<b>30,713,809</b>	<b>26,774,195</b>		<b>3,939,614</b>	<b>14.7%</b>	<b>70.3%</b>	<b>64.7%</b>
<b>TOTAL ASSETS</b>	<b>P 43,692,165</b>	<b>P 41,391,086</b>		<b>2,301,079</b>	<b>5.6%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>LIABILITIES AND EQUITY</b>							
<b>Current Liabilities</b>							
Trade and other current liabilities	P 2,435,975	P 2,930,340		(494,365)	-16.9%	5.6%	7.1%
Loans payable	1,000,017	3,000,017		(2,000,000)	-66.7%	2.3%	7.2%
Assignment of receivables with recourse	–	28,026		(28,026)	-100.0%	0.0%	0.1%
Income tax payable	49,600	56,546		(6,946)	-12.3%	0.1%	0.1%
Estimated liability on construction costs	2,556,836	1,035,028		1,521,808	147.0%	5.9%	2.5%
Current portion of:						0.0%	
Nontrade liability	455,886	274,562		181,324	66.0%	1.0%	0.7%
Obligations under finance lease	25,028	16,356		8,672	53.0%	0.1%	0.0%
Long-term debt	362,500	12,500		350,000	2800.0%	0.8%	0.0%
Installment payable	173	928		(755)	-81.4%	0.0%	0.0%
	<b>6,886,015</b>	<b>7,354,303</b>		<b>(468,288)</b>	<b>-6.4%</b>	<b>15.8%</b>	<b>17.8%</b>
<b>Noncurrent Liabilities</b>							
Noncurrent portion of:							
Nontrade liability	4,839,172	3,966,694		872,478	22.0%	11.1%	9.6%
Long-term debt	4,621,875	1,737,500		2,884,375	166.0%	10.6%	4.2%
Obligations under finance lease	93,527	76,494		17,033	22.3%	0.2%	0.2%
Installment payable	–	198		(198)	-100.0%	0.0%	0.0%
Pension liability	12,346	18,787		(6,441)	-34.3%	0.0%	0.0%
Deferred tax liabilities	1,166,104	806,229		359,875	44.6%	2.7%	1.9%
	<b>10,733,024</b>	<b>6,605,902</b>		<b>4,127,122</b>	<b>62.5%</b>	<b>24.6%</b>	<b>16.0%</b>
<b>TOTAL LIABILITIES</b>	<b>17,619,039</b>	<b>13,960,205</b>		<b>3,658,834</b>	<b>26.2%</b>	<b>40.3%</b>	<b>33.7%</b>
<b>Equity</b>							
Attributable to equity holders of parent:							
Common stock	10,561,000	10,559,383		1,617	0.0%	24.2%	25.5%
Additional paid-in capital	5,503,731	5,503,731		–	0.0%	12.6%	13.3%
Treasury shares	(134,442)	–		134,442	100.0%	-0.3%	0.0%
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	(1,749,628)	(1,604,824)		144,804	9.0%	-4.0%	-3.9%
Unrealized gain on available-for-sale financial assets - net	520,618	87,046		433,572	498.1%	1.2%	0.2%
Retained Earnings	4,903,882	6,530,078		(1,626,196)	-24.9%	11.2%	15.8%
Other reserves	3,085,896	3,272,665		(186,769)	-5.7%	7.1%	7.9%
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	<b>22,940,596</b>	<b>24,597,618</b>		<b>(1,657,022)</b>	<b>-6.7%</b>	<b>52.5%</b>	<b>59.4%</b>
Non-controlling interests	3,132,530	2,833,263		299,267	10.6%	7.2%	6.8%
Total Equity	<b>26,073,126</b>	<b>27,430,881</b>		<b>(1,357,755)</b>	<b>-4.9%</b>	<b>59.7%</b>	<b>66.3%</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>P 43,692,165</b>	<b>P 41,391,086</b>		<b>2,301,079</b>	<b>5.6%</b>	<b>100.0%</b>	<b>100.0%</b>

## **ASSETS**

Total assets of the Company increased by P2,301.1 million (6%) to P43,692.2 million as of December 31, 2015, from P41,391.1 million as of December 31, 2014.

### **Cash and Cash equivalents**

Cash and cash equivalents decreased by P2,756.4 million (44%), to P3,570.1 million as of December 31, 2015, from P6,326.5 million in December 31, 2014, due mainly to Belle's payment of cash dividends totalling P2,903.8 million during 2015 and payments in respect of construction contracts for the City of Dreams Manila. These were offset by: (i) rental receipts from MCE of P1,346.1 million; (ii) proceeds from sale of real estate and club shares and revenue from property management services totaling P735.0 million; and (iii) proceeds from the sale of about 16 million shares of SM Prime Holdings., Inc., totaling P308.5 million.

### **Investments in and Advances to Associates – Net**

Investments and advances to associates decreased by P28.5 (30%) million, to P65.4 million as of December 31, 2015 from P93.9 million as of December 31, 2014, due to payments received from Woodland Development Corporation during 2015.

### **Investments Held for Trading**

This pertains to marketable securities held by Pacific Online in companies that are not subsidiaries 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 Receivable**

Due to the requirements under Philippine Accounting Standards #17 (PAS 17, Leases), 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 P9,375.0 million for the Phase 1 building structure of City of Dreams Manila. In January 2015, the Company recorded a finance lease receivable, amounting to P 6,260.0 million 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 P124.7 million (9%), to P1,599.6 million as of December 31, 2015, from P1,474.9 million as of December 31, 2014. The increase in receivables was due mainly from the increased real estate sales, lease income, equipment rentals and net gaming revenue share.

### **Real Estate for Sale and Club Shares**

Real estate for sale decreased by P92.5 million (10%), to P843.1 million as of December 31, 2015, from P935.5 million as of December 31, 2014 due to sales during the year. Club shares held by the Company, valued at historical cost, increased by P295.0 million (11%), to P2,995.6 million as of December 31, 2015 from P2,700.6 million as of December 31, 2014, due to the completion of the 19th through 27th holes of the Tagaytay Midlands Golf Club golf course.

### **Available-for-sale Financial Assets**

Available-for-sale financial assets increased by P153.9 million (8%) to P2,041.3 million as of December 31, 2015 from P1,887.4 million as of December 31, 2014, due to increases in the fair value of such investments, net of the value of 16.5 million SM Prime Holdings, Inc. shares sold during 2015.

**Investment Properties**

Investment properties decreased by ₱2,891.3 million (65%), from ₱4,432.3 million as of December 31, 2014 to ₱1,541.0 million as of December 31, 2015, due to the finance lease accounting treatment of the Phase 2 building of City of Dreams Manila.

**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. The decrease from last year's balance by ₱279.2 million (5%), from ₱5,249.6 million as of December 31, 2014 to ₱4,970.3 million as of December 31, 2015, resulted from the amortization by PLC of the intangible asset on the License starting on December 14, 2014, which is the date of effectivity of the Notice to Commence Casino Operations granted by PAGCOR.

**Goodwill**

The Company recognized goodwill amounting to P1,828.6 million, as a result of consolidating Pacific Online starting in June 2014, and the acquisition of Falcon Resources Inc. by Total Gaming Technologies Inc., a subsidiary of Pacific Online, on December 11, 2014.

**Other Assets**

Other assets was virtually unchanged, increasing by less than (2%), to ₱3,033.8 million as of December 31, 2015 from ₱2,971.9 million as of December 31, 2014.

**LIABILITIES**

Total liabilities increased by ₱3,658.8 million (26%), to ₱17,619.0 million as of December 31, 2015, from ₱13,960.2 million as of December 31, 2014, due to the increase in long-term debt and estimated liability on construction costs, mainly regarding City of Dreams Manila.

**Loans Payable and Long-Term Debt**

Total debt, amounting to ₱5,984.4 million as of December 31, 2015, pertains to Peso loans from various local financial institutions, with an average interest rate of 5.7% per annum during 2015.

**Estimated Liability for Construction**

The Company recorded estimated liability on construction costs amounting to ₱2,556.8 million for 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 31 hectares.

**Obligations under Finance Lease**

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

**Nontrade Liability**

On May 20, 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 have agreed to grant ABLGI the right to the settlement of amounts equivalent to 30% of the net lease income of the City of Dreams Manila located at Aseana Business Park in Paranaque City (the "Project") in consideration, among other terms, of the waiver of ABLGI's rights as casino operator, the termination ABLGI agreements and the grant of advances of ₱4,000.0 million (ABLGI Advance) as partial funding for the construction of the casino integrated resort building. Belle formed BGRHC as a subsidiary in 2013 for the purpose of this MOA. The carrying value of the nontrade liability amounted to ₱4,000.0 million as at December 31, 2013.

In December 2014, the implementing agreement in 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 30% share in the net lease income of the Project. In 2015, additional advances received from ABLGI amounted to ₱780.0 million. The nontrade liability is carried at amortized cost.

### **Trade and Other Current Liabilities**

Trade and other current liabilities decreased by ₱494.4 million (17%) to ₱2,436.0 million as of December 31, 2015, from ₱2,930.3 million as of December 31, 2014, due mainly to the decrease in trade payables. Comprising this account are principally trade payables of ₱1,283.6 million, non-trade payables of ₱641.8 million, accrued expenses of ₱387.2 million, and advances and customers' deposits totaling ₱123.4 million.

### **Installment Payable**

This refers to liabilities of Pacific Online arising from its purchase of transportation vehicles and other equipment under finance lease arrangements.

### **EQUITY**

The Company's consolidated shareholders' equity as of December 31, 2015 of ₱26,073.1 million was lower by ₱1,357.8 million (5%), compared to the level as of December 31, 2014 of ₱27,430.9 million, due mainly to the ₱2,902.5 million in total cash dividends paid to its shareholders in 2015.

### **Treasury Shares**

In January 2015, the Board of Directors of Belle has approved a Share Buyback Program authorizing management the discretion to purchase the Company's common shares up to an aggregate cost of ₱1.0 billion. As of December 31, 2015, 42.1 million Belle shares have been purchased and held as treasury shares at a total acquisition cost of ₱134.8 million.

### **Retained Earnings**

The Company's consolidated retained earnings of ₱4,903.9 million as of December 31, 2015 was ₱1,626.2 million (25%) lower than its consolidated retained earnings of ₱6,530.1 million as of December 31, 2014, due to the Company's payment of a total of ₱2,903.8 million in cash dividends during 2015, comprised of a ₱1,900.7 million (₱0.18 per share) special dividend on March 9, 2015 and a ₱1,001.8 million (₱0.095 per share) regular dividend on August 28, 2015.

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

	Manner by which the Company calculates the key performance indicators	31 Dec 2015	31 Dec 2014
Asset to equity ratio	Total assets over equity	<b>1.68 : 1.00</b>	1.51: 1.00
Current or Liquidity ratio	Current assets over current liabilities	<b>1.88 : 1.00</b>	1.99: 1.00
Debt-to-equity ratio	Interest-bearing debt over equity	<b>0.23 : 1.00</b>	0.17: 1.00
Net debt-to-equity ratio	Interest-bearing debt less cash and cash equivalents over equity	<b>0.10 : 1.00</b>	(0.06): 1.00
Interest rate coverage ratio	EBIT over interest expense	<b>9.80:1.00</b>	10.7:1.00
Return on assets	Annualized net income over average total assets during the period	<b>3.4%</b>	7.0%
Return on equity	Annualized net income over average equity during the period	<b>5.3%</b>	10.7%

The Company does not foresee any cash flow or liquidity problems over the next twelve months. As of December 31, 2015, total debt of the Company of ₱6,115.5 million was comprised of short-term bank borrowings of ₱1,000.0 million and long-term debt of ₱5,115.5 million. Belle expects income from real estate projects, cash rental receipts from MCE and dividends from subsidiaries to generate cash flow sufficient for

its needs. Meanwhile, the Company continues to be in compliance with the terms of all of its debt obligations.

As of December 31, 2015, 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) were 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 infrastructure and facilities for the Project. The Consortium already exceeded the US\$1.0 billion Investment Commitment upon the soft opening of City of Dreams Manila on December 14, 2014. Consequently, City of Dreams Manila became the first integrated resort in Entertainment City to be awarded a Regular License by PAGCOR, in May 2015.

- Any Known Trends, Events or Uncertainties (Material Impact on Sales)
- Any Significant Elements of Income or Loss (from continuing operations)

**December 31, 2014 versus December 31, 2013 Results of Operations (in thousands)**

		Years Ended December 31		Horizontal Analysis		Vertical Analysis	
		2014	2013	Increase (Decrease)	2014	2013	
REVENUE							
Interest income on finance lease	P	1,409,173	P 1,177,570	231,603	19.7%	44.5%	44.9%
Equipment rental and instant scratch ticket sales		949,721	-	949,721	100.0%	30.0%	0.0%
Sales of real estate and club shares		300,252	175,280	124,972	71.3%	9.5%	6.7%
Lease income		188,757	157,136	31,621	20.1%	6.0%	6.0%
Revenue from property management		115,356	105,033	10,323	9.8%	3.6%	4.0%
Gaming revenue share		38,809	-	38,809	100.0%	1.2%	0.0%
Termination income		-	949,608	(949,608)	-100.0%	0.0%	36.2%
Others		161,724	59,620	102,104	171.3%	5.1%	2.3%
TOTAL REVENUES		3,163,792	2,624,247	539,545	20.6%	100.0%	100.0%
COST OF LOTTERY SERVICES		(306,021)	-	306,021	100.0%	-9.7%	0.0%
COST OF REAL ESTATE AND CLUB SHARES SOLD		(125,856)	(115,389)	10,467	9.1%	-4.0%	-4.4%
COST OF SERVICES OF PROPERTY MANAGEMENT		(88,052)	(60,269)	27,783	46.1%	-2.8%	-2.3%
COST OF GAMING OPERATIONS		(7,075)	-	7,075	100.0%	-0.2%	0.0%
GENERAL AND ADMINISTRATIVE EXPENSES		(754,510)	(642,642)	111,868	17.4%	-23.8%	-24.5%
FAIR VALUE CHANGE DUE TO CANCELLATION OF SWAP AGREEMENT		1,219,133	-	1,219,133	100.0%	38.5%	0.0%
GAIN ON SIGNIFICANT ACQUISITIONS		879,348	-	879,348	100.0%	27.8%	0.0%
GAIN (LOSS) ON FINANCE LEASE		(812,842)	2,324,434	(3,137,276)	-135.0%	-25.7%	88.6%
ACCRETION OF NONTRADE LIABILITY		(533,348)	-	533,348	100.0%	-16.9%	0.0%
EQUITY IN NET EARNINGS OF ASSOCIATES		117,190	119,940	(2,750)	-2.3%	3.7%	4.6%
INTEREST EXPENSE		(98,723)	(103,852)	(5,129)	-4.9%	-3.1%	-4.0%
INTEREST INCOME		29,979	56,112	(26,133)	-46.6%	0.9%	2.1%
NET FOREIGN EXCHANGE LOSS		(7,619)	(86,167)	(78,548)	-91.2%	-0.2%	-3.3%
GAIN ON SHARE SWAP		-	772,247	(772,247)	100.0%	0.0%	29.4%
OTHER INCOME (CHARGES) - net		14,747	81,052	(66,305)	-81.8%	0.5%	3.1%
INCOME BEFORE INCOME TAX		2,690,143	4,969,713	(2,279,570)	-45.9%	85.0%	189.4%
PROVISION FOR INCOME TAX							
Current		179,943	305,577	(125,634)	-41.1%	5.7%	11.6%
Deferred		(46,474)	1,027,952	(1,074,426)	-104.5%	-1.5%	39.2%
		133,469	1,333,529	(1,200,060)	-90.0%	4.2%	50.8%
		P 2,556,674	P 3,636,184	(1,079,510)	-29.7%	80.8%	138.6%

Belle Corporation ("Belle" of the "Company") consolidated net income for 2014 was ₱2,556.7 million. This is ₱1,079.5 million (30%) lower than the consolidated net income of ₱3,636.2 million for the year ended December 31, 2013, due to higher non-operating and non-recurring income during 2013. Net non-recurring income during 2013 amounted to approximately ₱3,064.0 million (after related tax provisions), and were comprised of the following: the Termination Income of ₱949.6 million (pre-tax) received from the Philippine affiliates of Melco Crown Entertainment, Ltd. (collectively, "MCE") in March 2013, upon the commencement of MCE's lease on Belle's property to be used for the City of Dreams Manila integrated resort project; a Gain on Finance Lease of ₱2,324.4 million (before ₱697.3 million deferred tax provision) during 2013; and a gain on share swap of the Company's 809 million shares of Highlands Prime, Inc. amounting to ₱772.2 million. Net non-recurring income during 2014 totaled only about ₱1,520.2 million (net of related tax provisions), and were comprised of: a ₱31.4 million (pre-tax) gain on redemption of SMIC retail bonds in April 2014; a ₱1,219.1 million reversal of investment loss reserves by PLC, a Belle subsidiary; a ₱812.8 million Loss on Finance Lease (before ₱243.9 million deferred tax benefit); a ₱879.3 million gain on re-measurement of investment net of non-recurring business acquisition costs at Pacific Online, a subsidiary of Belle. Excluding these non-recurring items, Belle's net income for the year ended December 31, 2014 would have been ₱1,036.5 million, which is higher by approximately ₱464.3 million (81%) compared to adjusted net income for the year ended December 31, 2013 of about ₱572.2 million.

### **Revenues**

Gross revenue of ₱3,163.8 million in 2014 was higher by ₱539.5 million (21%), compared to ₱2,624.2 million in 2013 due to the following: consolidation of Pacific Online revenues starting in June 2014 totaling ₱1,030.3 million (comprising of equipment lease rentals, instant scratch ticket sales and commission income included in "other revenues"); higher interest income on finance lease accounting amounting to ₱231.6 million; higher sales of real estate and club shares amounting to ₱125.0 million; gaming income share from City of Dreams Manila by Premium Leisure Corporation ("PLC") amounting to ₱38.8 million; and dividend income from SM Prime Holdings, included in "other revenues", amounting to ₱22.4 million. The increase in gross revenue was offset by the non-recurring Termination Income in 2013, amounting to ₱949.6 million.

Gross revenue from sales of real estate and club shares for the year ended December 31, 2014 of ₱300.3 million was higher by ₱125.0 million (71%), compared to ₱175.3 million for the year ended December 31, 2013. Gross profit from sales of real estate and club shares for the year ended December 31, 2014 of ₱174.4 million was higher than gross profit therefrom for the year ended December 31, 2013 of ₱59.9 million by ₱114.5 million (191%) due to higher sales of real estate and club shares. There were no new real estate development projects launched by Belle during the year ended December 31, 2014.

Gross revenue from property management services for the year ended December 31, 2014 of ₱115.4 million was higher by ₱10.3 million (10%), compared to ₱105.0 million for the year ended December 31, 2013 due to higher revenue from water services. Gross profit from property management services for the year ended December 31, 2014 of ₱27.3 million was lower by ₱17.5 million (39%), compared to ₱44.8 million for the year ended December 31, 2013, due to higher maintenance, power and water costs.

PLC recognized a share in gaming revenues of City of Dreams Manila in 2014 due to the soft opening of the City of Dreams Manila integrated resorts casino on December 14, 2014. Gross revenue from gaming income of City of Dreams Manila by PLC for the year ended December 31, 2014 of ₱38.8 million is determined based on Net Wins.

### **Cost of Lottery Services**

Cost of lottery services pertains to direct costs of Pacific Online amounting to ₱306.0 million for the period June 5, 2014 to December 31, 2014, which includes: operating supplies amounting to ₱45.3 million; software license fees amounting to ₱81.7 million; consultancy fees amounting to ₱46.6 million; communication fees amounting to ₱63.8 million; and depreciation and amortization of lottery equipment amounting to ₱68.6 million.

**Cost of Real Estate and Club Shares Sold**

Cost of real estate and clubs shares sold increased by ₱10.5 million (9%) to ₱125.9 million for the year ended December 31, 2014 from ₱115.4 million for the year ended December 31, 2013 due mainly to higher unit sales of real estate and club shares sold during the 2014 period.

**Costs of Services of Property Management**

Cost of services of property management increased by ₱27.8 million (46%) to ₱88.1 million for the year ended December 31, 2014 from ₱60.3 million due to higher maintenance, power and water costs for the 2014 period.

**Costs of Gaming Operations**

Cost of gaming operations largely refers to the service fee paid to consultants by PLC, in respect of its gaming operations.

**General and Administrative Expenses**

General and administrative expenses increased by ₱111.9 million (17%), from ₱642.6 million for the year ended December 31, 2013 to ₱754.5 million for the year ended December 31, 2014. The increase in general and administrative expenses during 2014 was due to the following: (i) ₱338.6 million general and administrative expenses by Pacific Online, as a result of consolidation starting June 5, 2014 and (ii) ₱40.0 million in documentary stamp taxes (DST) pertaining to the ₱4.0 billion estimated liability to AB Leisure Global, Inc. ("ABLGI"), presented as Non-trade Liability Account in Belle's consolidated statement of financial position.

**Fair Value Change due to Cancellation of Swap Agreement**

PLC, the Company's 78.7%-owned subsidiary, recorded a ₱1,219.1 million net reversal of a provision for impairment of its investment in Legend International Resorts (HK) Limited ("LIR") following the cancellation of 1 billion of its common shares formerly held by Metroplex Berhad, thereby fulfilling the agreement entered into by and among itself, Belle, Metroplex Berhad and LIR in rescinding the Swap Agreement in August 2001 (the "LIR Unwinding").

**Gain on Significant Acquisitions - net**

This mainly pertains to the gain on revaluation of Belle's consolidated investment in Pacific Online based on a share price of ₱18.6 per share as of June 5, 2014 (which is determined to be the date of acquisition), compared with the carrying amount of Belle's investment in Pacific Online based on equity method of accounting immediately before the acquisition. This was partly offset by the loss recognized due to the termination of a pre-existing consultancy arrangement between Pacific Online and Falcon Resources Inc. when the former acquired the latter in December 2014

**Gain (Loss) on Finance Lease**

As a result of adjustments made to the Finance Lease Receivable due to modification in cash flows for Phase 1 of the City of Dreams Manila, Belle recognized a Loss amounting to ₱812.8 million in 2014. In 2013, the lease agreement with MCE for Phase 1 was accounted for as a finance lease, in accordance with Philippine Accounting Standards 17 (PAS 17). Belle thus recognized a finance lease receivable measured at the present value of the minimum lease payments, and derecognized the cost of the related building. The excess of the present value of minimum lease payments over the cost of the building amounting to ₱2,324.4 million was recognized as a one-time "Day 1 Gain" in 2013. Under PAS 17, although the lease contract between Belle and MCE is structured as an operating lease, the building lease is treated as a theoretical sale under a capital lease arrangement, notwithstanding the fact that Belle is not relinquishing ownership of any and all property being leased to MCE.

**Equity in Net Earnings of Associates**

The Company's equitized net earnings from associated companies decreased by ₱2.8 million (2%), to ₱117.2 million for 2014 from ₱119.9 million during 2013, due to the consolidation of Pacific Online in 2014. Pacific Online, of which Belle and PLC own a combined 51.9% of common shares outstanding, brought a net income of ₱241.8 million for 2014, compared to equitized earnings of ₱113.1 million out of Pacific Online's net income of ₱323.7 million in the 2013. Belle's total ownership in Pacific Online was increased



to 51.9% (from 34.94% as of December 31, 2013) after a series of share purchases in the secondary market at the Philippine Stock Exchange during the first half of 2014. Woodland Development Corporation ("WDC"), Belle's 47%-owned associate, brought equitized earnings of ₱1.3 million out of WDC's net income of ₱2.7 million for the year ended December 31, 2014.

#### **Financial Income and Expenses**

Interest expense decreased by ₱5.1 million (5%), to ₱98.7 million for 2014, from ₱103.9 million for 2013. Interest income decreased by ₱26.1 million, to ₱30.0 million in 2014 from ₱56.1 million in 2013, mainly due to decreases in average invested cash levels.

#### **Net Foreign Exchange Loss**

The foreign exchange translation loss of ₱7.6 million for 2014 (based on a foreign exchange rate of ₱44.72:US\$1.00 as of December 31, 2014 vs. foreign exchange rate of ₱44.40:US\$1.00 as of December 31, 2013) decreased by ₱78.5 million from ₱86.2 million for 2013 period (based on a foreign exchange rate of ₱44.40:US\$1.00 as of December 31, 2013 vs. ₱44.05:US\$1.00 as of December 31, 2012). The decrease was mainly due to the settlement of the Company's US\$22 million in foreign currency denominated Floating Rate Notes (the "FRNs") in May 2014, based on a foreign exchange rate upon settlement of ₱44.40:US\$1.00. In 2013, the Company, recorded a foreign exchange loss of ₱12.5 million from an Escrow Deposit of US\$57.5 million that was being maintained for the PAGCOR License, upon termination thereof in May 2013 (as MCE put up its own Escrow Deposit to replace it) and recognized additional foreign exchange translation losses of ₱73.7 million from its FRNs.

#### **Provisions for Income Taxes**

Provisions for taxes decreased by ₱1,200.1 million (90%), to ₱133.5 million for 2014 from ₱1,133.5 million for the year ended December 31, 2013, mainly due to the following: (i) deferred tax asset recognized on NOLCO and excess MCIT as of December 31, 2014 totaling ₱188.8 million; (ii) deferred tax asset recognized on the Loss on finance lease 2014 amounting to ₱243.9 million; and (iii) ₱697.3 million deferred tax liability on the ₱2,234.4 million Day 1 gain on finance lease 2013.

## December 31, 2014 versus December 31, 2013 Statement of Financial Position (in thousands)

	December		Horizontal Analysis		Vertical Analysis	
	2014	2013	Inc (Dec)	%	2014	2013
<b>ASSETS</b>						
<b>Current Assets</b>						
Cash and cash equivalents	P 6,326,509	P 1,170,396	5,156,113	440.5%	15.3%	3.7%
Investments held for trading	262,815	-	262,815	100.0%	0.6%	0.0%
Receivables	1,474,911	1,222,374	252,537	20.7%	3.6%	3.9%
Current portion of:						
Finance lease receivable	722,745	942,911	(220,166)	-23.3%	1.7%	3.0%
Advances to associates - net	-	176,723	(176,723)	-100.0%	0.0%	0.6%
Real estate for sale	935,530	654,967	280,563	42.8%	2.3%	2.1%
Club shares	2,700,551	2,810,221	(109,670)	-3.9%	6.5%	8.9%
Other current assets	2,193,830	679,316	1,514,514	222.9%	5.3%	2.2%
	14,616,891	7,656,908	6,959,983	90.9%	35.3%	24.3%
<b>Noncurrent Assets</b>						
Land held for future development	3,018,515	2,937,309	81,206	2.8%	7.3%	9.3%
Finance lease receivable - net of current portion	8,866,747	8,809,301	57,446	0.7%	21.4%	27.9%
Investments in and advances to associates - net	93,909	801,293	(707,384)	-88.3%	0.2%	2.5%
Available-for-sale financial assets	1,887,379	1,773,793	113,586	6.4%	4.6%	5.6%
Investment properties	4,432,277	2,958,707	1,473,570	49.8%	10.7%	9.4%
Property and equipment	576,817	176,014	400,803	227.7%	1.4%	0.6%
Intangible asset	5,249,552	5,261,186	(11,634)	-0.2%	12.7%	16.7%
Goodwill	1,828,578	-	1,828,578	100.0%	4.4%	0.0%
Pension asset	1,103	12,515	(11,412)	-91.2%	0.0%	0.0%
Deferred tax asset	41,234	-	41,234	100.0%	0.1%	0.0%
Held-to-maturity investments	-	750,000	(750,000)	-100.0%	0.0%	2.4%
Other noncurrent assets	778,084	416,822	361,262	86.7%	1.9%	1.3%
	26,774,195	23,896,940	2,877,255	12.0%	64.7%	75.7%
P	41,391,086	P 31,553,848	9,837,238	31.2%	100.0%	100.0%
<b>LIABILITIES AND EQUITY</b>						
<b>Current Liabilities</b>						
Trade and other current liabilities	P 2,930,340	P 2,469,852	460,488	18.6%	4.7%	7.8%
Loans payable	3,000,017	200,466	2,799,551	1396.5%	28.5%	0.6%
Assignment of receivables with recourse	28,026	89,549	(61,523)	-68.7%	-0.6%	0.3%
Current portion of:						
Estimated liability on construction costs	1,035,028	-	1,035,028	#DIV/0!	10.5%	0.0%
Nontrade liability	274,562	-	274,562	100.0%	2.8%	0.0%
Obligations under finance lease	16,356	-	16,356	100.0%	0.2%	0.0%
Installment payable	928	-	928	100.0%	0.0%	0.0%
Long-term debt	12,500	1,034,210	(1,021,710)	-98.8%	-10.4%	3.3%
Income tax payable	56,546	-	56,546	100.0%	0.6%	0.0%
	7,354,303	3,794,077	3,560,226	93.8%	36.2%	12.0%
<b>Noncurrent Liabilities</b>						
Noncurrent portion of:						
Estimated liability on construction costs	-	2,247,567	(2,247,567)	-100.0%	-22.8%	0.0%
Nontrade liability	3,966,694	4,000,000	(33,306)	-0.8%	-0.3%	12.7%
Obligations under finance lease	76,494	-	76,494	100.0%	0.8%	0.0%
Installment payable	198	-	198	100.0%	0.0%	0.0%
Long-term debt	1,737,500	468,590	1,268,910	100.0%	12.9%	1.5%
Deferred tax liabilities	806,229	836,530	(30,301)	-3.6%	-0.3%	2.7%
Pension liability	18,787	-	18,787	100.0%	0.2%	0.0%
	6,605,902	7,552,687	(946,785)	-12.5%	-9.6%	23.9%
	13,960,205	11,346,764	2,613,441	23.0%	26.6%	36.0%
<b>Equity</b>						
Attributable to equity holders of parent:						
Preferred stock	-	1,000,000	(1,000,000)	-100.0%	-10.2%	3.2%
Common stock	10,559,383	10,559,383	-	0.0%	0.0%	33.5%
Additional paid-in capital	5,503,731	5,503,731	-	0.0%	0.0%	17.4%
Equity share in cost of Parent Company shares held by associa	(2,501)	(2,501)	-	0.0%	0.0%	0.0%
Cost of Parent Company common and preferred shares held b	(1,604,824)	(2,257,631)	652,807	-28.9%	6.6%	-7.2%
Unrealized gain (loss) on available-for-sale financial assets - ne	87,046	(190,785)	277,831	-145.6%	2.8%	-0.6%
Other reserves	3,272,665	21,386	3,251,279	15202.8%	33.1%	0.1%
Excess of net asset value of an investment over cost	252,040	252,040	-	0.0%	0.0%	0.8%
Retained Earnings	6,530,078	4,533,666	1,996,412	44.0%	20.3%	14.4%
Total equity attributable to equity holders of the Parent	24,597,618	19,419,289	5,178,329	26.7%	52.6%	61.5%
Non-controlling interests	2,833,263	787,795	2,045,468	259.6%	20.8%	2.5%
Total Equity	27,430,881	20,207,084	7,223,797	35.7%	73.4%	64.0%
P	41,391,086	P 31,553,848	9,837,238	31.2%	100.0%	100.0%

## **ASSETS**

Total assets of the Company increased by ₱9,837.2 million (31%), to ₱41,391.1 million as of December 31, 2014, from ₱31,553.8 million as of December 31, 2013.

### **Cash and Cash Equivalents**

Cash and cash equivalents increased by ₱5,156.1 million (441%), to ₱6,326.5 million as of December 31, 2014, from ₱1,170.4 million as of December 31, 2013, due to the following: (i) borrowings amounting to ₱7,050.0 million; (ii) proceeds from disposal of SMIC retail bonds amounting to ₱781.4 million; (iii) rental receipts from MCE of ₱882.7 million; (iv) consolidation of Pacific Online's cash and cash equivalents amounting to ₱463.3 million; (v) proceeds from sale of PLC shares amounting to ₱5,534.5 million; (vi) proceeds from sale of real estate and club shares and revenue from property management services totaling ₱770.0M; and (vii) interest and dividends received amounting to ₱154.9 million. These were offset by: (i) construction costs amounting to ₱4,073.0 million; (ii) payment of capital gains taxes amounting to ₱1,103.7 million on transfers of assets between Belle and PLC; (iii) settlement of FRNs amounting to ₱974.7 million upon maturity in May 2014; (iv) loan repayments amounting to ₱3,038.8 million; (v) acquisition of 44.5 million additional Pacific Online shares at a total cost amounting to ₱624.3 million; and (vi) Belle's cash dividends amounting to ₱205.8 million paid in July 2014.

### **Receivables net**

Receivables increased by ₱252.5 million (21%), to ₱1,474.9 million as of December 31, 2014 from ₱1,222.3 million as of December 31, 2013. The increase was mainly due to higher receivables from MCE arising from construction costs for the interiors of City of Dreams Manila advanced by Belle and consolidation of Pacific Online's receivables effective June 5, 2014.

### **Finance Lease Receivables**

Due to the requirements under Philippine Accounting Standards Rule 17 ("PAS 17"), management has accounted for its lease agreement with MCE for the City of Dreams Manila building 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 equivalent to the fair value of the leased property, amounting to ₱9,375.0 million (fair valuation was determined by discounting minimum lease payments at the inception date of the lease agreement).

### **Real Estate for Sale and Club Shares**

Real estate for sale increased by ₱280.6 million (42.8%), to ₱935.5 million as of December 31, 2014 from ₱655.0 million as of December 31, 2013 due to construction of projects in Tagaytay Highlands. Club shares held by the Company, valued at historical cost, decreased by ₱109.7 million (4%), to ₱2,700.6 million as of December 31, 2014 from ₱2,810.2 million as of December 31, 2013.

### **Land Held for Future Development**

Land held for future development increased by ₱81.2 million or by 2.8% from ₱2,937.3 million to ₱3,018.5 million due to acquisition of additional raw lands in 2015.

### **Investments in and Advances to Associates**

Investments and advances decreased by ₱707.4 million (90%), to ₱93.9 million in as of December 31, 2014, from ₱801.3 million in December 2013. The decrease was mainly due to the consolidation of Pacific Online upon attainment of consolidated ownership of 50.7% in June 2014, whereas Pacific Online was previously accounted for as an associated company.

### **Investment in Held for Trading**

This pertains to investments held by Pacific Online in companies that are not subsidiaries or associates of Belle, comprised of listed shares of stock in Leisure and Resorts World Corporation, Vantage Equities, Inc., APC Group, Inc., DFNN, Inc., ISM Communications Corp. and Philippine Long Distance Telephone Company.

### **Available-for-sale Investments**

Available-for-sale investments increased by ₱113.6 million (6%), to ₱1,887.4 million in December 2014 from ₱1,773.8 million in December 2013, due mainly to increases in fair value of such available-for-sale investments. These investments consists of listed shares in SM Prime Holdings, Inc. and SM Investments Corporation.

### **Investment Properties**

Investment properties increased by ₱1,473.6 million (50%), from ₱2,958.7 million as of December 31, 2013 to ₱4,432.3 million as of December 31, 2014, mainly due to construction costs incurred in 2014 for Phase 2 of City of Dreams Manila.

### **Intangible Asset**

This pertains to the cost of PAGCOR License to operate integrated resorts that was granted by PAGCOR to PLAI. The decrease from last year's balance of ₱11.6 million pertains to the amortization of the intangible asset on the License which started on December 14, 2014, the effectivity 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 and acquisition of Falcon Resources Inc. by Total Gaming Technologies Inc., a subsidiary of Pacific Online, on December 11, 2014.

### **Other Assets**

Other assets increased by ₱559.0 million (51%), to ₱1,655.1 million as of December 31, 2014 from ₱1,096.1 million as of December 31, 2013, mainly due to the increase in input VAT amounting to ₱410.0 million and consolidation of other assets held by Pacific Online amounting to ₱134.3 million.

## **LIABILITIES**

Total liabilities increased by ₱2,613.4 million (23%), to ₱13,960.2 million as of December 31, 2014, from ₱11,346.8 million as of December 31, 2013, mainly due to increase in loans payable, net of decreases in long-term debt and estimated liability on construction costs.

### **Loans Payable and Long-Term Debt**

Total debt, amounting to ₱4,750.0 million as of December 31, 2014, pertains to Peso loans from various local financial institutions, with average interest at 3.8% per annum. The Company repaid its US\$22 million in Floating Rate Notes (FRNs) upon maturity in May 2014, and prepaid Peso long-term debt incurred for the City of Dreams Manila integrated resort project of ₱502.3 million. Total debt increased by ₱3,046.7 million (179%), from ₱1,703.3 million as of December 31, 2013 to ₱6,350.0 million as of December 31, 2014, due mainly to loan availments totaling ₱7,050.0 million in 2014.

### **Accounts Payable and Other Liabilities**

Accounts payable and other liabilities increased by ₱460.5 million (19%), to ₱2,930.3 million in December 2014 compared to ₱2,469.9 million in December 2013 due mainly to the increases in trade payables. Comprising accounts payable and other liabilities are principally trade payables of ₱1,955.8 million, non-trade payables of ₱509.6 million, accrued expenses of ₱369.4 million, advances from related parties of ₱75.3 million and customers' deposits of ₱22.4 million.

### **Estimated Liability for Construction**

The Company recorded an estimated liability for construction costs for City of Dreams Manila in March 2013 amounting to ₱2,247.6 million, as a result of accounting for its lease agreement with MCE pertaining to the City of Dreams Manila building as a finance lease, as required under PAS 17. The estimated liability decreased by ₱1,212.5 (54%), to ₱1,035.0 million in December 31, 2014 due mainly to payments made to contractors.

### **Obligations under Finance Lease**

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

**Non-trade Liability**

On May 20, 2013, Belle, PLAI, BGRHC, ABLGI and LRWC entered into a Memorandum of Agreement, whereby Belle and PLAI have agreed to grant ABLGI the right to the settlement of amounts equivalent to 30% of the net lease income of the City of Dreams Manila located at Aseana Business Park in Paranaque City (the "Project") in consideration of the waiver of ABLGI's rights as casino operator, the termination 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. The carrying value of nontrade liability amounted to ₱4,000.0 million as at December 31, 2013.

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 30% share in the net lease income of the Project. Such liability shall be accreted over the lease term using implicit interest rate of 13.13% per annum. The carrying value of nontrade liability amounted to ₱4,241.3 million as at December 31, 2014.

**EQUITY**

The Company's shareholder's equity as of December 31, 2014 of ₱27,430.9 million was higher by ₱7,223.8 million (36%), compared to the level as of December 31, 2013 of ₱20,207.1 million. The increase resulted from increases in Other Reserves, Non-controlling Interests and Retained Earnings (see following discussions).

**Preferred Stock and Cost of Parent Company Shares held By Subsidiaries**

In July 2014 Belle redeemed through cash payment and cancelled its preferred shares held by PLC. Consequently, the cancellation of the preferred shares also decreased the cost of parent company shares held by subsidiaries by ₱1 billion. The decrease in cost of parent company shares held by subsidiaries was offset by the Belle common shares held by Pacific Online amounting to P347.2 million. Pacific Online was consolidated by the Group in June 2014 when the Group increased its ownership from 34.9% to 51.9% of common shares outstanding.

**Other Reserves**

In September 2014, Belle and its subsidiaries sold 3,173.7 million PLC shares (constituting approximately 12% interest in PLC) to stockholders comprising minority interests in PLC, with total net proceeds of ₱5,123.5 million. The excess of the proceeds from the sale over the equivalent carrying amount of the 12% interest in PLC was recognized as an increase in other reserves. Belle's ownership in PLC stood at about 79% as at December 31, 2014. Transaction costs amounting to ₱1,084.3 on transfers of assets between Belle and PLC was recognized as a decrease in other reserves.

**Non-controlling Interest**

Non-controlling interests increased by ₱2,045.5 million or by 259.6%, from ₱787.8 million as of December 31, 2013 to ₱2,833.3 million as of December 31, 2014, mainly due to the following: (a) acquisition of additional non-controlling interest in Pacific Online amounting to ₱665.9 million; (b) settlement of subscription receivables amounting to ₱1,165.6 million (c) net profit attributable to non-controlling interest amounting to ₱354.4 million and (d) sale of interest in PLC without loss of control in a secondary offering amounting to ₱1,704.1 million.

**Retained Earnings**

For the year ended December 31, 2014, the Company recorded consolidated net income attributable to equity holders of the parent amounting to ₱2,202.3 million that augmented retained earnings. Transactions reducing retained earnings were its payment of cash dividends amounting to ₱205.8 million in July 2014. The Company thus had consolidated retained earnings of ₱6,530.1 million as of December 31, 2014, compared to consolidated retained earnings of ₱4,533.7 million as of December 31, 2013.

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

	Manner by which the Company calculates the key performance indicators	31 Dec 2014	31 Dec 2013
Asset to equity ratio	Total assets over equity	<b>1.51: 1.00</b>	1.56 : 1.00
Current or Liquidity ratio	Current assets over current liabilities	<b>1.99: 1.00</b>	2.02 : 1.00
Debt-to-equity ratio	Interest-bearing debt over equity	<b>0.17: 1.00</b>	0.10 : 1.00
Net debt-to-equity ratio	Interest-bearing debt less cash and cash equivalents, HTM investments and escrow fund over equity	<b>(0.06): 1.00</b>	0.19 : 1.00
Interest rate coverage ratio	EBIT over interest expense	<b>13.68:1.00</b>	17.39 : 1.00
Return on assets	Annualized net income over average total assets during the period	<b>7.0%</b>	2.3%
Return on equity	Annualized net income over average equity during the period	<b>10.6%</b>	3.4%

The Company does not foresee any cash flow or liquidity problems over the next twelve months. As at December 31, 2014, total loans of the Company of ₱4,750.0 million were comprised short-term bank borrowings of ₱3,000.0 million and long-term debt of ₱1,750.0 million. Belle has a number of revenue-generating projects, rental income and expected dividends from subsidiaries from which to receive cash flow. Meanwhile, the Company continues to be in compliance with the terms of all of its debt obligations.

As at December 31, 2014, 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 in Consortium (PLAI, Belle and MCE) are committed to invest a minimum of US \$1 billion ("Investment Commitment") into 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 other US\$350.0 million 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 (a maximum of up to US\$150 million) and the development costs of the infrastructures and facilities within the Project. The Consortium already exceeded the 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)

## December 31, 2013 versus December 31, 2012 Results of Operations (in thousands)

Years Ended December 31				Horizontal Analysis		Vertical Analysis		
				Increase (Decrease)		2013	2012	
				2013	2012			
REVENUE								
Interest income on finance lease accounting	P	1,177,570	P	-	1,177,570	100.0%	44.9%	0.0%
Termination fee income		949,608		-	949,608	100.0%	36.2%	0.0%
Sales of real estate and club shares		175,280		323,563	(148,283)	-45.8%	6.7%	65.4%
Lease income		157,136		18,427	138,709	752.7%	6.0%	3.7%
Revenue from property management		105,033		95,272	9,761	10.2%	4.0%	19.3%
Others		59,620		57,171	2,449	4.3%	2.3%	11.6%
		2,624,247		494,433	2,129,814	430.8%	100.0%	100.0%
					-			
COST OF REAL ESTATE AND CLUB SHARES SOLD		(115,389)		(117,152)	(1,763)	-1.5%	-4.4%	-23.7%
COST OF SERVICES OF PROPERTY MANAGEMENT		(60,269)		(72,943)	(12,674)	-17.4%	-2.3%	-14.8%
GENERAL AND ADMINISTRATIVE EXPENSES		(642,642)		(275,450)	367,192	133.3%	-24.5%	-55.7%
DAY 1 GAIN ON FINANCE LEASE ACCOUNTING		2,324,434		-	2,324,434	100.0%	88.6%	0.0%
GAIN ON SHARE SWAP		772,247		-	772,247	100.0%	29.4%	0.0%
EQUITY IN NET EARNINGS OF ASSOCIATES		119,940		288,730	(168,790)	-58.5%	4.6%	58.4%
INTEREST EXPENSE		(103,852)		(128,151)	(24,299)	-19.0%	-4.0%	-25.9%
NET FOREIGN EXCHANGE LOSS		(86,167)		(36,718)	(49,449)	134.7%	-3.3%	-7.4%
INTEREST INCOME		56,112		116,453	(60,341)	-51.8%	2.1%	23.6%
GAIN ON LIQUIDATING DIVIDEND		-		539,671	(539,671)	-100.0%	0.0%	109.1%
OTHER CHARGES - net		81,052		(95,064)	(176,116)	-185.3%	3.1%	-19.2%
INCOME BEFORE INCOME TAX		4,969,713		713,809	4,255,904	596.2%	189.4%	144.4%
PROVISION FOR (BENEFIT FROM) INCOME TAX								
Current		305,577		79,154	226,423	286.1%	11.6%	16.0%
Deferred		1,027,952		78,992	948,960	1201.3%	39.2%	16.0%
		1,333,529		158,146	1,175,383	743.2%	50.8%	32.0%
NET INCOME	P	3,636,184	P	555,663	3,080,521	554.4%	138.6%	112.4%

Belle Corporation ("Belle" or "the Company") realized consolidated net income of ₱3,636.2 million for the year ended December 31, 2013. The Company's 2013 net income was ₱3,080.5 million (554%) higher than consolidated net income of ₱555.7 million for the year ended December 31, 2012. This was achieved due to significantly higher revenues, a Day 1 Gain on Finance Lease Accounting ("Day 1 Gain") of ₱2,324.4 million and a gain on the swap of the Company's 809 million shares of Highlands Prime, Inc. for 109 million shares of SM Prime Holdings, Inc. amounting to ₱772.2 million (the "Swap Gain") during 2013.

### Revenues

Gross revenue of ₱2,624.2 million was higher by ₱2,129.8 million (431%), compared to ₱494.4 million in 2012, due to the receipt of revenues arising from the lease and operating agreements with Philippine Subsidiaries of Melco Crown Entertainment, Ltd. (collectively, "MCE") totaling ₱2,284.3 million, comprised of a termination fee of ₱949.6 million received from MCE in March 2013, the termination fee represents the various costs MCE agreed to absorb as one the conditions of the Company in including MCE as co-licensees of the City of Dreams Manila integrated resort complex, ₱157.1 million in current lease income on 6.2 hectares of leased land and ₱1,177.6 million in interest income on finance lease accounting for approximately 17 hectares of building space, which total an increase of ₱2,265.9 million compared to total lease income of ₱18.4 million in 2012.

The lease agreement with Melco for casino building phase 1 has been accounted for under finance lease, in accordance with Philippine Accounting Standards 17 (PAS 17). Under the finance lease, Belle recognized finance lease receivable measured at present value of the minimum lease payments, and derecognized the cost of the related asset. The excess of the present value of minimum lease payments over cost of the asset amounting to ₱2,324.4 million was recognized as one-time "Day 1 Gain on finance lease". Under PAS 17, the building lease is treated as a theoretical sale under a capital lease arrangement,

notwithstanding the fact that Belle is not relinquishing ownership of any and all property being leased to MCE. The Company has been devoting significant resources to development activities connected with its integrated resort project located in Aseana Business Park in Parañaque City, which will be named "City of Dreams Manila" and is targeted for its Grand Opening within 2014. City of Dreams Manila, which carries the brand name of MCE's flagship resort in Macau's Cotai Strip, will be operated by MCE through an operating agreement with Belle and its wholly-owned subsidiary, PremiumLeisure and Amusement, Inc. ("PLAI").

Gross revenue from sales of real estate and club shares for 2013 of ₱175.3 million was lower by ₱148.3 million (46%), compared to ₱323.6 million in 2012. Gross profit from sales of real estate and club shares for 2013 of ₱59.9 million was also lower than gross profit therefrom during 2012 of ₱206.4 million by ₱146.5 million (71%), due to lower sales of real estate and club shares. There were no new real estate projects launched by the Company in 2013 and 2012.

#### **Cost of Real Estate and Club Shares Sold**

Cost of real estate and clubs shares sold decreased by ₱1.8 million (2%) to ₱115.4 million in 2013 from ₱117.2 million in 2012 due mainly to lower unit sales of real estate and club shares sold in 2013.

#### **Cost of Services of Property Management**

Cost of services of property management decreased by ₱12.6 million (17.4%) to ₱60.3 million in 2013 from ₱72.9 million in 2012 due to lower maintenance and water costs in 2013.

#### **General and Administrative Expenses**

General and administrative expenses increased by ₱367.2 million (133%), from ₱275.5 million in 2012 to ₱642.6 million in 2013. The substantial increase in general and administrative expenses was due to the following: (i) expenses directly related to PLAI; (ii) higher depreciation expense of ₱34.9 million in 2013 compared to ₱30.9 million in 2012; (iii) higher administrative expenses of ₱182.4 million in 2013 compared to ₱109.4 million in 2012, mainly due to higher office rentals and professional fees; and (iv) Payment to AB Leisure Global, Inc. in consideration for the waiver of rights under its previous agreements with the Company, amounting to ₱283.5 million. These increases were partially offset by lower selling expenses of ₱23.9 million in 2013, compared to ₱37.0 million in 2012.

#### **Financial Income and Expenses**

Interest expense decreased by ₱24.3 million (19%), to ₱103.9 million in 2013, from ₱128.2 million in 2012. The decrease was caused in large part by lower borrowings during 2013, compared to 2012. The Company also capitalized borrowing costs amounting to ₱111.0 million in 2013 and ₱247.0 million in 2012, on borrowings incurred for construction of City of Dreams Manila.

Interest income decreased by ₱60.4 million (52%), from ₱116.5 million in 2012 to ₱56.1 million in 2013 due to lower interest rates and the termination of the Company's US\$57.5 million Escrow Deposit (maintained for its PAGCOR license) in May 2013, as MCE put up its own Escrow Deposit to replace it.

#### **Equity in Net Earnings of Associates**

The Company's equitized net earnings from associated companies decreased by ₱168.8 million (59%) to ₱119.9 million in 2013, from ₱288.7 million in 2012. Pacific Online Systems Corporation ("Pacific Online"), owned 35% by Belle during 2013, brought equitized earnings of ₱113.1 million out of net income of ₱323.7 million in 2013, compared to equitized earnings of ₱142.1 million out of net income of ₱406.8 million in 2012. Pacific Online leases on-line equipment to the Philippine Charity Sweepstakes Office for their lottery operations located mostly in Visayas and Mindanao. Woodland Development Corporation ("WDC"), Belle's 47%-owned associate, brought equitized earnings of ₱3.8 million out of net income of ₱8.0 million in the 2013 period, compared to equitized earnings of ₱135.0 million out of net income of ₱287.3 million in the 2012 period. The significant decrease in net income of WDC during 2013 was due to a one-time gain on sale of land to SM Development Corporation recognized in 2012.



**Gain on Liquidating Dividend**

In November 2012, the Company received its assigned land valued at ₱1,054.2 million, with 42,166 square meters in area, as a liquidating dividend from Belle Bay City Corporation ("BBCC"). The receipt of the land from BBCC as liquidating dividend resulted in the cancelation of Belle's investments in BBCC and recognition of a gain on liquidating dividend of ₱539.7 million.

**Net Foreign Exchange Loss**

The Company posted total foreign exchange translation losses of ₱86.2 million in 2013, arising from its US\$22 million in foreign currency denominated Floating Rate Notes (the "FRNs") due in 2014 and its US\$50.0 million escrow deposit maintained as required under its PAGCOR license (the "Escrow Deposit") until May 2013 (when MCE put up its own Escrow Deposit to replace it). Comparatively, its net foreign exchange translation losses in 2012 amounted to ₱36.7 million.

The Company recorded a foreign exchange translation loss from its FRNs of ₱73.7 million in 2013 (based on a foreign exchange rate of ₱44.40:US\$1.00 as of December 31, 2013 vs. ₱41.05:US\$1.00 as of December 31, 2012) compared to a foreign exchange translation gain of ₱61.4 million in 2012 (based on a foreign exchange rate of ₱41.05:US\$1.00 as of December 31, 2012 vs. ₱43.84:US\$1 as of December 31, 2011).

During 2013, the Company recorded a foreign exchange loss of ₱12.5 million from its Escrow Deposit, upon termination thereof in May 2013, based on a foreign exchange rate upon termination of ₱40.85:US\$1.00 vs. the foreign exchange rate of ₱41.05:US\$1.00 as of December 31, 2013. In 2012, the Company recorded a foreign exchange translation loss on the Escrow Deposit of ₱98.1 million, based on the foreign exchange rate as of December 31, 2012 of ₱41.05:US\$1.00 vs. the actual conversion rate of ₱43.02:US\$1.00 in June 2012.

**Provision for Income Tax**

Provision for income tax increased by ₱1,175.4 million (743%), to ₱1,333.5 million in 2013 from ₱158.1 million in 2012, due to the higher taxable income and a ₱697.3 million deferred tax liability recognized on the ₱2,324.4 million Day 1 Gain in 2013.

**Net Income**

As a result of the foregoing, Belle Corporation realized consolidated net income of ₱3,636.2 million for 2013. This is ₱3,080.5 million (554%) higher than the consolidated net income of ₱555.7 million for 2012 and comprises a record level. Moreover, the Company's consistent profitability has allowed it to post positive consolidated retained earnings of ₱4,533.7 million as of December 31, 2013.

### 31 December 2013 versus 31 December 2012 Statement of Financial Position (in thousands)

		December 31, 2013	December 31, 2012	Horizontal Analysis		Vertical Analysis	
		Audited	Audited	Inc (Dec)	%	2013	2012
<b>ASSETS</b>							
Cash and cash equivalents	P	1,170,396	P 1,419,711	(249,315)	-17.6%	3.7%	5.6%
Short-term Investments		-	965	(965)	-100.0%	0.0%	0.0%
Receivables		1,210,787	1,352,972	(142,185)	-10.5%	3.8%	5.3%
Finance lease receivable		9,752,212	-	9,752,212	100.0%	30.9%	0.0%
Real estate for sale - at cost		3,592,276	2,901,335	690,941	23.8%	11.4%	11.4%
Club shares - at cost		2,810,221	2,812,642	(2,421)	-0.1%	8.9%	11.0%
Investments in and advances to associates - net		978,016	1,883,059	(905,043)	-48.1%	3.1%	7.4%
Available-for-sale financial assets		1,773,793	28,619	1,745,174	6098.0%	5.6%	0.1%
Held-to-maturity investments		750,000	750,000	-	0.0%	2.4%	2.9%
Advances to related parties - net		11,587	482,469	(470,882)	-97.6%	0.0%	1.9%
Investment properties		2,958,707	5,584,824	(2,626,117)	-47.0%	9.4%	21.9%
Property and equipment		176,014	160,283	15,731	9.8%	0.6%	0.6%
Intangible assets		5,261,186	5,261,186	-	0.0%	16.7%	20.7%
Escrow fund		-	2,064,450	(2,064,450)	-100.0%	0.0%	8.1%
Pension asset		12,515	1,643	10,872	661.7%	0.0%	0.0%
Other assets		1,096,138	758,284	337,854	44.6%	3.5%	3.0%
<b>Total Assets</b>	P	<b>31,553,848</b>	P 25,462,442	6,091,406	23.9%	<b>100.0%</b>	<b>100.0%</b>
<b>LIABILITIES AND EQUITY</b>							
<b>Liabilities</b>							
Loans payable	P	200,466	P 2,081,714	(1,881,248)	-90.4%	0.6%	8.2%
Accounts payable and other liabilities		2,469,852	1,869,808	600,044	32.1%	7.8%	7.3%
Income tax payable		-	416	(416)	-100.0%	0.0%	0.0%
Assignment of receivables with recourse		89,549	-	89,549	100.0%	0.3%	0.0%
Deferred tax liabilities - net		836,530	167,944	668,586	398.1%	2.7%	0.7%
Long-term debt		1,502,800	4,719,165	(3,216,365)	-68.2%	4.8%	18.5%
Estimated liability on construction costs		2,247,567	-	2,247,567	100.0%	7.1%	0.0%
Nontrade liability		4,000,000	-	4,000,000	100.0%	12.7%	0.0%
<b>Total Liabilities</b>		<b>11,346,764</b>	<b>8,839,047</b>	<b>2,507,717</b>	<b>28.4%</b>	<b>36.0%</b>	<b>34.7%</b>
<b>Equity</b>							
Attributable to equity holders of the parent:							
Preferred stock		1,000,000	1,000,000	-	0.0%	3.2%	3.9%
Common stock		10,559,383	10,559,383	-	0.0%	33.5%	41.5%
Additional paid-in capital		5,503,731	5,503,731	-	0.0%	17.4%	21.6%
Equity share in cost of Parent Company shares held by associates		(2,501)	(731,696)	729,195	-99.7%	0.0%	-2.9%
Cost of Parent Company shares held by subsidiaries		(2,257,631)	(562,375)	1,695,256	-301.4%	-7.2%	-2.2%
Unrealized gain on available-for-sale financial assets - net		(190,785)	14,868	(205,653)	-1383.2%	-0.6%	0.1%
Other reserves		21,386	(1,225)	22,611	-1845.8%	0.1%	0.0%
Excess of net asset value of an investment over cost		252,040	-	252,040	0.0%	0.8%	0.0%
Retained Earnings		4,533,666	893,813	3,639,853	407.2%	14.4%	3.5%
Total Equity Attributable to Equity Holders of the Parent		19,419,289	16,676,499	6,133,302	36.8%	61.5%	65.5%
Non-Controlling Interests		787,795	(53,104)	840,899	-1583.5%	2.5%	-0.2%
<b>Total Equity</b>		<b>20,207,084</b>	<b>16,623,395</b>	<b>3,583,689</b>	<b>21.6%</b>	<b>64.0%</b>	<b>65.3%</b>
<b>Total Liabilities and Equity</b>	P	<b>31,553,848</b>	P 25,462,442	6,091,406	23.9%	<b>100.0%</b>	<b>100.0%</b>

## **ASSETS**

Total assets of the Company increased by ₱6,091.4 million (24%), to ₱31,553.8 million as of December 31, 2013, from ₱25,462.4 million as of December 31, 2012.

### **Cash and cash equivalents**

Cash and cash equivalents decreased by ₱249.3 million (18%), to ₱1,170.4 million in 2013 from ₱1,419.7 million in 2012, mainly due to the following: (i) expenditures for the construction of City of Dreams Manila amounting ₱ 2,214.9 million; (ii) loan principal repayments of ₱ 3,668.5 million; and (iii) payments to ABLGI amounting to ₱ 283.5 million. The decreases in the cash and cash equivalents were offset by the following cash receipts: (i) ₱ 4,000.0 million ABLGI Advance (recorded under Nontrade Liability) and (ii) termination of the escrow fund amounting to ₱ 2,064.5 million.

### **Finance Lease Receivables**

Due to the requirements under PAS 17, management has accounted for its lease agreement with Melco Crown for the City of Dreams Manila building as a finance lease even though there is neither a stipulation nor any intention to transfer title therefor to Melco Crown. The Company thus recorded a finance lease receivable equivalent to the fair value of the leased property, amounting to ₱9,375.0 million (fair valuation was determined by discounting the minimum lease payments at the inception date of the lease agreement).

### **Receivables**

Receivables decreased by ₱142.2 million (11%), to ₱1,210.8 million as of December 31, 2013 from ₱1,353.0 million as of December 31, 2012. The decrease was mainly due to net liquidations of receivables on real estate sold.

### **Real estate for sale and Club shares**

Real estate for sale increased by ₱690.9 million (24%), to ₱3,592.3 million as of December 31, 2013 from ₱2,901.3 million as of December 31, 2012, due mainly to the transfer of Tagaytay land from The Country Club at Tagaytay Highlands, Inc. (TCCATH) and Tagaytay Highlands International Golf Club, Inc. (THIGCI) in the aggregate value of ₱529.7 million as payment for long-outstanding advances.

Club shares held by the Company, valued at the lower of historical cost or market, decreased by ₱2.4 million (0.1%), to ₱2,810.2 million as of December 31, 2013 from ₱2,812.6 million as of December 31, 2012 due to sales thereof.

### **Investments in and advances to associates**

Investments and advances decreased by ₱905.0 million (48%), to ₱978.0 million as of December 31, 2013 from ₱1,883.1 million as of December 31, 2012. In August 2013, Highlands Prime Inc. ("Highlands Prime") shares of common stock, amounting to ₱819.4 million, were swapped for SM Prime Holdings, Inc. ("SMPH") shares of common stock at an exchange rate ratio of 0.135. The Company thereby acquired 109 million shares of SMPH, in exchange for its 809 million shares of Highlands Prime. The investment in SMPH shares has been classified under "Available-for-sale financial assets".

### **Available-for-sale financial assets**

Available-for-sale financial assets increased by ₱1,745.2 million (6,098%) to ₱1,773.8 million as of December 31, 2013 from ₱28.6 million as of December 31, 2012, due mainly to the swap of HPI shares of common stock to SMPH shares. The Company recorded an investment in SMPH shares amounting to ₱1,776.0 million as a result of the swap. The increase was partially offset by the decrease in the market value of SMPH shares amounting to ₱173.7 million, based on the closing price of SMPH of ₱14.66 per share as of the end of 2013.

### **Investment properties**

Investment properties decreased by ₱2,626.1 million (47%), from ₱5,584.8 million as of December 31, 2012 to ₱2,958.7 million as of December 31, 2013, due to the derecognition of the construction costs on the City of Dreams Manila Project as a result of the finance lease accounting treatment of the lease contract with MCE, as required under PAS 17. However, it should be noted that Belle intends to retain legal ownership of the property, irrespective of the accounting treatment required under PAS 17.

**Escrow Fund**

The Company's US\$57.5 million Escrow Deposit, maintained for its PAGCOR license, was terminated in May 2013, as MCE put up its own Escrow Deposit to replace it.

**Advances to related parties**

Advances to related parties decreased by ₱470.9 million (98%) to ₱11.6 million as of December 31, 2013 from ₱482.5 million as of December 31, 2012, due mainly to the transfer of land from TCCATH and THIGCI amounting to ₱97.5 million and ₱432.2 million, respectively, as payment for advances.

**Other assets**

Other assets increased by ₱337.9 million (45%) to ₱1,096.1 million as of December 31, 2013 from ₱758.3 million as of December 31, 2012, due mainly to an increase in advances to contractors in 2013 for the City of Dreams Manila project, amounting to ₱323.0 million and input VAT amounting to ₱115.6 million.

**LIABILITIES**

Total liabilities increased by ₱2,507.7 million (29%) to ₱11,346.8 million as of December 31, 2013, from ₱8,839.0 million as of December 31, 2012, due to an increase in accounts payable and other liabilities and the recognition of estimated liability on construction costs under PAS 17.

**Loans payable and Long-term debt**

Total debt amounting to ₱5,792.8 million as of December 31, 2013 is comprised of: Peso loans from various local financial institutions, with average interest at 4.25% per annum, amounting to ₱200.5 million; advances from ABLGI amounting to ₱4,000.0 million (recorded under "Nontrade Liability"); FRNs with a Peso equivalent amounting to ₱977.2 million; Peso long-term debt incurred for the City of Dreams Manila Project of ₱499.8 million; and Assignment of receivables with recourse amounting to ₱89.5 million. The FRNs have a principal amount of US\$22 million due on May 10, 2014 and carry interest at a floating rate of 2% per annum above the six-month LIBOR rate.

Total debt decreased by ₱1,097.7 million (16%), from ₱6,800.9 million as of December 31, 2012 to ₱5,703.2 million as of December 31, 2013, due mainly to bank loan repayments totalling ₱3,668.5 million, which was offset by a loan from ABLGI amounting to ₱4,000.0 million in 2013.

**Accounts payable and other liabilities**

Accounts payable and other liabilities increased by ₱600.0 million (32%), to ₱2,469.9 million as of December 31, 2013 compared to ₱1,869.8 million as of December 31, 2012. Comprising accounts payable and other liabilities are principally trade payables of ₱1,185.8 million, advances from related parties of ₱77.6 million, accrued expenses of ₱562.9 million, non-trade payables of ₱640.3 million and customers' deposits of ₱25.9 million.

**Estimated liability for constructions costs**

The Company recorded an estimated liability for constructions costs for the Phase 1 of City of Dreams Manila in March 2013 amounting to ₱2,247.6 million as a result of the accounting of its lease agreement with MCE as a finance lease, as required under PAS 17. Phase 1 comprises approximately 17 hectares out of a total of 30 hectares of planned building gross floor area for City of Dreams Manila.

**Deferred tax liabilities**

Deferred tax liabilities increased by ₱668.6 million (398.1%) to ₱836.5 million as of December 31, 2013 from ₱167.9 million as of December 31, 2012. The increase was mainly due to the deferred tax of ₱697.3 million on the Day 1 Gain.

## **EQUITY**

The Company's shareholders' equity as of December 31, 2013 of ₱20,207.1 million was higher by ₱3,583.7 million (21%), compared to the year-end 2012 level of ₱16,623.4 million, due mainly to the consolidated net income recorded in 2013. The Company thus attained consolidated retained earnings of ₱4,533.7 million as of December 31, 2013, compared to consolidated retained earnings of ₱893.8 million as of December 31, 2012. Of the Company's retained earnings at year-end 2013, approximately ₱417.7 million is estimated to be allowable for dividend declarations, inasmuch as accounting income arising from the Day 1 Gain, the Swap Gain and PAS 17 finance lease interest income are not considered eligible and/or appropriate for immediate dividend declarations.

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

	The manner by which the Company calculates the performance indicators	<b>31 Dec 2013</b>	31 Dec 2012
Asset-to-equity ratio	<u>Total assets</u> Total Equity	<b>1.56 : 1.00</b>	1.53 : 1.00
Current or Liquidity Ratio	<u>Current assets</u> Current Liabilities	<b>1.71 : 1.00</b>	1.85 : 1.00
Debt-to-equity ratio	<u>Interest-bearing debt</u> Equity	<b>0.29 : 1.00</b>	0.41 : 1.00
Net debt-to-equity ratio	<u>Interest-bearing debt less cash and cash equivalents, HTM investments and escrow fund</u> Equity	<b>0.19 : 1.00</b>	0.32 : 1.00
Interest rate coverage ratio	<u>Earnings Before Interest and Taxes</u> Interest Expense	<b>17.39 : 1.00</b>	6.57 : 1.00
Return on assets	<u>Net income</u> Average Total Assets during the period	<b>12.8%</b>	2.3%
Return on equity	<u>Net income</u> Average Equity during the period	<b>19.7</b>	3.4%

The Company does not foresee any cash flow or liquidity problems over the next twelve months. Of the ₱5,792.8 million in Company's loans payable as of December 31, 2013, ₱200.5 million are comprised of short-term bank borrowings that have historically been mostly renewed or rolled-over, with Belle paying only the interest. The balance of ₱4,000.0 million comprises of ABLGI Advance which the terms and repayment periods of the ABLGI advances will be determined upon the signing of the implementing agreement. As of December 31, 2013, the Company and ABLGI have not yet finalized its implementing agreement. Belle anticipates increases in its cash flow during 2014 arising from higher income from the lease agreement with MCE, and the opening of City of Dreams Manila, expected during the first quarter of 2014. Moreover, Belle also has a number of revenue-generating real estate projects in the pipeline to further enhance cash flow in the future. The Company continues to be in compliance with the terms of all of its debt obligations.

As of 31 December 2013, 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, the parties in Consortium (PLAI, Belle and MCE) are committed to invest a minimum of US \$1 billion ("Investment Commitment") into 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 other US\$350.0 million 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 (a maximum of up to US\$150 million) and the development costs of the infrastructures and facilities within the Project. The City of Dreams Manila integrated resort is expected to open in the 4th quarter of 2014. As agreed in the Cooperation Agreement between Belle, PLAI and MCE, the US\$650 million minimum investment commitment upon opening will be shared 50-50 between Belle and MCE. As of December 31, 2013, Belle has a total investment of US\$281.9 million of the US\$325.0 million share in the investment commitment with PAGCOR. Belle funded, and will fund, its required capital expenditures from the cash proceeds raised from the September 2011 stock rights offering, internally-generated cash and loans.

- Any Known Trends, Events or Uncertainties (Material Impact on Sales)
- Any Significant Elements of Income or Loss (from continuing operations). Refer to Management Discussion and Analysis Operating Performance and Financial Condition.

## 2016 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.

Residential projects in Tagaytay City are completed and turned over to its buyers. Lakeside Fairways was introduced in April 2007 which consists of subdivision lots adjacent to 27 holes of the Tagaytay Midlands golf course in Talisay, Batangas. The construction of 9 additional holes for the Tagaytay Midlands golf course has been completed. The first seven clusters of Lakeside Fairways (Kew Gardens, Terrazas de Alava, Lakeside Enclave, Tivoli Place, Cotswold, Katsura and Yume) and Greenlands residential projects namely Plantation Hills, The Parks, The Verandas and Fairfield at Saratoga Hills are fully-completed. Nobhill at Saratoga Hills is 99% complete and commenced lot turnover to buyers in 2015. Sycamore Heights, located at Lakeside Fairways, which has more than 25 hectares in developable area comprising 329 lots is 92% complete as of December 31, 2015.

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 (1) kilometer away from the Mall of Asia complex. On October 25, 2012, Belle and PLAI signed a Cooperation Agreement with MCE 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 MCE will be the developer and operator of all facilities within the resort complex through its Philippine subsidiary, Melco Crown (Philippines) Resorts Corporation ("MCP"). MCE 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, a Crown hotel, a Grand Hyatt hotel, a Hard Rock hotel, and an upscale retail operation, along with a mix of bars and restaurants that draw large crowds from Hong Kong and China. MCE is building its second integrated resort in Macau, to be called "Studio City". On October 9, 2013, MCP announced the use of the name of MCE's flagship Macau resort to brand the integrated resort as "City of Dreams Manila", and later announced Crown Towers, 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 (2) hectares of gaming space, more than two (2) hectares of retail and restaurant facilities, more than nine hundred (900) high-quality hotel rooms and various entertainment facilities. It is currently allowed to operate a maximum of approximately three hundred eighty (380) gaming tables, one thousand six hundred and eighty (1,680) slot machines and one thousand six hundred and eighty (1,680) electronic table games.

Belle and MCE estimate combined investment costs, including the estimated value of land used for the project, at approximately US\$1.3 billion as of December 31, 2015. 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 MCE 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, 2015, owns 100% of the capital stock of PLAI and 50.1% of the capital stock of Pacific Online. PLAI is a co-licensee with Belle and MCP under the PAGCOR license for City of Dreams Manila, and is entitled to a share of gaming earnings therefrom through an Operating Agreement with MCE. 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.

## **Item 7. Financial Statements**

Please see attached consolidated financial statements and schedules listed in the accompanying Index to Financial Statements and Supplementary Schedules.

## **Item 8. Changes in and Disagreement with Accountants on Accounting and Financial Disclosure**

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 or any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure.

### **Independent Public Accountants, External Audit Fees and Services**

SyCip Gorres Velayo & Co. ("SGV"), the Company's external auditors for the current year. The same external auditor will be recommended for re-appointment at the scheduled stockholder's meeting. Representatives of SGV are expected to be present at the Annual Meeting to respond to appropriate questions and will be given the opportunity to make a statement if they so desire.

Over the past five (5) years, there was no event where SGV and the Company had any disagreement with regard to any matter relating to accounting principles or practices, disclosure of financial statements or auditing scope or procedure.

In Compliance with the SEC Memorandum Circular No. 8 Series of 2003, Mr. Juanito A. Fullecido was assigned in 2007 as SGV's engagement partner for the Company, his assignment has ended after 2008-2009 audit engagement. SGV appointed Mr. Roel E. Lucas as the engagement partner for the Company from 2010-2011. In 2013 and 2012, SGV appointed Ms. Clairma T. Mangangay as the engagement partner for the Company. In 2014, SGV appointed Ms. Marydith C. Miguel as the engagement partner for the Company. In 2015, SGV appointed Ramon R. Dizon as the engagement partner for the Company.

Belle paid SGV audit fees of P1.1 million for external financial audit services for 2015, and P1.0 million for 2014.



For each of the last 2 fiscal years, SGV did not render services for tax accounting, planning, compliance, advice, or any other professional services for which it billed the Company the corresponding professional fees.

The Audit Committee recommends to the Board of Directors the appointment of the external auditors. The Board of Directors and the stockholders approve the Audit Committee's recommendation. The Executive Committee approves the audit fees as recommended by the Management Committee.

## **PART III CONTROL AND COMPENSATION INFORMATION**

### **Item 9. Directors and Executive Officers of the Registrant**

#### **(1) Directors and Executive Officers**

The names and ages of all the incumbent Directors, elected on April 27, 2015 during the Annual Stockholders' Meeting and are to serve for a term of one (1) year until their successors shall have been duly elected and qualified, and the Executive Officers are:

##### **Directors:**

	<b>Name</b>	<b>Citizenship</b>	<b>Age as of 12.31.2015</b>	<b>Position</b>
1	Benito Tan Guat	Filipino	85	Chairman
2	Willy N. Ocier	Filipino	59	Vice Chairman
3	Elizabeth Anne C. Uychaco	Filipino	60	Vice Chairman
4	Frederic C. DyBuncio	Filipino	56	Director / President
5	Emilio De Quiros Jr.	Filipino	67	Director
6	Gregorio Kilayko	Filipino	60	Director (Independent)
7	Jacinto C. Ng, Jr.	Filipino	46	Director
8	Jose T. Sio	Filipino	76	Director
9	Washington Z. Sycip	American	94	Director (Independent)
10	Virginia A. Yap	Filipino	64	Director
11	Cesar E.A. Virata	Filipino	85	Director (Independent)

##### **Executive Officers:**

	<b>Name</b>	<b>Citizenship</b>	<b>Age as of 12.31.2015</b>	<b>Position</b>
1	Frederic C. DyBuncio	Filipino	56	President and CEO
2	Manuel A. Gana	Filipino	58	EVP and CFO
3	Armin Raquel A. Santos	Filipino	48	EVP for Integrated Resorts
4	Ian Jason Aguirre*	Filipino	42	SVP and Chief Operating Officer
5	Rudy Aninipot**	Filipino	59	VP for Property Management
6	Michelle T. Hernandez	Filipino	44	VP for Governance and Corporate Affairs
7	Nancy O. Hui	Filipino	57	VP for Administration and EA to the Chairman VP for Real Estate Permits, External Relations and Project Management
8	Rogelio Robang	Filipino	55	
9	Zenia K. Sy	Filipino	54	VP for Sales
10	A. Bayani K. Tan	Filipino	60	Corporate Secretary
11	Arthur Sy	Filipino	46	Asst. Corporate Secretary

\* Appointed Senior Vice President and Chief Operating Officer on March 06, 2015

\*\*Retired as of June 30, 2015

## **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 years.

### **Benito Tan Guat**

Mr. Tan Guat, 85, is the Chairman of the Company. He is also the Chairman and President of Eastern Securities Development Corporation.

### **Willy N. Ocier**

Mr. Ocier, 59, is one of the two Co-Vice Chairpersons of Belle Corporation. He has been a Vice Chairman of the Company's Board of Directors and Chairman of the Company's Executive Committee since June 1999. His positions with associated companies are as follows: Chairman and President of Pacific Online Systems Corporation; Chairman of the Board and a Director of APC Group, Inc., Premium Leisure Corp., and Premium Leisure and Amusement, Inc.; Chairman of Tagaytay Midlands Golf Club, Inc., The Country Club at Tagaytay Highlands, Inc. and The Spa and Lodge Inc.; and Vice Chairman of Tagaytay Highlands International Golf Club, Inc. Mr. Ocier also sits as a Director of the following unaffiliated corporations: Leisure and Resorts World Corporation, IVantage Equities, Leisure and Resorts World Corporation, Philippine Global Communications, Inc. and Toyota Corporation Batangas. He was formerly President and Chief Operating Officer of Eastern Securities Development Corporation. He graduated from Ateneo de Manila University with a Bachelor of Arts degree in Economics.

### **Elizabeth Anne C. Uychaco**

Ms. Uychaco, 60, is one of the two Co-Vice Chairpersons of Belle Corporation. She is also Senior Vice President of SM Investments Corp., and a Director of Megawide Construction Corporation, Republic Glass Holdings Corp., and Generali Pilipinas Holding Company, Inc. She was formerly Senior Vice President and Chief Marketing Officer of Philippine American Life and General Insurance Company and Board Director of Philam Call Center. Prior to that, she was Vice President of Globe Telecom, Inc., Kuok Philippine Properties, Inc. and Transnational Diversified Corp. 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 Pacific in 1988 and a Master's Degree in Business Administration from the Ateneo Business School in 1992.

### **Frederic C. DyBuncio**

Mr. DyBuncio, 56, is the President, Chief Executive Officer and Director of Belle Corporation and its subsidiary Premium Leisure Corp. Concurrently, he is the Executive Vice President of SM Investments Corporation. He is a Director of Atlas Consolidated Mining and Development Corporation, Tagaytay Highlands International Golf Club, Inc., and Pacific Online Systems Corporation. Prior to holding the post, he was a career banker who spent over 20 years with JP Morgan Chase and its predecessor institutions. He graduated from Ateneo de Manila University with a Bachelor of Science degree in Business Management and finished a Master's degree in Business Administration program at Asian Institute of Management.

### **Emilio De Quiros, Jr.**

Mr. De Quiros, 67, has served as a Director of the Company since September 21, 2010. He is currently the President and Chief Executive Officer of the Social Security System ("SSS"). He is also a Director of UnionBank of the Philippines and Philhealth Insurance Corporation. Prior to his appointment as President of SSS, he served as Executive Vice President of Bank of the Philippine Islands and President of Ayala Life Insurance Inc., Ayala Plans Inc. and BPI Bancassurance, Inc. He was also a director of ALFM Peso Mutual Fund, Inc., ALFM Dollar Mutual Fund, Inc., ALFM Euro Mutual Fund, Inc., ALFM Growth and Philippine Stock Index Fund. 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.

**Gregorio U. Kilayko\***

Mr. Kilayko, 60, is an Independent Director of the Company. He was founding head of ING Barings' stockbrokerage and investment banking business in the Philippines, and a Philippine Stock Exchange Governor in 1996 and 2000. Mr. Kilayko holds a Master of Business Administration degree from the Wharton School of the University of Pennsylvania.

**Jacinto C. Ng, Jr.**

Mr. Ng, 46, is a Director of the Company and concurrently a Director and Treasurer of Republic Biscuit Corporation and the Chief Executive Officer of Elanvital Enclaves, Inc. Mr. Ng is also a Director of the following companies: Asia United Insurance Corporation, Highlands Prime, Inc., Manila Bay Development Corporation, Quantuvis Resources Corporation and Palm Concepcion Power Corporation. He holds a Bachelor of Science degree in Architecture from the University of the Philippines.

**Jose T. Sio**

Mr. Jose T. Sio, 76, is a Certified Public Accountant and obtained his Master's degree in Business Administration (MBA) from New York University, USA. Mr. Sio is a Director, Executive Vice President and Chief Finance Officer of SM Investments Corporation. He is also a member of the Board of Directors of the following companies listed in the Philippine Stock Exchange (PSE): (i) China Banking Corporation; (ii) Atlas Consolidated Mining and Development Corporation; and Adviser to the Board of Directors of BDO Unibank, Inc. and Premium Leisure Corporation. He is a member of the Audit and Risk Committee of SM Prime Holdings, Inc. Mr. Sio also serves as Director of the following companies not listed in the PSE: (i) OCLP (Ortigas) Holdings, Inc.; (ii) SM Keppel Land, Inc.; (iii) Carmen Copper Corporation; (iv) First Asia Realty Development Corporation; (v) Manila North Tollways Corporation; and (vi) Asia Pacific College. He is the President of SM Foundation, Inc. and GlobalFund Holdings, Inc. Mr. Sio was a Senior Partner of Sycip Gorres Velayo & Co. (SGV) from 1977 to 1990. He was voted as CFO of the Year in 2009 by the Financial Executives Institute of the Philippines (FINEX). He was also awarded as Best CFO (Philippines) in various years by Hong Kong-based business publications such as Alpha Southeast Asia, Corporate Governance Asia, Finance Asia and The Asset.

**Washington Z. SyCip\***

Mr. SyCip, 94, is an Independent Director of the Company. He is the founder of The SGV & Co., an auditing and management consulting group with operations throughout East Asia. He is the Chairman Emeritus of the Board of Trustees and Board of Governors of the Asian Institute of Management; a Member of the Board of Overseers of Columbia University Graduate School of Business, New York; the Honorary Chairman of Euro-Asia Centre, INSEAD, Fontainebleau, France since 1989; a Member of the International Advisory Board, Council on Foreign Relations, New York; and an Honorary Life Trustee of the Asia Society, New York. Mr. SyCip is a Director of a number of major corporations in the Philippines and other parts of the world.

**Cesar E. A. Virata\***

Mr. Virata, 85, is an Independent Director of the Company. He is the President and Principal Consultant of C. Virata & Associates, Inc. Management Consultants. 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. Mr. Virata was formerly the 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.

## **Virginia A. Yap**

Ms. Yap is a Director of the Company. She is also a member of the Company's Executive and Nomination Committees. Ms. Yap holds key positions in the SM Group of Companies including being Treasurer of SM Development Corporation, and Vice President – Office of the Chairman of the Board of Directors of SM Investments Corporation, SM Land, Inc. (formerly Shoemart, Inc.) and SM Retail Inc. She holds a Bachelor of Science in Commerce (Major in Accounting) degree from the University of Mindanao. She has been connected with the SM Group of Companies for the last twenty eight years.

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 Committee, composed of Messrs. Washington Z. SyCip (Chairman), Cesar E.A. Virata and Ms. Virginia A. Yap, 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).

*NOTE: The Nomination Committee was initially composed of Messrs. Washington Z. SyCip (Chairman), Willy N. Ocier, Jose T. Sio and Ms. Virginia A. Yap. At the Board of Directors' meeting on 30 October 2015, Messrs. Willy N. Ocier and Mr. Jose T. Sio ceased being members, while Mr. Cesar E.A. Virata was appointed as new member, of the Nomination Committee.*

*\* Independent Director – the Company has complied with the Guidelines set forth by SRC (Securities Regulation Code) Rule 38 regarding the Nomination and Election of Independent Director. The Company's By-Laws incorporate the procedures for the nomination and election of independent director/s in accordance with the requirements of the said Rule.*

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 of Ethics, Insider Trading Policy and Corporate Governance Manual.

All directors are also encouraged to participate in continuing education programs 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**

### **Frederic C. DyBuncio**

Mr. DyBuncio is the President, Chief Executive Officer and Director of Belle Corporation and its subsidiary Premium Leisure Corp. Concurrently, he is the Executive Vice President of SM Investments Corporation. He is a Director of Atlas Consolidated Mining and Development Corporation, Tagaytay Highlands International Golf Club, Inc., and Pacific Online Systems Corporation. Prior to holding the post, he was a career banker who spent over 20 years with JP Morgan Chase and its predecessor institutions. He graduated from Ateneo de Manila University with a Bachelor of Science degree in Business Management and finished a Master's degree in Business Administration program at Asian Institute of Management.

### **Armin B. Raquel-Santos**

Mr. Raquel-Santos is concurrently Executive Vice President – Integrated Resorts of Belle Corporation and Executive Vice President and Chief Operating Officer of Premium Leisure and Amusement, Inc. He is also a Director of Tagaytay Highlands International Golf Club, Inc., and a member of the Board of Trustees of Melco Crown Philippines Foundation Corporation. Formerly, he was Chief Financial Officer of Aboitizland, he also served in various government positions including as Governor of the Board of Investments, Vice Chairman and CEO of the Philippine Retirement Authority, Executive Vice President of the Philippine International Trading Corporation, Deputy Administrator of Subic Bay Metropolitan Authority and Assistant Secretary for the Department of Trade and Industry. Mr. Raquel-Santos holds a Bachelor of Science degree

in Business Administration major in Finance from Iona College (USA) and a Master of Arts degree in Liberal Studies from Dartmouth College (USA).

**Manuel A. Gana**

Mr. Gana is the Executive Vice President and Chief Financial Officer of the Company. 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, which was then a subsidiary of Sinophil Corporation (now called Premium Leisure Corporation), a subsidiary of Belle. He is a Director of Tagaytay Highlands International Golf Club, Inc. and Woodland Development Corporation. 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.

**Ian Jason R. Aguirre**

Mr. Aguirre was appointed as the Chief Operating Officer of the Company effective March 6, 2015. Mr. Aguirre is concurrently a Vice President of SM Investments Corporation ("SMIC"). He has worked in various management positions over a 16-year career that included local and international experience in strategic planning, operations and business development. His last stint prior to joining SMIC was as a Director for CEMEX Asia Pte. Ltd.. Mr. Aguirre holds a Bachelor of Science degree in Industrial Engineering from the University of the Philippines and a Master's degree in Business Management from the Asian Institute of Management.

**Rudy P. Aninipot\***

Mr. Aninipot is the Vice President for Property Management and responsible for the efficient and effective operation and maintenance of buildings, infrastructures and facilities in Tagaytay Highlands, Tagaytay Midlands and The Greenlands. He joined Belle in 1995 as Assistant Vice President for Engineering. Prior to joining Belle, Mr. Aninipot held key positions in Shangri-La's EDSA Plaza Hotel, Mandarin Oriental and San Miguel Corporation. He also had previous work experience in the Middle East (Saudi Arabia and Yemen). A professional electrical engineer, Mr. Aninipot holds a degree in Electrical Engineering from the Mapua Institute of Technology.

*\* Retired as of June 30, 2015*

**Michelle T. Hernandez**

Michelle Angeli T. Hernandez is the Vice President for Governance and Corporate Affairs of the Company, 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.

**Nancy O. Hui**

Ms. Hui is the Vice President for Administration and Executive Assistant to the Chairman. 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 is the Vice President for Real Estate Permits, External Relations and Project Management. 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 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.

### **Zenia K. Sy**

Ms. Sy has had 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 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.

### **A. Bayani K. Tan**

Mr. A. Bayani K. Tan, 60, Filipino, is the Corporate Secretary of the Corporation (since May 1994, Publicly-Listed). He is also a Director, Corporate Secretary or both of the following reporting and/or listed companies: Asia United Bank Corporation (since February 2014 as Corporate Secretary, since June 2014 as Director\*, Publicly-Listed), Coal Asia Holdings, Inc. (since July 2012, Publicly-Listed), Destiny Financial Plans, Inc. (since 2003), Discovery World Corporation (since March 2013 as Director, since July 2003 as Corporate Secretary, Publicly-Listed), First Abacus Financial Holdings Corp. (since May 1994, Publicly Listed), I-Remit, Inc. (since May 2007, Publicly-Listed), Pacific Online Systems Corporation (since May 2007, Publicly-Listed), Philequity Balanced Fund, Inc. (since March 2010), Philequity Dividend Yield Fund, Inc. (since January 2013), Philequity Dollar Income Fund, Inc. (since March 1999), Philequity Foreign Currency Fixed Income Fund, Inc. (since March 2010), Philequity Fund, Inc. (since June 1997), Philequity Peso Bond Fund, Inc. (since June 2000), Philequity PSE Index Fund, Inc. (since February 1999), Philequity Resources Fund, Inc. (since March 2010), Philequity Strategic Growth Fund, Inc. (since April 2008), Premium Leisure Corp. (since December 1993 as Director and until April 2015 as Corporate Secretary, Publicly-Listed), TKC Metals Corporation (since February 2007, Publicly-Listed), Tagaytay Highlands International Golf Club, Inc. (since November 1993), Tagaytay Midlands Golf Club, Inc. (since June 1997), The Country Club at Tagaytay Highlands, Inc. (since August 1995), The Spa and Lodge at Tagaytay Highlands, Inc. (since December 1999) and Vantage Equities, Inc. (since January 1993, Publicly-Listed). Mr. Tan is also a Director and the Corporate Secretary of Sterling Bank of Asia Inc. (since December 2006). He is the Managing Partner of the law offices of Tan Venturanza Valdez (since it was established in 1988), Managing Director/President of Shamrock Development Corporation (since May 1988), Director of Destiny LendFund, Inc. (since December 2005) and Pascual Laboratories, Inc. (since March 2014), President of Catarman Chamber Elementary School Foundation, Inc. (since August 2012), Managing Trustee of SCTan Foundation, Inc. (since 1986), Trustee and Treasurer of Rebisco Foundation, Inc. (since April 2013) and Trustee and Corporate Secretary of St. Scholastica's Hospital, Inc. (since February 2011).

Mr. 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. Mr. Tan passed the bar examinations in 1981 where he placed sixth. He has a Bachelor of Arts major in Political Science degree from the San Beda College (Class of 1976) from where he graduated Class Valedictorian and was awarded the medal for Academic Excellence.

*\* As approved by Bangko Sentral ng Pilipinas on December 29, 2014*

## Arthur A. Sy

Arthur A. Sy is the Assistant Corporate Secretary of the Company. He is also the 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. He has been with the SM Group for the last 18 years.

## Period of Officership

	<b>Name</b>	<b>Office</b>	<b>Period Served</b>
1	Frederic C. DyBuncio	President and CEO	From April 2013 – Present
2	Manuel A. Gana	EVP and CFO	From July 1997 to Present
3	Armin Raquel A. Santos	EVP - Integrated Resorts	From September 2011 to Present
4	Ian Jason R. Aguirre	SVP - Chief Operating Officer	From March 2015 to Present
5	Rudy P. Aninipot	VP for Property Management	From October 1995 to June 30, 2015
6	Michelle T. Hernandez	VP for Governance and Corporate Affairs	From April 1996 to Present
7	Nancy O. Hui	VP for Administration and Executive Assistant to the Chairman	From June 2001 to Present
8	Rogelio I. Robang	VP for Real Estate Permits, External Relations & Project Management	From January 2002 to Present
9	Zenia K. Sy	VP for Sales	From February 2012 to Present
10	A. Bayani K. Tan	Corporate Secretary	From May 1994 to Present
11	Arthur A. Sy	Asst. Corporate Secretary	From April 2010 to Present

## Directorships in Other Publicly Listed Companies:

The following are directorships held by Directors and Officers in other reporting companies in the last five years:

<b>Director's Name</b>	<b>Name of Listed Company</b>	<b>Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.</b>
Willy N. Ocier	Leisure & Resorts World Corp.	Non-Executive Director
	Vantage Equities, Inc.	Non-Executive Director
Emilio S. De Quiros, Jr.	Union Bank of the Philippines	Non-Executive Director
Gregorio U. Kilayko	Vantage Equities, Inc.	Independent Director
Washington Z. SyCip	Cityland Development Corporation	Non-Executive Director (Chairman)
	Century Properties Group, Inc.	Independent Director
	First Philippine Holdings Corporation	Independent Director

<b>Director's Name</b>	<b>Name of Listed Company</b>	<b>Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.</b>
Washington Z. SyCip	First Philippine Holdings Corporation	Independent Director
	MacroAsia Corporation	Non-Executive Director (Chairman)
	Metro Pacific Investments Corporation	Independent Director
	Philippine National Bank	Non-Executive Director
	PHINMA Group	Independent Director
Cesar E.A. Virata	Rizal Commercial Banking Corporation	Non-Exec Director (Vice-Chairman)
	Lopez Holdings Corporation	Independent Director
Atty. A. Bayani K. Tan	Asia United Bank Corporation	Non-Executive Director
	Coal Asia Holdings, Inc.	Non-Executive Director
	Discovery World Corporation	Non-Executive Director
	First Abacus Financial Holdings Corp.	Non-Executive Director
	I-Remit, Inc.	Non-Executive Director
	TKC Metals Corporation	Non-Executive Director

**(2) Significant Employees**

There are no other significant employees.

**(3) Family Relationships**

Mr. Benito Tan Guat, Chairman, Mr. Willy N. Ocier, Vice Chairman, and Ms. Nancy O. Hui, Vice President for Administration and Executive Assistant to the Chairman are related to the first degree of consanguinity.

**(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, an incumbent Director and 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 motion for reconsideration for which reason, among others, the OCP denied 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.

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)

Name and Principal Position	Year	Salary	Benefits	Other Annual Compensation
Willy N. Ocier Vice Chairman				
Frederic C. DyBuncio President & Chief Executive Officer				
Armin B. Raquel-Santos Executive Vice President – Integrated Resorts				
Manuel A. Gana Executive Vice President and Chief Financial Officer				
Jason Ian R. Aguirre* Senior Vice President and Chief Operating Officer				
Rudy P. Aninipot** Vice President for Property Management				
Zenia K. Sy Vice President - Sales				
Michelle T. Hernandez Vice President for Sales Administration				
Nancy O. Hui Vice President and Executive Assistant to The Chairman				
Rogelio I. Robang Vice President for Real Estate Permits, External Relations and Project Management				

\* Effective March 6, 2015.

\*\* Retired as of June 30, 2015

Name	Position	Year	Salary	Bonus	Other Annual Compensation
Frederic C. DyBuncio	CEO and President				
Armin B. Raquel-Santos	EVP - Integrated Resorts				
Manuel A. Gana	EVP and CFO				
Rudy A. Aninipot*	VP Property Management				
Rogelio I. Robang	VP - Proj. Mgt & External Affairs				
President and 4 Most Highly Compensated Executive Officers		2016(Estimate)	32,235,520	2,484,470	-
		2015	30,410,868	2,343,840	-
		2014	26,676,200	2,056,000	-
All other officers and Directors		2016(Estimate)	25,187,890	2,098,991	-
as a group unnamed		2015	23,762,160	1,980,180	-
		2014	20,844,000	1,737,000	-

### Compensation of Directors

All independent directors get a per diem of P50,000 each while other directors get a per diem of P10,000 each per meeting. Apart from these per diems, the directors do not receive regular annual salaries from the Company.

As of December 31, 2015, 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.

### Warrants and Options Outstanding

There were no outstanding warrants held by directors and officers as of December 31, 2015.

### Options

There are no option grants outstanding held by directors and officers as of December 31, 2015.

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.

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

### (1) Security Ownership of Certain Record and Beneficial Owners

The following persons or group 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 31 December 2015:

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	PCD Nominee Corporation <sup>(2)</sup> G/F Makati Stock Exchange 6767 Ayala Avenue, Makati City	(see footnote 1)	Filipino	4,400,911,269	41.671
Common	PCD Nominee Corporation <sup>(2)</sup> G/F Makati Stock Exchange 6767 Ayala Avenue, Makati City	(see footnote 1)	Others	2,239,786,664	21.208
Common	Sysmart Corporation <sup>(3)</sup> MakatiStockExchangeBuilding Ayala Avenue, Makati City	Sysmart Corporation (see footnote 3)	Filipino	1,515,413,802	14.349
Common	SM Development Corporation <sup>(3)</sup> Makati Stock Exchange Building Ayala Avenue, Makati City	SM Development Corporation (see footnote 3)	Filipino	643,498,560	6.093

- <sup>(1)</sup> 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 own more than 5% of the Company's outstanding capital are as follows:
- I. BDO Securities Corporation – with ownership of 2,814,064,466 shares or 26.65%
  - II. Citibank N.A. – with ownership of 1,167,194,498 shares or 11.05%
  - III. Hong Kong Shanghai Banking Corporation Limited– Clients' Account with ownership of 945,248,118 shares or 8.95%.

- <sup>(2)</sup> Mr. Henry Sy, Sr. is the single largest shareholder of Sysmart Corporation and SM Development Corporation.

The shares held by Sysmart Corporation, SM Development Corporation, BDO Securities Corporation, Citibank N.A., Hong Kong Shanghai Banking Corp.-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 4 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 31 December 2015:

Title of Class	Name and Citizenship	Amount and nature of beneficial ownership		Percent of Class
Common	Benito Tan Guat (Filipino)	10,020,000	Direct	0.095
Common	Willy N. Ocier (Filipino)	42,197,702	Direct	0.401
Common	Virginia A. Yap (Filipino)	110,000	Direct	0.001
Common	Washington Z. SyCip (American)	2,728,334	Direct	0.026
Common	Gregorio U. Kilayko (Filipino)	1	Direct	0.000
Common	Cesar E. A. Virata (Filipino)	1	Direct	0.000
Common	Emilio De Quiros, Jr. (Filipino)	1	Direct	0.000
Common	Jacinto C. Ng, Jr. (Filipino)	135,860,666	Direct	1.292
Common	Jose T. Sio (Filipino)	1,000	Direct	0.000
Common	Elizabeth Anne C. Uychaco (Filipino)	1,000	Direct	0.000
Common	Frederic C. DyBuncio (Filipino)*	100	Direct	0.000
Common	Manuel A. Gana (Filipino)	0	Direct	0.000
Common	Ian Jason R. Aguirre (Filipino)	19,000	Direct	0.000
Common	Nancy O. Hui (Filipino)	1,500,000	Direct	0.014
Common	Rudy P. Aninipot (Filipino)	0	Direct	0.000
Common	Rogelio I. Robang (Filipino)	20,000	Direct	0.000
Common	Michelle T. Hernandez (Filipino)	0	Direct	0.000
Common	Zenia K. Sy (Filipino)	0	Direct	0.000
Common	A. Bayani K. Tan (Filipino)	347,341	Direct	0.003
Common	Arthur A. Sy (Filipino)	0	Direct	0.0000
Common	All directors and executive officers as a group	192,805,146		1.833

## (3) Voting Trust Holders of 5% or More

There is no party holding any voting trust for 5% or more of Belle's voting securities.

## (4) Changes in Control

There is no arrangement which may result in a change in control of Belle.

## Item 12. Certain Relationship and Related Transactions

No director or executive officer or any member of their immediate family has, during the last two years, had a direct or indirect, material interest in a transaction or proposed transaction to which the Company was a party.

## **PART IV - CORPORATE GOVERNANCE**

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

In compliance with the initiative of the Securities and Exchange Commission ("SEC") under Memorandum Circular No. 2, Series of 2002, Belle, on August 30, 2002, submitted its Corporate Governance Manual (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.

Even prior to the submission of its Manual, the Company, during its Stockholders' Meeting on August 22, 2002, created various Board level committees. These committees were comprised of an Executive Committee, a Nomination Committee for selection and evaluation of qualifications of directors and officers, a Compensation and Remuneration Committee to look into an appropriate remuneration system, and an Audit Committee to review financial and accounting matters. A Compliance Officer was also appointed on that date. Members of various committees are expected to serve for a term of one (1) year. On January 1, 2003, the Company formally adopted the Manual. Appointment of members of various board committees for the period 2013–2014 was held on April 22, 2013 during the Company's stockholders meeting. The Company submits its Corporate Governance Self-Rating reports to the SEC and PSE as proof of its compliance with the leading practices and principles on good corporate governance.

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 of Corporate Governance, by any of its officers or employees.

Refer to Annex A for Corporate Governance Report

## PART V - EXHIBITS AND SCHEDULES

### Item 13. Exhibits and Reports on SEC Form 17-C

#### a. Exhibits

The following exhibit is filed as a separate section of this report:

Subsidiaries of the Registrant

The other exhibits are either not applicable to the Registrant or require no answer.

#### b. Reports on SEC Form 17-C

DOCUMENT	DATE FILED	ITEM NO	MATTER
17C dated 28 April 2015	28 April 2015	4 & 9	Results of 2015 Annual Stockholders' Meeting
17C dated 8 June 2015	9 June 2015	9	Share Buy Back Transaction on 5 June 2015
17C dated 9 June 2015	9 June 2015	9	Share Buy Back Transaction on 8 June 2015
17C dated 11 June 2015	15 June 2015	9	Share Buy Back Transaction on 9 June 2015 and 10 June 2015
17C dated 15 June 2015	16 June 2015	9	Share Buy Back Transaction on 11 June 2015
17C dated 16 June 2015	17 June 2015	9	Share Buy Back Transaction on 15 June 2015
17C dated 17 June 2015	18 June 2015	9	Share Buy Back Transaction on 16 June 2015
17C dated 18 June 2015	19 June 2015	9	Share Buy Back Transaction on 17 June 2015
17C dated 23 June 2015	24 June 2015	9	Share Buy Back Transaction on 22 June 2015
17C dated 24 June 2015	29 June 2015	9	Share Buy Back Transaction on 23 June 2015
17C dated 26 June 2015	29 June 2015	9	Share Buy Back Transaction on 25 June 2015
17C dated 30 June 2015	1 July 2015	9	Share Buy Back Transaction on 26 June 2015 and 29 June 2015
17C dated 10 August 2015	11 August 2015	9	Sale of Pacific Online Systems Corp. shares to Premium Leisure Corp.
17C dated 19 August 2015	20 August 2015	9	Share Buy Back Transaction on 18 August 2015
17C dated 19 August 2015	20 August 2015	9	Amendments to results of the organizational meeting of the Board of Directors on 27 April 2015
17C dated 24 August 2015	25 August 2015	9	Share Buy Back Transaction on 20 August 2015
17C dated 25 August 2015	26 August 2015	9	Share Buy Back Transaction on 24 August 2015

<b>DOCUMENT</b>	<b>DATE FILED</b>	<b>ITEM NO</b>	<b>MATTER</b>
17C dated 26 August 2015	28 August 2015	9	Share Buy Back Transaction on 25 August 2015
17C dated 27 August 2015	28 August 2015	9	Share Buy Back Transaction on 26 August 2015
17C dated 28 August 2015	1 September 2015	9	Share Buy Back Transaction on 27 August 2015
17C dated 1 September 2015	2 September 2015	9	Share Buy Back Transaction on 28 August 2015
17C dated 2 September 2015	3 September 2015	9	Share Buy Back Transaction on 1 September 2015
17C dated 7 September 2015	7 September 2015	9	Share Buy Back Transaction on 2 September 2015 and 3 September 2015
17C dated 14 September 2015	16 September 2015	9	Share Buy Back Transaction on 11 September 2015
17C dated 15 September 2015	16 September 2015	9	Share Buy Back Transaction on 14 September 2015
17C dated 16 September 2015	18 September 2015	9	Share Buy Back Transaction on 15 September 2015
17C dated 17 September 2015	18 September 2015	9	Share Buy Back Transaction on 16 September 2015
17C dated 18 September 2015	22 September 2015	9	Share Buy Back Transaction on 17 September 2015
17C dated 21 September 2015	22 September 2015	9	Share Buy Back Transaction on 18 September 2015
17C dated 22 September 2015	28 September 2015	9	Share Buy Back Transaction on 21 September 2015
17C dated 23 September 2015	28 September 2015	9	Share Buy Back Transaction on 22 September 2015
17C dated 28 September 2015	2 October 2015	9	Share Buy Back Transaction on 24 September 2015
17C dated 29 September 2015	2 October 2015	9	Share Buy Back Transaction on 28 September 2015
17C dated 30 September 2015	2 October 2015	9	Share Buy Back Transaction on 29 September 2015
17C dated 1 October 2015	5 October 2015	9	Share Buy Back Transaction on 30 September 2015
17C dated 5 October 2015	7 October 2015	9	Share Buy Back Transaction on 2 October 2015
17C dated 6 October 2015	7 October 2015	9	Share Buy Back Transaction on 5 October 2015
17C dated 7 October 2015	12 October 2015	9	Share Buy Back Transaction on 6 October 2015
17C dated 8 October 2015	12 October 2015	9	Share Buy Back Transaction on 7 October 2015
17C dated 9 October 2015	13 October 2015	9	Share Buy Back Transaction on 8 October 2015
17C dated 12 October 2015	13 October 2015	9	Share Buy Back Transaction on 9 October 2015
17C dated 14 October 2015	16 October 2015	9	Share Buy Back Transaction on 13 October 2015
17C dated 4 November 2015	4 November 2015	9	New Members of the various Board Committees

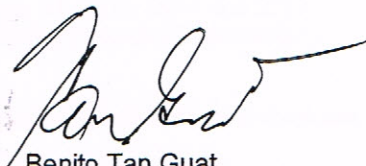
<b>DOCUMENT</b>	<b>DATE FILED</b>	<b>ITEM NO</b>	<b>MATTER</b>
17C dated 28 December 2015	28 December 2015	9	Share Buy Back Transaction on 22 December 2015
17C dated 28 December 2015	28 December 2015	9	Share Buy Back Transaction on 23 December 2015

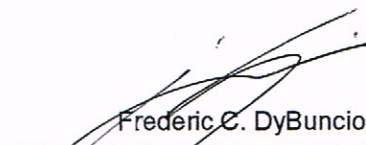


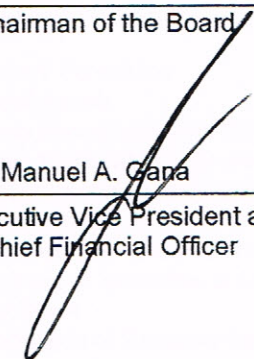
## SIGNATURES

Pursuant to the requirements of Section 17 of the Securities Regulation Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Pasay on \_\_\_\_\_.

By:

  
Benito Tan Guat  
Chairman of the Board

  
Frederic C. DyBuncio  
President and Chief Executive Officer

  
Manuel A. Gana  
Executive Vice President and  
Chief Financial Officer

  
A. Bayani K. Tan  
Corporate Secretary

MAR 10 2016

SUBSCRIBED AND SWORN to before me this \_\_\_\_th day of \_\_\_\_\_ 2016 affiants exhibiting to me their Community Tax Certificates, as follows:

NAME	COMMUNITY TAX CERTIFICATE NO./TIN	DATE OF ISSUE	PLACE OF ISSUE
------	--------------------------------------	---------------	----------------

MAR 10 2016

SUBSCRIBED AND SWORN to before me this \_\_\_\_th day of \_\_\_\_\_ 2016 affiants exhibiting to me their Community Tax Certificates, as follows:

NAME	PASSPORT/ TIN No.	DATE OF ISSUE	PLACE OF ISSUE
Benito Tan Guat	Passport # EC1327276 TIN# 101-935-043	June 05, 2014	DFA Manila
Frederic C. DyBuncio	Passport # EC0634893 TIN# 103-432-824	March 22, 2014	DFA Manila
Manuel A. Gana	Passport # EB4684110 TIN# 906-105-409	February 10, 2012	DFA Manila
A. Bayani K. Tan	Passport#XX0650593 TIN# 102-054-041	June 6, 2012	DFA Manila

**BELLE CORPORATION**

**INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES**

**FORM 17-A, Item 7**

**Consolidated Financial Statements**

**Page No.**

Statement of Management's Responsibility for Financial Statements	)
Report of Independent Public Accountants	) see attached FS
Consolidated Balance Sheets as of December 31, 2015 and 2014	)
Consolidated Statements of Income for the years ended December 31, 2015, 2014 and 2013	)
Consolidated Statements of Changes in Equity for the years ended December 31, 2015, 2014 and 2013	)
Consolidated Statements of Cash Flows for the years ended December 31, 2015, 2014 and 2013	)
Notes to Consolidated Financial Statements	)

**Securities Regulation Code Rule 68 Schedules**

Report of Independent Public Accountants on Supplementary  
Schedules

- 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

SECURITIES AND EXCHANGE COMMISSION

SEC FORM – ACGR

ANNUAL CORPORATE GOVERNANCE REPORT

GENERAL INSTRUCTIONS

**(A) Use of Form ACGR**

This SEC Form shall be used to meet the requirements of the Revised Code of Corporate Governance.

**(B) Preparation of Report**

These general instructions are not to be filed with the report. The instructions to the various captions of the form shall not be omitted from the report as filed. The report shall contain the numbers and captions of all items. If any item is inapplicable or the answer thereto is in the *negative*, an appropriate statement to that effect shall be made. Provide an explanation on why the item does not apply to the company or on how the company's practice differs from the Code.

**(C) Signature and Filing of the Report**

- A. Three (3) complete set of the report shall be filed with the Main Office of the Commission.
- B. At least one complete copy of the report filed with the Commission shall be **manually** signed.
- C. All reports shall comply with the full disclosure requirements of the Securities Regulation Code.
- D. This report is required to be filed annually together with the company's annual report.

**(D) Filing an Amendment**

Any material change in the facts set forth in the report occurring within the year shall be reported through SEC Form 17-C. The cover page for the SEC Form 17-C shall indicate "Amendment to the ACGR".

# SECURITIES AND EXCHANGE COMMISSION

## SEC FORM – ACGR

### ANNUAL CORPORATE GOVERNANCE REPORT

1. Report is Filed for the Year **2015**
2. Exact Name of Registrant as Specified in its Charter **BELLE CORPORATION**
3. **5<sup>th</sup> Floor Tower A, Two E-Com Center, Palm Coast Avenue**  
**Mall of Asia Complex, CBP-1A, Pasay City, Metro Manila**  
Address of Principal Office 

**1300**

  
Postal Code
4. SEC Identification Number **52412**
5. (SEC Use Only)  
Industry Classification Code
6. BIR Tax Identification Number **000-156-011**
7. **(632) 662-8888**  
Issuer's Telephone number, including area code
8. **n.a.**  
Former name or former address, if changed from the last report

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## A. BOARD MATTERS

### 1) Board of Directors

Number of Directors per Articles of Incorporation	11
---	----

Actual number of Directors for the year	11
---	----

#### (a) Composition of the Board

Complete the table with information on the Board of Directors:

Director's Name	Type [Executive (ED), Non- Executive (NED) or Independent Director (ID)]	If nominee, identify the principal	Nominator in the last election (if ID, state the relationship with the nominator)	Date first elected	Date last elected <sup>1</sup> (if ID, state the number of years served as ID) <sup>2</sup>	Elected when (Annual /Special Meeting)	No. of years served as director
Benito Tan Guat	NED		A. Bayani K. Tan	6/24/1999	4/27/2015	Annual	16
Willy N. Ocier	ED		A. Bayani K. Tan	6/24/1999	4/27/2015	Annual	16
Elizabeth Anne C. Uychaco	NED	SM Group	A. Bayani K. Tan	12/23/2009	4/27/2015	Annual	6
Frederic C. DyBuncio	ED	SM Group	A. Bayani K. Tan	04/22/2013	4/27/2015	Annual	<2
Emilio S. De Quiros, Jr.	NED		A. Bayani K. Tan	10/28/2010	4/27/2015	Annual	5
Gregorio U. Kilayko	ID		Willy N. Ocier (not related)	2/5/2003	4/27/2015 (>3 years)	Annual	12
Jacinto C. Ng, Jr.	NED		A. Bayani K. Tan	8/7/2000	4/27/2015	Annual	15
Jose T. Sio	NED	SM Group	A. Bayani K. Tan	12/23/2009	4/27/2015	Annual	6
Washington Z. SyCip	ID		Jose T. Sio (not related)	5/20/1996	4/27/2015 (>3 years)	Annual	19
Virginia A. Yap	NED	SM Group	A. Bayani K. Tan	7/30/2010	4/27/2015	Annual	5
Cesar E. A. Virata	ID		Virginia A. Yap (not related)	5/20/1996	4/27/2015 (>3 years)	Annual	19

<sup>1</sup> Annual Stockholders' Meeting

<sup>2</sup> Reckoned from the election immediately following Jan. 2, 2012

- (b) Provide a brief summary of the corporate governance policy that the board of directors has adopted. Please emphasize the policy/ies relative to the treatment of all shareholders, respect for the rights of minority shareholders and of other stakeholders, disclosure duties, and board responsibilities.

The Board of Directors, management and staff of Belle Corporation commit themselves to an open governance process through which its shareholders may derive assurance that, in protecting and adding value to Belle's financial and human investment, the Company is being managed ethically, according to prudently determined risk perimeters, and striving to achieve local best practices. The Revised Manual on Corporate Governance, which the Audit Committee approved on 05 June 2014 and the Board of Directors ratified on 06 August 2014, institutionalizes the principles of good corporate governance in the entire Company. The same was also

submitted to the Securities and Exchange Commission and had been uploaded in the Company's website. Belle Corporation believes that corporate governance is of utmost importance to its shareholders, and will therefore undertake every effort possible to create awareness throughout the entire organization.

In addition, the Company's Code of Ethics which the Audit Committee approved on 26 July 2013 and the Board of Directors ratified on 29 July 2013 serves as a guiding principle for the Company's directors, officers and employees in the performance of their duties and responsibilities and in their transactions with investors, creditors, customers, contractors, suppliers, regulators and the public. The Code reflects the Company's mission, vision and core values. The salient provisions of the Code pertain to compliance and integrity, relationship with business partners, employee welfare, shareholder rights and protection of company information.

Some of the important provisions of the Code are as follows:

- All employees are required to immediately report to the Management all suspected or actual fraudulent or dishonest acts.
- Solicitation or acceptance of gifts in any form from any business partner is prohibited, except for gifts of nominal value.
- Any conflict of interest must be promptly disclosed to the Management.
- All employees are prohibited from disclosing vital business information, unless authorized by the Company or required by law.
- Insider trading is prohibited.
- Directors and key officers are required to disclose their dealings of company shares within three (3) business days.

Changes in policies and additional policies have been introduced in 2015 as follows:

- Payment of dividends to all shareholders of record within thirty (30) days from date of declaration of such dividend.
- Directors and key officers are required to disclose their dealings of company shares within three (3) business days.
- Adoption of Whistle-blowing and Protection from Retaliation Policy.
- Adoption of Accreditation of Vendor and Suppliers Process
- Inclusion of rationale for each agenda item that requires shareholders' approval will be provided as reflected in the notice to the Annual Stockholders' Meeting

The Company website is regularly updated for the benefit of the shareholders, stakeholders and the public. Copies of the policies and contact information of the responsible officers for investor relations and shareholders' concerns.

#### **Board of Directors**

Belle Corporation's commitment to the principles of good corporate governance emanate from the Board of Directors. In line with this commitment is the Board's primary responsibility to foster the long term success of the Company and secure its sustained competitiveness consistent with its fiduciary responsibility and in a manner that ensures the best interests of the Company, its shareholders and its stakeholders.

#### **Board Committees**

To help focus on specific corporate governance responsibilities, the Board created four (4) committees, namely the Compensation and Remuneration Committee, the Nomination Committee, the Audit Committee and the Risk Management Committee.

The Compensation and Remuneration Committee is tasked with the oversight of policies on salaries and benefits, as well as promotions and other forms of career



advancement. The Committee also reviews existing human resource policies to ensure the continued growth and development of the Company's workforce.

The Nomination Committee evaluates all candidates nominated to the Board in accordance with the requirements set forth by the Company's Revised Manual on Corporate Governance. The Committee ensures that those nominated to the Board meet all the qualifications for directorship.

The Audit Committee directly interfaces with the internal and external auditors in the conduct of their duties and responsibilities. Its mandate includes the review of the Company's financial reports and subsequent recommendation to the Board for approval. The Committee also reviews the Company's internal control systems, its audit plans, auditing processes and related party transactions.

**The Risk Management Committee *ensures the quality and integrity of the Company's business and financial risk profile, risk management system and accomplishment of its objectives.***

### **Rights of Stockholders**

The Company's Revised Manual on Corporate Governance expressly provides for the protection of its stockholders' rights and minority interests. The Board is committed to respect the following rights of the stockholders:

#### **Right to Nominate**

- Shareholders, whether majority or minority, shall have the right to nominate candidates for seats in the Board of Directors who must have the qualifications and none of the disqualifications of Directors as stated in the Company's Revised Manual for Corporate Governance.

#### **Voting Right**

- Shareholders shall have the right to elect, remove and replace directors and vote on certain corporate acts in accordance with the Corporation Code of the Philippines.
- Cumulative voting shall be used in the election of directors.
- A director shall not be removed without cause if it will deny minority shareholders representation in the Board.

#### **Power of Inspection**

- The Company shall allow all stockholders to inspect books and records of the Company including minutes of Board meetings and stock registries in accordance with the Corporation Code, and during normal business hours.
- Annual reports, including financial statements, shall be provided to stockholders, without cost or restrictions.

#### **Right to Information**

- The Board shall ensure that all material information about the Company which could adversely affect its viability or the interests of the shareholders shall be publicly and timely disclosed through established procedures of the Philippine Stock Exchange (PSE) and Philippine Securities and Exchange Commission (SEC).
- Upon request, the Company shall provide the stockholders with periodic reports and information about directors and officers, and certain other matters such as their holdings of the Company's shares, dealings with the Company, relationships among directors and key officers and the aggregate compensation of directors and officers.

- The minority shareholders shall be granted the right to propose the holding of a meeting, and the right to propose items in the agenda of the meeting, provided the items are for legitimate business purposes.
- The minority shareholders shall have access to all information relating matters for which the management is accountable and to those relating to matters for which the management should include in such information. If not included the minority shareholders can propose to include such matters in the agenda of stockholders' meeting, being within the definition of "legitimate purposes."

#### **Right to Dividends**

- Subject to the discretion of the Board, all stockholders shall have the right to receive dividends.
- **Dividends shall be paid to all shareholders within thirty (30) days from declaration.**
- 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.

#### **Appraisal Right**

- The stockholders shall have appraisal right to dissent and demand payment of the fair value of their shares in the manner provided under Section 82 of the Corporation Code, under any of the following circumstances:
  - a. In case any amendment to the Articles of Incorporation has the effect of changing or restricting the rights of any stockholders or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence;
  - b. 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.
  - c. In case of merger or consolidation.

#### **Disclosure and Transparency**

To ensure that stakeholders receive timely and accurate information on the Company and its business, the Company has formally adopted a policy of full and prompt disclosure of all material information. The Company fully complies with the reporting and disclosure requirements of all relevant laws as well as regulations issued by the SEC and the PSE. Annual reports, financial statements and other disclosures are readily available to the public. These reports may be viewed and downloaded from the PSE or the Company website. The Company website is regularly updated to ensure prompt disclosures.

**In addition, the Revised Manual on Corporate Governance provides that minority shareholders shall be given the right to:**

- a. Propose the holding of a meeting and the items in the agenda of the meeting, provided the items are for legitimate business purposes, and in accordance with law, jurisprudence and best practice; and
- b. Have access to any and all information relating to matters for which the Management is accountable, and to those relating to matters for which the Management shall include such information.

**Further, the Company's Code of Ethics, provides the following to protect the rights of the shareholders:**

- a. adoption of corporate governance practices, strategies and plans with the end in view of increasing shareholder value
- b. maintenance of complete and accurate records of all financial and business transactions in accordance with laws and regulation governing financial reporting and generally accepted accounting principles to provide the basis for the report it discloses to its shareholders regarding the Company's results of operations and financial position
- c. ensuring an independent audit of its financial statements by external auditors

(c) How often does the Board review and approve the vision and mission?

**The Company reviews its vision, mission and core values annually. The Board of Directors reviewed the Company's vision, mission and core values in its meeting conducted on October 29, 2015.**

(d) Directorship in Other Companies

(i) Directorship in the Company's Group<sup>1</sup>

Identify, as and if applicable, the members of the company's Board of Directors who hold the office of director in other companies within its Group:

	<b>Corporate Name of the Group Company</b>	<b>Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.</b>
<b>Willy N. Ocier</b>	Belle Bay Plaza Corporation	Non-Executive Director (Chairman)
	Metropolitan Leisure & Tourism Corp	Executive Director (Chairman)
	Parallax Resources, Inc.	Non-Executive Director (Chairman)
	SLW Development Corporation	Non-Executive Director (Chairman)
	PremiumLeisure and Amusement, Inc.	Non-Executive Director (Chairman)
	Highland Gardens Corporation	Executive Director (Chairman)
	Woodland Development Corporation	Executive Director
	Belle Bay City Corporation	Non-Executive Director (Chairman)
	Pacific Online Systems Corporation	Executive Director (Chairman)
	Highlands Prime, Inc.	Non-Executive Director (Vice-Chair)
	Premium Leisure Corp	Executive Director (Chairman)
	APC Group, Inc.	Non-Executive Director (Chairman)
	Sinophil Leisure and Resorts Corp.	Non-Executive Director (Chairman)
	Foundation Capital Resources, Inc.	Non-Executive Director (Chairman)
	Tagaytay Highlands Intl Golf Club, Inc.	Non-Executive Director (Vice-Chair)

<sup>1</sup> The Group is composed of the parent, subsidiaries, associates and joint ventures of the company.

	<b>Corporate Name of the Group Company</b>	<b>Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.</b>
	The Country Club Tagaytay Highlands	Non-Executive Director (Chairman)
	Tagaytay Midlands Golf Club, Inc.	Non-Executive Director (Chairman)
	The Spa and Lodge, Inc.	Non-Executive Director (Chairman)
	Philippine Global Communications	Executive Director (Chairman)
<b>Elizabeth Anne C. Uychaco</b>	Megawide Construction Corporation	Non-Executive Director
	Generali Pilipinas Holding Cmpny, Inc.	Non-Executive Director
	Republic Glass Holdings, Corp.	Non-Executive Director
<b>Gregorio U. Kilayko</b>	SM Prime Holdings, Inc.	Independent Director
<b>Jacinto C. Ng, Jr.</b>	Highlands Prime, Inc.	Non-Executive Director
	Tagaytay Midlands Golf Club, Inc.	Non-Executive Director
<b>Jose T. Sio</b>	SM Investments Corporation	Executive Director
	China Banking Corporation	Non-Executive Director
	Atlas Consolidated Mining & Dev Corp	Non-Executive Director
<b>Virginia A. Yap</b>	APC Group, Inc.	Non-Executive Director
<b>Frederic C. DyBuncio</b>	Pacific Online Systems Corporation	Non-Executive Director
	Premium Leisure Corp.	Non-Executive Director
	Premium Leisure and Amusement, Inc	Non-Executive Director
	APC Group, Inc.	Executive Director
	Parallax Resources, Inc.	Non-Executive Director
	SLW Development Corporation	Non-Executive Director
	Metropolitan Leisure & Tourism Corp.	Non-Executive Director
	Sinophil Leisure & Resorts Corp.	Non-Executive Director
	Foundation Capital Resources, Inc.	Non-Executive Director
	Woodland Development Corporation	Non-Executive Director
	Atlas Consolidated Mining and Development Corporation	Non-Executive Director (Vice-Chairman)
	Tagaytay Highlands Int'l Golf Club	Non-Executive Director

(ii) Directorship in Other Listed Companies

Identify, as and if applicable, the members of the company's Board of Directors who are also directors of publicly-listed companies outside of its Group:

<b>Director's Name</b>	<b>Name of Listed Company</b>	<b>Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.</b>
<b>Willy N. Ocier</b>	Leisure & Resorts World Corp.	Non-Executive Director
	Vantage Equities, Inc.	Non-Executive Director
<b>Emilio S. De Quiros, Jr.</b>	Union Bank of the Philippines	Non-Executive Director
<b>Gregorio U. Kilayko</b>	Vantage Equities, Inc.	Independent Director
<b>Washington Z. SyCip</b>	Cityland Development Corporation	Non-Executive Director (Chairman)
	Century Properties Group, Inc.	Independent Director
	First Philippine Holdings Corporation	Independent Director
	Lopez Holdings Corporation	Independent Director

Director's Name	Name of Listed Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
	MacroAsia Corporation	Non-Executive Director (Chairman)
	Metro Pacific Investments Corporation	Independent Director
	Philippine National Bank	Non-Executive Director
	PHINMA Group	Independent Director
<b>Cesar E.A. Virata</b>	Rizal Commercial Banking Corporation	Non-Executive Director (Vice-Chairman)
	Lopez Holdings Corporation	Independent Director
	City and Land Developers, Inc.	Independent Director

(iii) Relationship within the Company and its Group

Provide details, as and if applicable, of any relation among the members of the Board of Directors, which links them to significant shareholders in the company and/or in its group:

Director's Name	Name of the Significant Shareholder	Description of the relationship
<b>Elizabeth Anne C. Uychaco</b>	SM Investments Corporation	With common set of directors/officers
<b>Jose T. Sio</b>		
<b>Frederic C. DyBuncio</b>		

(iv) Has the company set a limit on the number of board seats in other companies (publicly listed, ordinary and companies with secondary license) that an individual director or CEO may hold simultaneously? In particular, is the limit of five board seats in other publicly listed companies imposed and observed? If yes, briefly describe other guidelines:

	Guidelines	Maximum Number of Directorships in other companies
Executive Director	<b>NO. The Company has not set a limit on the number of board seats in other companies that an individual director or CEO may hold simultaneously.</b>	
Non-Executive Director		
CEO		

(e) Shareholding in the Company

Complete the following table on the members of the company's Board of Directors who directly and indirectly own shares in the company:

Name of Director	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
<b>Jacinto C. Ng, Jr.</b>	<b>135,860,666</b>	—	<b>1.287%</b>
<b>Willy N. Ocier</b>	<b>42,197,702</b>	—	<b>0.400%</b>
<b>Benito Tan Guat</b>	<b>10,020,000</b>	—	<b>0.095%</b>
<b>Washington Z. SyCip</b>	<b>2,728,334</b>	—	<b>0.026%</b>
<b><u>Virginia A. Yap</u></b>	<b><u>110,000</u></b>	—	<b><u>0.000%</u></b>
<b>Elizabeth Anne C. Uychaco</b>	<b>1,000</b>	—	<b>0.000%</b>
<b>Jose T. Sio</b>	<b>1,000</b>	—	<b>0.000%</b>
<b>Frederic C. DyBuncio</b>	<b>100</b>	—	<b>0.000%</b>
<b>Cesar E. A. Virata</b>	<b>1</b>	—	<b>0.000%</b>
<b>Emilio S. De Quiros, Jr.</b>	<b>1</b>	—	<b>0.000%</b>
<b>Gregorio U. Kilayko</b>	<b>1</b>	—	<b>0.000%</b>
<b>TOTAL</b>	<b><u>190,918,805</u></b>	—	<b>1.807%</b>

**NOTE:** In compliance with the Securities Regulation Code (Chapter VI – Protection of Shareholders, under Section 23 – Transactions of Directors, Officers and Principal Stockholders), the Company’s Directors and Officers shall file a statement with the Securities and Exchange Commission (SEC) and the Philippine Stock Exchange (PSE) within ten (10) days after any change in ownership of securities.

2) Chairman and CEO

- (a) Do different persons assume the role of Chairman of the Board of Directors and CEO? If no, describe the checks and balances laid down to ensure that the Board gets the benefit of independent views.

Yes ☒

No ☐

Identify the Chair and CEO:

<b>Chairman of the Board</b>	<b>Benito Tan Guat</b>
<b>CEO/President</b>	<b>Frederic C. DyBuncio</b>

- (b) Roles, Accountabilities and Deliverables

Define and clarify the roles, accountabilities and deliverables of the Chairman and CEO.

	<b>Chairman</b>	<b>Chief Executive Officer</b>
<b>Role</b>	<ul style="list-style-type: none"> <li>▪ The Chairman presides at all meetings of the Board of Directors and stockholders</li> </ul>	<ul style="list-style-type: none"> <li>▪ <u>The Chief Executive Officer is the President of the Company. Subject to the control of the Board of Directors, he supervises and controls all of the business and affairs of the Company.</u></li> </ul>
<b>Accountabilities</b>	<ul style="list-style-type: none"> <li>▪ <u>Ensures that the meetings of the Board are held in accordance with the By-Laws or as the Chairman shall deem necessary</u></li> <li>▪ <u>Supervise the preparation of the agenda of each meeting of the Board, the Shareholders, and any of the committees of the Board with the Corporate Secretary, taking into account the suggestions of the President and CEO, Management and the other directors</u></li> <li>▪ <u>Maintain qualitative and timely lines of communication and information between the Board and Management</u></li> </ul>	<ul style="list-style-type: none"> <li>▪ <u>To ensure that the administrative and operational policies of the Corporation are carried out under the direction and control of the Chairman of the Board and Chief Executive Officer</u></li> <li>▪ <u>To supervise and direct the day to day business affairs of the Company;</u></li> <li>▪ <u>To recommend to the Chairman of the Board and the Board of Directors specific projects of corporate objectives and policies;</u></li> <li>▪ <u>To exercise such powers and duties and perform such duties commonly incident to and vested in the President of a Corporation and which the</u></li> </ul>

	Chairman	Chief Executive Officer
		<p><u><b>Chairman of the Board and Chief Executive Officer may, from time to time assign to him;</b></u></p> <ul style="list-style-type: none"> <li>▪ <u><b>To sign or cause the signatures of Certificates of Stock;</b></u></li> <li>▪ <u><b>To see that all orders and resolutions of the Board are carried into effect.</b></u></li> <li>▪ <u><b>The President may assign the exercise or performance of any of the foregoing powers, duties and functions to any other officer(s), subject always to his supervision and control.</b></u></li> </ul>
<b>Deliverables</b>	<ul style="list-style-type: none"> <li>▪ Identify areas for improvement of the members of the Board, such as training/continuing education programs or any other form of assistance that the directors may need in the performance of their duties.</li> <li>▪ Evaluate and enhance the support services given to the Board, such as the quality and timeliness of information provided to them, the frequency and conduct of regular, special or committee meetings and their accessibility to management and the Corporate Secretary.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Ensure that the goals and objectives of the Company which were agreed upon during the Annual Strategic Planning are met.</li> <li>▪ Stress further on our core values of leadership, integrity, hard work, innovation, sustainability and accountability across all business units.</li> <li>▪ Update and align our Corporate Governance Manual towards best practice.</li> <li>▪ Implementation of matters approved by the Board of Directors and shareholders.</li> </ul>

- 3) Explain how the board of directors plans for the succession of the CEO/Managing Director/President and the top key management positions?

**The Company's Amended By-Laws state that:**

- 1) In the absence or disability of the President, the Executive Vice-President shall perform the duties and exercise the powers of the President.
- 2) In the absence or disability of both the President and Executive Vice-President, the Vice-President (or in the event that there be more than one Vice-President, the Vice-Presidents in the order designated at the time of the election) shall perform the duties and exercise the powers of the President.

Succession plan for top key management positions will be monitored and addressed by the Company's Nomination Committee as part of its committee programs to improve effective governance for the coming year. The Committee shall adhere to the "Fit and Proper Rule" standards to determine whether an individual is fit and proper to hold key management positions within the Company, which shall include, but not be limited to, standards on integrity, experience, education, training and competence.

**Once evaluated, the recommendation is presented to the Board for discussion and consideration.**

4) Other Executive, Non-Executive and Independent Directors

Does the company have a policy of ensuring diversity of experience and background of directors in the board? Please explain.

**YES. Under the Company's Revised Manual on Corporate Governance, the Nomination Committee is tasked to ensure that the Board has an appropriate balance of required industry knowledge, expertise and skills needed to govern the Company towards achieving its intended goals and objectives.**

Does it ensure that at least one non-executive director has an experience in the sector or industry the company belongs to? Please explain.

**YES. All candidates nominated to become a member of the Board shall be assessed and evaluated by the Nomination Committee in accordance with the qualifications provided for in the Corporation Code, the Securities Regulation Code, and other relevant laws. The Nomination Committee shall also consider the following factors, among others, in determining the fitness of a nominee to the Board:**

- a) college education or equivalent academic degree;
- b) **considerable involvement in the real estate industry;**
- c) practical understanding of the business of the Company;
- d) membership in good standing in relevant industry, business, or professional organizations; and,
- e) previous business experience.

**The Company in fact has a Non-Executive Director who has a significant understanding and experience in real estate development activities in the country.**

Define and clarify the roles, accountabilities and deliverables of the Executive, Non-Executive and Independent Directors:

	Executive	Non-Executive	Independent Director
<b>Role</b>			
<b>Accountabilities</b>	<ul style="list-style-type: none"> <li>▪ Oversee the management of the Company and be responsible for the Company's finances, goals and policies</li> <li>▪ Foster the long-term success of the Company and sustain its competitiveness and profitability</li> </ul>	<ul style="list-style-type: none"> <li>▪ Monitor compliance with policies and achievement against objectives through regular reports to the Board by management</li> <li>▪ Constructively challenge and contribute to the development of strategy</li> </ul>	<ul style="list-style-type: none"> <li>▪ Monitor compliance with policies and achievement against objectives through regular reports to the Board by management</li> <li>▪ Constructively challenge and contribute to the development of strategy</li> </ul>
<b>Deliverables</b>	<ul style="list-style-type: none"> <li>▪ Periodically review the Company's vision, mission, strategies, plans, and annual budget and continuously monitor the</li> </ul>	<ul style="list-style-type: none"> <li>▪ Ensure annual performance appraisal of individual directors, the board as a whole, board committees and the</li> </ul>	<ul style="list-style-type: none"> <li>▪ Implement the action plans made based on the results of the self-assessment conducted following the</li> </ul>



	Executive	Non-Executive	Independent Director
	<p>implementation of such policies and strategies</p> <ul style="list-style-type: none"> <li>▪ Institutionalize the risk management assessment process and continuously monitor key risk areas and performance indicators with due diligence</li> <li>▪ Institute good corporate governance practices and ensure effective communication with all employees for acknowledgment and strict compliance</li> <li>▪ Define policies and plans regarding corporate social responsibility (CSR), including formulating an action plan for publicizing and promoting awareness of CSR among all officers and employees</li> </ul>	<p>President, and periodically review the criteria used in assessing such performance</p> <ul style="list-style-type: none"> <li>▪ Formulate succession plans for top key management positions and review such plan on a regular basis</li> <li>▪ Identify areas for improvement of the members of the Board, such as training/continuing education programs or any other form of assistance that directors may need in the performance of their duties</li> <li>▪ Meet at least once a year without the presence of executive directors and senior management</li> </ul>	<p>guideline set forth by SEC Memorandum Circular No. 4</p> <ul style="list-style-type: none"> <li>▪ Review and assess the effectiveness of the Company's risk management system in the mitigation of financial and non-financial risks</li> <li>▪ Review the Company's continual process of good corporate governance and update the Company's Manual on Corporate Governance</li> <li>▪ Meet at least once a year without the presence of executive directors and senior management</li> </ul>

Provide the company's definition of "independence" and describe the company's compliance to the definition.

**The Company defines independence as "independence from management, substantial shareholdings and material relations, whether it be business or otherwise, which could reasonably be perceived to impede the performance of independent judgment."**

**In addition, in accordance with SEC Securities Regulation Code (SRC) Rule 38, an independent director is any person who:**

- Is not a director or officer of the company or of its related companies or any of its substantial shareholders except when the same shall be an independent director of any of the foregoing;**
- Does not own more than two percent (2%) of the shares of the covered company and/or its related companies or any of its substantial shareholders;**
- Is not related to any director, officer or substantial shareholder of the covered company, any of its related companies or any of its substantial shareholders. For this purpose, relatives include spouse, parent, child, brother, sister, and the spouse of such child, brother or sister;**
- Is not acting as a nominee or representative of any director or substantial**

shareholder of the company, and/or any of its related companies and/or any of its substantial shareholders, pursuant to a Deed of Trust or under any contract or arrangement;

- e) Has not been employed in any executive capacity by the company, any of its related companies and/or by any of its substantial shareholders within the last five (5) years;
- f) Is not retained, either personally or through his firm or any similar entity, as professional adviser, by the company, any of its related companies and/or any of its substantial shareholders, within the last five (5) years; or
- g) Has not engaged and does not engage in any transaction with the company and/or with any of its related companies and/or with any of its substantial shareholders, whether by himself and/or with other persons and/or through a firm of which he is a partner and/or a company of which he is a director or substantial shareholder, other than transactions which are conducted at arm's length and are immaterial.

The nomination, pre-screening and election of independent directors were made in compliance with the Company's definition and the requirements of the Code of Corporate Governance and SRC Rule 38. The Nomination Committee has determined that the nominees for independent directors possess all of the qualifications and none of the disqualifications for independent directors.

Does the company have a term limit of five consecutive years for independent directors? If after two years, the company wishes to bring back an independent director who had served for five years, does it limit the term for no more than four additional years? Please explain.

**The Company follows the rules regarding term limits for Independent Directors as provided under SEC Memorandum Circular No. 9, Series of 2011.**

#### 5) Changes in the Board of Directors (Executive, Non-Executive and Independent Directors)

##### (a) Resignation/Death/Removal

Indicate any changes in the composition of the Board of Directors that happened during the period:

Name	Position	Date of Cessation	Reason
<b>NONE. There were no changes in the composition of the Board of Directors in <u>2015</u>.</b>			

##### (b) Selection/Appointment, Re-election, Disqualification, Removal, Reinstatement and Suspension

Describe the procedures for the selection/appointment, re-election, disqualification, removal, reinstatement and suspension of the members of the Board of Directors. Provide details of the processes adopted (including the frequency of election) and the criteria employed in each procedure:

Procedure	Process Adopted	Criteria
<b>a. Selection/Appointment</b>		
(i) Executive Directors	Members of the Board of Directors are nominated <u>through</u> the Nomination Committee and elected at the annual meeting of the	The Company's Amended By-Laws mandate that each director shall possess all of the following qualifications:
(ii) Non-Executive Directors		

Procedure	Process Adopted	Criteria
	<p>stockholders to serve for a term of one (1) year until their successors are duly elected and qualified.</p> <p>Nomination of directors shall be conducted by the Nomination Committee prior to a stockholders' meeting.</p> <p><u>As contained in its Charter, the Nomination Committee may engage the services of a professional search firm to look for candidates to the Board of Directors.</u></p> <p><u>All nominations shall be submitted to the Nomination Committee by any stockholder of record on or before January 30 of each year to allow the Nomination Committee sufficient time to assess and evaluate the qualifications of the nominees.</u></p> <p><u>All recommendations for the nomination of independent director shall be signed by the nominating stockholders together with the acceptance and conformity by the would-be-nominees.</u></p>	<p>(a) a holder of at least one (1) share of stock of the Company;</p> <p>(b) at least a holder of a Bachelor's Degree, or to substitute for such formal education, must have adequate competency and understanding of business;</p> <p>(c) of legal age; and</p> <p>(d) shall have proven to possess integrity and probity.</p> <p>In addition, under the Company's Revised Manual on Corporate Governance, the Nomination Committee also considers the following factors in determining the fitness of a nominee to the Board:</p> <p>(a) college education or equivalent academic degree;</p> <p>(b) <u>considerable involvement in the real estate industry;</u></p> <p>(c) practical understanding of the business of the Company;</p> <p>(d) membership in good standing in relevant industry, business, or professional organizations; and,</p> <p>(e) previous business experience.</p>
(iii) Independent Directors	<p><u>After the nomination, the Committee shall prepare a List of Candidates which shall contain all the information about all the nominees for election as members of the Board of Directors, which list shall be made available to the SEC and to all stockholders through the filing and distribution of the Information Statement or Proxy Statement, or in such other reports as the Corporation will be required to submit to the SEC.</u></p> <p><u>Only nominees whose names</u></p>	<p>In addition to the foregoing qualifications, a director nominated and elected as independent shall likewise meet the following requirements:</p> <p>(i) He is not a director or officer of the Company or of its related companies or any of its substantial shareholders except when the same shall be an independent director of any of the foregoing.</p> <p>(ii) He does not own more than two percent (2%) of the shares of the Company and/or its related companies or any of its substantial shareholders.</p>

Procedure	Process Adopted	Criteria
	<p><u>appear on the List of Candidates shall be eligible for election as directors. No other nominations for election as director shall be entertained after the List of Candidates have been prepared and finalized. No further nominations for election as director shall be entertained or allowed on the floor during the annual stockholders' meeting.</u></p>	<p>(iii) He is not a relative to any director, officer or substantial shareholder of the Company, any of its related companies or any of its substantial shareholders. For this purpose, relatives include spouse, parent, child, brother, sister, and the spouse of such child, brother or sister.</p> <p>(iv) He is not acting as a nominee or representative of any director or substantial shareholder of the Company, and/or any of its related companies and/or any of its substantial shareholders, pursuant to a Deed of Trust or under any contract or arrangement.</p>
	<p><u>Based on the Final List of Candidates, Directors are elected individually. Each shareholder may vote such number of shares for as many persons he may choose to be elected from the Final List, or he may cumulate said shares and give one candidate as many votes as the number of his shares multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit, provided that the total number of votes cast by him shall not exceed the number of shares owned by him multiplied by the number of Directors to be elected.</u></p>	<p>(v) He has not been employed in any executive capacity by the Company, any of its related companies, and/or any of its substantial shareholders within the last five (5) years.</p> <p>(vi) He is not retained as professional adviser by the Company, and/or any of its related companies and/or any of its substantial shareholders within the last five (5) years.</p> <p>(vii) He is not retained, either personally or through his firm or any similar entity, as professional adviser, by the Company, any of its related companies and/or any of its substantial shareholders, either personally or through his firm.</p> <p>(viii) He has not engaged and does not engage in any transaction with the Company and /or with any of its related companies and/or with any of its substantial</p>

Procedure	Process Adopted	Criteria
		shareholders, whether by himself and/or with other persons and/or through a firm of which he is a partner and/or company of which he is a director or substantial shareholder, other than transactions which are conducted at arm's length and are immaterial.
b. Re-appointment		
(i) Executive Directors	Same process and criteria as Selection/Appointment <b><u>of Executive Directors, Non-Executive Directors and Independent Directors, respectively, for their re-appointment.</u></b>	
(ii) Non-Executive Directors		
(iii) Independent Directors		
c. Permanent Disqualification		
(i) Executive Directors	<b>The Nomination Committee shortlists, assesses and evaluates all candidates nominated to become a member of the Board in accordance with the qualification and disqualification criteria set out in the Revised Manual on Corporate Governance.</b> <b><u>Any vacancy occurring in the Board of Directors by reason of death, resignation, retirement or disqualification may be filled by the affirmative vote of a majority of the remaining directors constituting a quorum, upon the nomination of the Nomination Committee, provided, that specific slots for independent directors shall not be filled by unqualified nominees. A director elected to fill a vacancy shall be elected for the expired terms of his predecessor in office.</u></b>	<b>Under the Revised Manual on Corporate Governance, the following shall be grounds for the permanent disqualification of a director:</b>  (i) Any person convicted by final judgment or order by a competent judicial or administrative body of any crime that (a) involves the purchase or sale of securities, as defined in the Securities Regulation Code; (b) arises out of the person's conduct as an underwriter, broker, dealer, investment adviser, principal, distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; or (c) arises out of his fiduciary relationship with a bank, quasi-bank, trust company, investment house or as an affiliated person of any of them;  (ii) Any person who, by reason of misconduct, after hearing, is permanently enjoined by a final judgment or order of the Commission or any court or administrative body of competent jurisdiction from: (a) acting as underwriter, broker, dealer, investment
(ii) Non-Executive Directors		
(iii) Independent Directors		

Procedure	Process Adopted	Criteria
		<p>adviser, principal, distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; (b) acting as director or officer of a bank, quasi-bank, trust company, investment house, or investment company; (c) engaging in or continuing any conduct or practice in any of the capacities mentioned in the sub-paragraphs (a) and (b) above, or willfully violating the laws that govern securities and banking activities.</p> <p>(iii) The disqualification shall also apply if such person is currently the subject of an order of the Commission or any court or administrative body denying, revoking, or suspending any registration, license or permit issued to him under the Corporation Code, Securities Regulation Code or any other law administered by the Commission or Bangko Sentral ng Pilipinas (BSP), or under any rule or regulation issued by the Commission or BSP, or has otherwise been restrained to engage in any activity involving securities and banking; or such person is currently the subject of an effective order of a self-regulatory organization suspending or expelling him from membership, participation or association with a member participant of the organization;</p> <p>(iv) Any person convicted by final judgment or order by a court or competent administrative body of an offense involving moral turpitude, fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery,</p>

Procedure	Process Adopted	Criteria
		<p>bribery, false affirmation, perjury or other fraudulent acts;</p> <p>(v) Any person who has been adjudged by final judgment or order of the Commission, court, or competent administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of any provision of the Corporation Code, Securities Regulation Code or any other law administered by the Commission or BSP, or any of its rule, regulation or order;</p> <p>(vi) Any person earlier elected as independent director who becomes an officer, employee or consultant of the same corporation;</p> <p>(vii) Any person judicially declared to be insolvent;</p> <p>(viii) Any person found guilty by final judgment or order of a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct enumerated in subparagraphs (i) to (v) above;</p> <p>(ix) Conviction by final judgment of an offense punishable by imprisonment for more than six (6) years, or a violation of the Corporation code committed within five (5) years prior to the date of his election or appointment.</p>
<b>d. Temporary Disqualification</b>		
(i) Executive Directors	<p>The Nomination Committee shortlists, assesses and evaluates all candidates nominated to become a member of the Board in accordance with the qualification and disqualification criteria set</p>	<p>The Board, as stated in the Revised Manual on Corporate Governance, provides for the temporary disqualification or suspension of a director for the following reasons:</p> <p>(i) Refusal to comply with the disclosure requirements of</p>
(ii) Non-Executive Directors		
(iii) Independent Directors		

Procedure	Process Adopted	Criteria
	<p>out in the Revised Manual on Corporate Governance.</p> <p>A temporary disqualified director shall, within sixty (60) business days from such disqualification, take the appropriate action to remedy or correct the disqualification. If he fails or refuses to do so for unjustified reasons, the disqualification shall become permanent.</p>	<p>the Securities Regulation Code and its Implementing Rules and Regulations. This disqualification shall be in effect as long as his refusal persists.</p> <p>(ii) Absence in more than fifty (50) percent of all regular and special meeting of the Board during his incumbency, or any twelve (12) month period during the said incumbency, unless the absence is due to illness, death in the immediate family or serious accident. The disqualification shall apply for purposes of the succeeding election.</p> <p>(iii) Dismissal or termination for cause as director of any corporation covered by the SEC's Code of Corporate Governance. The disqualification shall be in effect until he has cleared himself from any involvement in the cause that gave rise to his dismissal or termination.</p> <p>(iv) If the beneficial equity ownership of an independent director in the corporation or its subsidiaries and affiliates exceeds two percent of its subscribed capital stock. The disqualification shall be lifted if the limit is later complied with.</p> <p>(v) If any of the judgments or orders cited in the grounds for permanent disqualification has not yet become final.</p>
e. Removal		
(i) Executive Directors	The same process and criteria are used in the permanent disqualification of Executive Directors, Non-executive Directors and Independent Directors, respectively, for their removal.	
(ii) Non-Executive Directors		
(iii) Independent Directors		
f. Re-instatement		
(i) Executive Directors	The same process and criteria are used in the appointment of Executive Directors, Non-executive Directors and Independent Directors, respectively, for their re-instatement.	
(ii) Non-Executive Directors		
(iii) Independent Directors		



Procedure	Process Adopted	Criteria
<b>g. Suspension</b>		
(i) Executive Directors	<b>The same process and criteria are used in the temporary disqualification of Executive Directors, Non-executive Directors and Independent Directors, respectively, for their suspension.</b>	
(ii) Non-Executive Directors		
(iii) Independent Directors		

Voting Result of the last Annual Shareholders' Meeting on 27 April 2015:

Name of Director	Votes in Favor	% to Total Voting Shares		Votes Against	Abstain
Benito Tan Guat	7,879,261,098	91.38%		0	743,623,472
Willy N. Ocier	8,612,632,010	99.88%		0	10,252,560
Elizabeth Anne C. Uychaco	7,873,584,298	91.31%		0	749,300,272
Frederic C. DyBuncio	8,615,825,410	99.92%		0	7,059,160
Emilio S. De Quiros, Jr.	7,873,684,298	91.31%		0	749,200,272
Jose T. Sio	7,875,668,338	91.33%		0	747,216,232
Jacinto C. Ng, Jr.	7,877,573,738	91.36%		0	745,310,832
Gregorio U. Kilayko	7,873,584,298	91.31%		0	749,300,272
Washington Z. SyCip	7,865,786,588	91.22%		0	757,097,982
Cesar E.A. Virata	7,877,050,698	91.35%		0	745,833,872
Virginia A. Yap	7,871,895,898	91.29%		0	750,988,672

#### 6) Orientation and Education Program

- (a) Disclose details of the company's orientation program for new directors, if any.

**Under Section 2.2.5 of the Revised Manual on Corporate Governance, all newly-elected members of the Board of Directors shall, before assuming as such, be required to attend a seminar on corporate governance which shall be conducted by a duly recognized private or government institute, provided that they have not previously attended such seminar. Thereafter, all members of the Board of Directors and key officers of the Company shall attend a program on corporate governance at least once a year, as required by SEC.**

- (b) State any in-house training and external courses attended by Directors and Senior Management<sup>2</sup> for the past three (3) years

**See table below.**

- (c) Continuing education programs for directors: programs and seminars and roundtables attended during the year.

Name of Director/Officer	Date of Training	Program	Name of Training Institution
<b><u>Benito Tan Guat</u></b>	<b><u>Oct 20, 2015</u></b>	<b><u>Corporate Governance</u></b>	<b><u>Center for Governance and Best Practices</u></b>

<sup>2</sup> Senior Management refers to the CEO and other persons having authority and responsibility for planning, directing and controlling the activities of the company.

Name of Director/Officer	Date of Training	Program	Name of Training Institution
<u>Jacinto C. Ng, Jr.</u>	<u>Sep 08, 2015</u>	<u>Corporate Governance Workshop</u>	<u>Center for Governance and Best Practices</u>
<u>Cesar EA Virata</u>	<u>Sep 05, 2015</u>	<u>Corporate Governance</u>	<u>SGV &amp; Co.</u>
<u>Willy N. Ocier</u> <u>Emilio S. De Quiros, Jr.</u> <u>Virginia A. Yap</u> <u>Jose T. Sio</u> <u>Gregorio U. Kilayko</u> <u>Frederic C. DyBuncio</u>	<u>Aug 05, 2015</u>	<u>ASEAN Corporate Governance Score Card</u>	<u>Institute of Corporate Directors</u>
<u>Elizabeth Anne C. Uychaco</u>	<u>May 13, 2015</u>	<u>Corporate Governance</u>	<u>SGV &amp; Co.</u>
<u>Washington Z. SyCip</u>	<u>The Securities and Exchange Commission approved the exemption of Mr. Washington Z. Sycip from attending a corporate governance training for year 2015.</u>		
Washington Z. SyCip	Dec. 04, 2014	Corporate Governance Enhancement	PLDT
Benito Tan Guat Willy N. Ocier Elizabeth Anne C. Uychaco Frederic C. DyBuncio Emilio S. De Quiros, Jr. Virginia A. Yap	May 26, 2014	Workshop on Corporate Governance	Institute of Corporate Directors
Jose T. Sio	Mar. 17, 2014	Good Governance, Ethics and Compliance	GGAPP
Jose T. Sio Gregorio U. Kilayko	Feb. 24, 2014	Corporate Governance Workshop	Institute of Corporate Directors
Cesar E. A. Virata	August 27, 2013	SEC Corporate Governance Initiatives	Rizal Commercial Banking Corporation
Jacinto C. Ng, Jr.	Mar 8-9, 2011	Global Workforce Summit	Worldwide ERC

## B. CODE OF BUSINESS CONDUCT & ETHICS

- Discuss briefly the company's policies on the following business conduct or ethics affecting directors, senior management and employees:

Business Conduct & Ethics	Directors	Senior Management	Employees
(a) Conflict of Interest	<p>The Company aims to conduct business in accordance with the highest standards of business ethics. To this end, all business dealings should be compliant with all applicable laws and must not in any way compromise the good name and reputation of the Company.</p> <p>All business decisions and actions must be based on the best interests of the Company and not motivated by personal considerations or relationships which may interfere with the</p>		

Business Conduct & Ethics	Directors	Senior Management	Employees
	<p>exercise of independent judgment. All directors, officers and employees are required to promptly disclose any financial or personal interest in any transaction involving the Company to ensure that potential conflicts of interest are brought to the attention of management.</p> <p>All directors, officers and employees shall act with utmost integrity and shall not engage in unfair dealing practices. The Company prohibits any conflict of interest, unfair competition, breach of trust, insider trading, or any other act inimical to the Company's interest.</p> <p>The Company's Conflict of Interest policy defines a conflict as a situation wherein a director, officer or employee has or appears to have a direct or indirect personal interest in any transaction, which may deter or influence him from acting in the best interests of the Company. Any director, officer or employee involved in an actual or potential conflict of interest is required to immediately disclose said conflict to the Company.</p>		
(b) Conduct of Business and Fair Dealings	<p>All directors, officers and employees shall at all times observe propriety and act with fairness and transparency in dealing with business partners (i.e., contractors, suppliers, creditors and other entities that engage in business with the Company). They must adhere to the Company's principles of healthy competition, equal opportunity and fair treatment of business partners.</p> <p>All directors, officers and employees shall act with utmost integrity and shall not engage in unfair dealing practices. The Company prohibits any conflict of interest, unfair competition, breach of trust, insider trading, or any other act inimical to the Company's interest.</p>		
(c) Receipt of gifts from third parties	<p>The Company prohibits the solicitation or acceptance of gifts in any form from a business partner (i.e., contractors, suppliers, banks and other entities engaged in business with the Company), directly or indirectly, by any director, officer or employee of the Company.</p> <p>The term "gift" covers anything of value, such as but not limited to cash or cash equivalent, loan, fee, reward, commission, allowance, employment, travel entertainment, sponsorship of personal events, use of property owned by business partners, whether for personal or business use.</p> <p>However, a director, officer or employee may accept corporate give-aways, tokens or promotional items of nominal values, provided that the gift is voluntarily given by a third person without any suggestion or solicitation, as a souvenir or out of courtesy, and provided further that the approximate value of the gifts does not exceed Two Thousand Pesos (Php2,000.00). If the</p>		

Business Conduct & Ethics	Directors	Senior Management	Employees
	<p>value of the gift exceeds Php2,000.00, it should not be accepted and returned to the giver immediately.</p> <p>In situations where it is deemed improper to refuse a gift, the issue shall be referred to Management for proper disposition.</p>		
(d) Compliance with Laws & Regulations	<p>The Company aims to conduct business in accordance with the highest standards of business ethics. To this end, all business dealings should be compliant with all applicable laws and must not in any way compromise the good name and reputation of the Company.</p> <p>All directors, officers and employees are required to immediately report all suspected or actual fraudulent or dishonest acts to management. The Company shall promptly investigate any suspected illegality and pursue appropriate administrative, civil and/or criminal actions.</p>		
(e) Respect for Trade Secrets/Use of Non-public Information	<p>All directors, officers and employees shall maintain and safeguard the confidentiality of information relating to the Company. Vital business information, such as financial reports, strategies and plans, shall not be disclosed unless authorized by the Company or required by law. Everyone shall ensure the accuracy of business information and protect the integrity of corporate records and other documents related to the operation of the Company.</p> <p>All directors, officers and employees are prohibited from trading shares of stock of the Company using material information that has not been disclosed to the public and obtained by reason of position, contact within or other relationship with the Company.</p> <p>As stated in the Company's Insider Trading Policy, which is an Annex to its Revised Manual on Corporate Governance, Directors, officers and employees are strictly prohibited from trading in Belle shares five (5) trading days before and two (2) trading days after the disclosure of quarterly and annual financial results and any other material information. <u><i>Directors and key officers are required to disclose their dealings of company shares within three (3) business days.</i></u></p>		
(f) Use of Company Funds, Assets and Information	<p>All directors, officers and employees shall maintain and safeguard the confidentiality of information relating to the Company. Vital business information, such as financial reports, strategies and plans, shall not be disclosed unless authorized by the Company or required by law. Everyone shall ensure the accuracy of business information and protect the integrity of corporate records and other documents related to the operation of the Company.</p>		
(g) Employment & Labor Laws & Policies	<p>All officers and employees shall be selected, engaged and compensated based on qualification, merit and performance. They shall be treated fairly and accorded respect and dignity. Their individual and collective rights shall not be violated.</p> <p>The Company shall maintain a safe, productive and conducive</p>		

Business Conduct & Ethics	Directors	Senior Management	Employees
	<p>workplace and environment and comply with all applicable health, safety and environmental laws. It shall foster harmonious relations among its officers and employees and establish free and honest communication with them.</p> <p>The Company endeavors to provide career advancement through a clearly defined promotion system based on employees' competencies, major contributions and accomplishments, work attitude and interpersonal relationship. The Company shall also offer its employees continuous learning sessions, seminars and workshops to improve and increase their level of competency, efficiency and general well-being.</p>		
(h) Disciplinary action	<p><b><u>All directors, officers and employees of the Company commit to comply with both the letter and spirit of the Code of Ethics to preserve the goodwill and reputation of the Company. The Human Resources and Governance and Corporate Affairs Departments are responsible for monitoring compliance with the Code of Ethics.</u></b></p> <p>Disciplinary action or penalties shall be imposed immediately or as soon as possible after the offense has been established. Due process of law and the right to a prompt hearing will be accorded to the employee. Disciplinary actions should in no instance be violative of labor laws and fair practices.</p>		
(i) Whistle Blower	<p>The Company's whistle blower policy was adopted to create an environment where concerns and issues, made in good faith, may be raised freely within the organization. Under the policy, any stakeholder may submit an incident report on suspected or actual violations of the Code of Ethics and Discipline or any other applicable law or regulation. Upon receipt of an incident report, management is tasked to conduct an investigation on its merit, subject to due process and applicable penalties and sanctions thereafter. Anyone who in good faith reports a violation of the Code or policies or law shall not be retaliated upon or suffer harassment or adverse employment consequence.</p> <p>Upon the request of the complainant, the Company shall use its best efforts to protect the confidentiality of the complainant for any good faith report. Reports of violations or suspected violations will be kept confidential to the extent possible, consistent with the need to conduct an adequate investigation.</p> <p>Concerns raised anonymously shall not be entertained.</p> <p>The Company's whistleblowing policy, referred to as the Policy on Accountability, Integrity and Vigilance (PAIV), was adopted to create an environment where concerns and issues, made in good faith, may be raised freely within the organization. Under the policy, any director, officer or employee may accomplish an incident report on suspected or actual violations of the Code of Ethics, the Company's Code of Conduct or any other applicable</p>		

Business Conduct & Ethics	Directors	Senior Management	Employees
	<p>law or regulation. Upon receipt of an incident report, Management conducts an investigation on its merit, subject to due process and applicable penalties and sanctions thereafter. A compilation of concluded reports is periodically presented to the Audit Committee and the Risk Management Committee.</p> <p><b>POLICY ON ACCOUNTABILITY, INTEGRITY, AND VIGILANCE</b></p> <p><b>A. Rationale and General Policy</b></p> <p>Consistent with the Company's core values of Integrity and Accountability, it expects its directors, officers, employees and contract workers to observe high standards of business and personal ethics in the conduct of their duties and responsibilities at all times inside and outside the Company.</p> <p>Everyone is expected to help and work towards creating an environment where concerns can be raised for possible violations of our Code of Ethics, policies and laws so they can be resolved sooner than later.</p> <p><b>B. Reporting Mandate</b></p> <p>It is the responsibility of all directors, officers, employees and contract workers to comply with and to report violations or suspected violations of the Code of Ethics, policies, or laws in accordance with this policy.</p> <p><b>C. Reporting in Good Faith</b></p> <p>Anyone filing a complaint concerning a violation or suspected violation must be acting in good faith and have reasonable grounds for believing the information disclosed indicates a violation of the Code, policies, or law. Any allegations that prove not to be substantiated and have been made maliciously or with knowledge that they were false will be treated as a serious disciplinary offense. Any good faith report, concern or complaint is fully protected by this policy, even if the report, question or concern is, after investigation, not substantiated.</p> <p><b>D. No Retaliation</b></p> <p>Anyone who in good faith reports a violation of the Code or policies, or law shall not be retaliated upon or suffer harassment or adverse employment consequence.</p> <p><b>E. The Escalation Process of Raising Concerns</b></p> <p>Violations or suspected violations of Company policies can be escalated to any of the following:</p> <ol style="list-style-type: none"> <li>1. The Head of HR</li> <li>2. The Compliance Officer</li> </ol>		

Business Conduct & Ethics	Directors	Senior Management	Employees
	<p><b>3. The Head of Internal Audit</b>  <b>4. The Head of Corporate Governance</b></p> <p>Above executives shall acknowledge receipt of complaints in writing within 24 hours from receipt of same.</p> <p><b>F. Confidentiality</b></p> <p>Upon the request of the complainant, the Company will use its best efforts to protect the confidentiality of the complainant for any good faith report. Reports of violations or suspected violations will be kept confidential to the extent possible, consistent with the need to conduct an adequate investigation. Concerns raised anonymously shall not be entertained.</p> <p><b>G. Handling of Reported Violations</b></p> <p>The Company's Code of Ethics and Code of Conduct, and other relevant rules and regulations, shall serve as guide in determining the penalties and sanctions to be imposed by HR where violations are proven and validated by Internal Audit Group. The principle of due process shall be observed in the handling of all cases. The Audit Committee and the Risk Management Committee shall be informed of all such complaints or reports and their status to be rendered by the Compliance Officer.</p>		
(j) Conflict Resolution	<p>Disciplinary action or penalties shall be imposed immediately or as soon as possible after the offense has been established. Due process of law and the right to a prompt hearing will be accorded to the employee. Disciplinary actions should in no instance be violative of labor laws and fair practices.</p>		
(k) Accreditation of Vendors and Suppliers Process	<p>Existing and potential vendors and suppliers are required to conform to the Company's Code of Ethics as a pre-requisite for the accreditation process.</p> <p><b>POLICY FOR VENDOR SELECTION AND PURCHASE OF GOODS AND SERVICES</b></p> <p><b>I. PURPOSE</b></p> <p>This policy outlines the procedures to be followed by concerned and authorized personnel of the Company engaged in purchasing transactions.</p> <p><b>II. GENERAL OBJECTIVES AND PURCHASING POLICIES</b></p> <p><b>A. The responsibility for the purchasing of goods and services on behalf of the Company primarily rests on the Purchasing Department (PD). The function of PD is to centralize the purchasing services of the Company by providing leadership in procurement functions.</b></p>		

Business Conduct & Ethics	Directors	Senior Management	Employees
			<p>B. The PD shall provide this service in accordance with professionalism and sound business practice to obtain value for money by incurring the lowest cost to meet the Company's needs in terms of quality and service.</p> <p>C. The PD commits to employ the effective internal controls over purchasing transactions and reduce the administrative costs of acquiring goods and services.</p> <p>D. The PD will meet the above goals through the selection of suppliers in an open, competitive, and non-discriminatory process.</p> <p>E. The PD will ensure that the Company meets its legal and ethical obligations in the acquisition of goods and services by purchase or lease;</p> <p>F. The PD will employ trained staff with skills and expertise in purchasing techniques, negotiating contractual terms and conditions, cost reduction and other buying processes.</p> <p>G. The PD will put in place an appropriate "turn around" time policy with regard to the delivery of commonly ordered items from the filing of requisition.</p> <p>H. The reputation of the Company depends to a large extent to the actions of the PD. Therefore, the highest possible standards of business ethics, professional courtesy and competence are required.</p> <p><b>III. AUTHORITY FOR PURCHASING</b></p> <p>A. The Company shall issue and update the over-all levels of authority to commit the purchase of materials, equipment supplies and services, on annual basis which may be updated as frequent as necessary as deemed by Management.</p> <p>B. The authority to issue Purchase Orders shall be vested in the PD and each order shall conform to the required signatories based on the latest authority protocol policy.</p> <p>C. The authority to purchase is based on verification that all allocations are approved and budgeted in the current fiscal year.</p> <p>D. A Bidding Committee shall be set up by Management to take charge of big-ticket purchases.</p> <p><b>IV. GENERAL RESPONSIBILITIES</b></p> <p><b>A. Purchasing Department</b></p> <ol style="list-style-type: none"> <li>1. Accredited vendors based on the accreditation policy</li> <li>2. Establishing and administering requirements with respect to purchase orders, written agreements, bids and quotations and vendor qualifications</li> <li>3. Pre-qualifying suppliers with joint input from the requisitioning Department</li> <li>4. Preparing Requests for Quotations ("RFQ")</li> <li>5. Receiving and evaluating quotations</li> <li>6. Coordinating all search and due diligence activities with respect to prospective suppliers in conjunction with the</li> </ol>



Business Conduct & Ethics	Directors	Senior Management	Employees
			<p>requisitioning Department, consultants and external expert as required</p> <ol style="list-style-type: none"> <li>7. Negotiating with suppliers</li> <li>8. Awarding the business for supply of goods and services</li> <li>9. Releasing award information</li> <li>10. Monitoring all purchasing activities for compliance with purchasing policies and procedures</li> <li>11. Establishing and maintaining standards of quality</li> <li>12. Ensuring that the its value chain is environmentally friendly or is consistent with promoting sustainable development</li> <li>13. Establishing and enforcing insurance and bonding requirements for vendors</li> </ol> <p><b>B. Requisitioning Department:</b></p> <ol style="list-style-type: none"> <li>1. Preparing purchase requisitions</li> <li>2. Allowing Purchasing Department reasonable lead time for bidding and/or processing orders (since availability of supply varies depending on product)</li> <li>3. Providing accurate specifications when requested</li> <li>4. Assuring that contract and grant requirements are met</li> <li>5. Verifying that funds are available and securing the appropriate budget department's approval</li> <li>6. Verifying delivered orders for accuracy</li> </ol> <p><b>C. ACCREDITATION POLICY</b></p> <ol style="list-style-type: none"> <li>1. Only accredited Vendors (Product and Services, including Contractors and Consultants) shall be issued a Purchase Order or awarded a contract.</li> <li>2. Accreditation procedure shall be centralized under the Procurement Department.</li> <li>3. A pre-screening should be done by the Heads of the Procurement Team for new Vendors prior to accreditation process. Pre-screening process is being done to determine if the Vendor or its product will be needed. An endorsement slip shall be completed and submitted the I.T. and Special Project Team.</li> <li>4. Vendors to be accredited should be a Corporation, if not, a written remark by the Heads of Procurement Team shall be issued and duly approved by the Head of Procurement.</li> <li>5. The officers, owners or employees of the Company to be accredited should not be connected up to the 3rd degree of consanguinity and affinity to any officers or employees of the Company. A Code of Ethic and disclosure form duly signed by their authorized representative (should be owners, incorporators or president of the Company) shall be submitted by the Vendor. A notarized secretary's certificate shall be submitted if the signatories are not the above-mentioned signatories.</li> <li>6. For One-time Vendor, the Heads of the Procurement Team shall issue a written justification. Documents necessary for one-time Vendor are the BIR Form 2303, Code of Ethic and Disclosure form duly signed by their authorized representative.</li> </ol>

Business Conduct & Ethics	Directors	Senior Management	Employees
			<p>7. For Contractors and Consultants, Project Audit Group and the Technical team of the Company shall evaluate the Vendor's technical capability. The Procurement Department shall only evaluate the financial capability of the contractors / consultant. Documentary requirements for both departments shall be required from the Vendor and reviewed by each department. A joint evaluation form shall be completed.</p> <p>8. A unique number will be issued by the Procurement Department for all accredited Vendors. This number is for internal use and shall serve as reference number to indicate that the Vendor has gone through the accreditation process.</p> <p>9. Safekeeping of the accreditation folders shall be the responsibility of the Procurement Department.</p> <p>10. Review of accredited Vendors shall be done every 3 years.</p> <p>11. Vendor accreditation package</p> <p>a. For supply and delivery only</p> <ol style="list-style-type: none"> <li>1) Vendor's general information sheet</li> <li>2) Vendor's accreditation form</li> <li>3) Signed code of ethics (priority importance)</li> <li>4) Disclosure form (priority importance)</li> <li>5) Vendor's plant visit form (Optional)</li> <li>6) Vendor accreditation summary - Procurement staff, Manager and AVP/SAVP to sign. Justification if any should be done by the Heads of the Procurement Team.</li> <li>7) Unique ID to be given to the accredited Vendor</li> <li>8) Accreditation Review checklist</li> </ol> <p>b. For Consultants and Contractors (supply and install):</p> <ol style="list-style-type: none"> <li>1) PAG requirements incorporated in the supply and delivery Vendor accreditation package.</li> <li>2) PAG shall be in-charge of technical evaluation while Procurement is responsible for the financial evaluation.</li> <li>3) PAG to evaluate all contractors and consultants.</li> <li>4) Procurement Department as central accreditation department will accredit Vendors for Belle.</li> <li>5) Issuance of Unique number and filing of accreditation folder will be separate for PAG and Belle for easier identification.</li> <li>6) Document requirements by PAG, Belle and Procurement should be submitted by the Vendor.</li> </ol> <p>V. DELIVERY</p> <p>A. The PD and Central Receiving are the control points for all goods received by the Company. Shipment to another designated location may be allowed.</p> <p>B. If an order is not received by the promised delivery date, the PD should make automatic follow ups without waiting for the requisitioning department to react.</p> <p>C. The PD shall institute procedures with respect to shortages and damages and merchandise returns.</p>

<b>Business Conduct &amp; Ethics</b>	<b>Directors</b>	<b>Senior Management</b>	<b>Employees</b>
	<p><b>VI. INVOICES</b></p> <p>A. Original invoices are required in order to initiate payment process.</p> <p>B. Original invoices that relate to properly approved purchase orders or contracts do not require any further approvals.</p> <p>C. Original invoices which have not been approved through the purchase order or contract procedure will be forwarded to the respective department to start the approval authority process.</p> <p>D. In case of discrepancy in information between the invoice and the purchase order, the PD must resolve the discrepancy.</p> <p><b>VII. CONTRACT REVIEW AND APPROVAL</b></p> <p>A. With regard to executing contracts or agreement documents, same must be reviewed and approved by Legal Department.</p> <p>B. A separate policy will be issued that would specify the endorsement of the contract or agreement document by all departments materially involved in the transaction over and above the Legal Department.</p> <p><b>VIII. SPECIFIC PURCHASES AND SERVICES</b></p> <p>A. Construction, Renovation and Refurbishing – must be coordinated with the Technical Department.</p> <p>B. Computer Hardware, Audio-visual equipment and the like must be consulted with IT Department, including pre-configuration prior to installation.</p> <p>C. Deliveries of the above must be coordinated with Administration for proper asset tagging.</p> <p><b>IX. POLICY REVIEW</b></p> <p>This policy will be subject to review by the Executive Committee annually.</p>		
<b>(l) Related Party Transactions</b>	<p>The Company discloses in detail the nature, extent and all other material information on transactions with related parties in the Company's financial statements and quarterly and annual reports to the SEC and PSE. Management regularly presents the details of transactions entered into by the Company with related parties at the meetings of the Audit Committee and the Risk Management Committee. This is to ensure that the Company conducts all related-party transactions at market and arm's length basis.</p>		
<b>(m) Alternative Dispute Resolution System</b>	<p>Ensures that the Company maintains an alternative dispute resolution system to settle conflicts between the Company and its stockholders or other third parties, including regulatory authorities.</p>		

2) Has the code of ethics or conduct been disseminated to all directors, senior management and

employees?

**YES. All directors, officers and employees are given a copy of the Company's Manual on Corporate Governance and Codes of Ethics and Discipline and are required to sign an Acknowledgement Receipt that are kept as part of the employee's 201 file.**

- 3) Discuss how the company implements and monitors compliance with the code of ethics or conduct.

**Directors, officers and employees of the Company commit to comply with both the letter and spirit of the Code to preserve the goodwill and reputation of the Company. The Human Resources Department and the Governance and Corporate Affairs Department are responsible for monitoring compliance with the Code.**

**Disciplinary actions against violators include dismissal and/or filing of appropriate civil and criminal actions.**

- 4) Related Party Transactions

- (a) Policies and Procedures

Describe the company's policies and procedures for the review, approval or ratification, monitoring and recording of related party transactions between and among the company and its parent, joint ventures, subsidiaries, associates, affiliates, substantial stockholders, officers and directors, including their spouses, children and dependent siblings and parents and of interlocking director relationships of members of the Board.

Related Party Transactions	Policies and Procedures
(1) Parent Company	<p><b>The Company practices full disclosure of details of related party transactions. The nature, extent and all other material details of transactions with related parties are disclosed in the Company's financial statements and quarterly and annual reports to the SEC and PSE. The financial statements and reports are also available in the Company website and readily accessible to the public.</b></p>
(2) Joint Ventures	
(3) Subsidiaries	
(4) Entities Under Common Control	
(5) Substantial Stockholders	
(6) Officers including spouse/children/siblings/parents	
(7) Directors including spouse/children/siblings/parents	<p><b>The Company conducts all related party transactions on an arm's length basis. In addition, a periodic assessment is made on the following:</b></p> <ul style="list-style-type: none"> <li>▪ <b>Collectability of receivables from related parties and the necessity to provide allowance for doubtful accounts for such receivables</b></li> <li>▪ <b>Market and financial risks faced by related parties</b></li> <li>▪ <b>Guarantees issued to or received from related parties</b></li> <li>▪ <b>Financial and economic soundness of related party transactions (e.g., receivables and payables, cash placements and loans, investments in shares of stock, management/service fees, etc.)</b></li> </ul> <p><b>Management regularly presents the details of transactions entered into by the Company with related parties at the meetings of the Audit and Risk Management Committees.</b></p>
(8) Interlocking director relationship of the Board of Directors	

- (b) Conflict of Interest

- (i) Directors/Officers and 5% or more Shareholders  
Identify any actual or probable conflict of interest to which directors/officers/5% or more shareholders may be involved.

**The Company has no instance of conflict of interest to which directors, officers or significant shareholders may be involved.**

- (ii) Mechanism  
Describe the mechanism laid down to detect, determine and resolve any possible conflict of interest between the company and/or its group and their directors, officers and significant shareholders.

<b>Directors/Officers/Significant Shareholders</b>	
Company	<p><b>The Company aims to conduct business in accordance with the highest standards of business ethics. To this end, all business dealings should be compliant with all applicable laws and must not in any way compromise the good name and reputation of the Company.</b></p> <p><b>All business decisions and actions must be based on the best interests of the Company and not motivated by personal considerations or relationships which may interfere with the exercise of independent judgment. All directors, officers and employees are required to promptly disclose any financial or personal interest in any transaction involving the Company to ensure that potential conflicts of interest are brought to the attention of management.</b></p> <p><b>All directors, officers and employees shall act with utmost integrity and shall not engage in unfair dealing practices. The Company prohibits any conflict of interest, unfair competition, breach of trust, insider trading, or any other act inimical to the Company's interest.</b></p> <p><b>Further, all directors, officers and employees should inhibit oneself from the processing and approval of transactions when conflicted. Any member of the Board is required to abstain from participating in discussions on a particular agenda when conflicted.</b></p> <p><b>In addition, the Company practices full disclosure of details of related party transactions. The nature, extent and all other material details of transactions with related parties are disclosed in the Company's financial statements and quarterly and annual reports to the SEC and PSE. The financial statements and reports are also available in the Company website and readily accessible to the public.</b></p> <p><b>Management regularly presents the details of transactions entered into by the Company with related parties at the meetings of the Audit Committee and the Risk Management Committee.</b></p> <p><b>The Company strictly enforces the Policy on Accountability, Integrity and Vigilance, its Code of Ethics and Code of Conduct.</b></p>
Group	

5) Family, Commercial and Contractual Relations

- (a) Indicate, if applicable, any relation of a family,<sup>3</sup> commercial, contractual or business nature that exists between the holders of significant equity (5% or more), to the extent that they are known to the company:

Names of Related Significant Shareholders	Type of Relationship	Brief Description of the Relationship
<ul style="list-style-type: none"> <li>▪ Belleshares Holdings, Inc.</li> <li>▪ Sysmart Corporation</li> <li>▪ SM Development Corporation</li> <li>▪ Sybase Equity Investments Corporation</li> </ul>	Business	With common largest stockholder

- (b) Indicate, if applicable, any relation of a commercial, contractual or business nature that exists between the holders of significant equity (5% or more) and the company:

Names of Related Significant Shareholders	Type of Relationship	Brief Description
<ul style="list-style-type: none"> <li>▪ Belleshares Holdings, Inc.</li> <li>▪ SM Development Corporation</li> <li>▪ Sybase Equity Investments Corporation</li> </ul>	Business	With common stockholder

- (c) Indicate any shareholder agreements that may impact on the control, ownership and strategic direction of the company:

Name of Shareholders	% of Capital Stock affected (Parties)	Brief Description of the Transaction
<b>NONE. No shareholder arrangements were noted which may impact the control, ownership and strategic direction of the Company for year <u>2015</u>.</b>		

6) Alternative Dispute Resolution

Describe the alternative dispute resolution system adopted by the company for the last three (3) years in amicably settling conflicts or differences between the corporation and its stockholders, and the corporation and third parties, including regulatory authorities.

Alternative Dispute Resolution System	
Corporation & Stockholders	<p><b>A neutral third party participates to assist in the resolution of issues between the Company and stockholders, third parties and regulatory authorities. The alternative dispute resolution system may include arbitration, mediation, conciliation, early neutral evaluation, mini-trial, or any combination thereof, as the Company and the circumstances sees fit.</b></p> <p><b>Consideration is given to the need to promote candor through confidentiality of the process, the policy of fostering prompt, economical, and amicable resolution of disputes in accordance with the principles of integrity of determination by the parties, and the policy that the</b></p>
Corporation & Third Parties	
Corporation & Regulatory Authorities	

<sup>3</sup> Family relationship up to the fourth civil degree either by consanguinity or affinity.

Alternative Dispute Resolution System	
	<p>decision-making authority in the process rests with the parties.</p> <p>There were no conflicts between the corporation and its stockholders, the corporation and third parties, and the corporation and regulatory authorities, for the last three years.</p>

## C. BOARD MEETINGS & ATTENDANCE

- 1) Are Board of Directors' meetings scheduled before or at the beginning of the year?

**YES. Meetings of the Board of Directors are scheduled in the month following each quarter-end, and the schedule is finalized subject to the availability of the directors. Additional meetings are scheduled as the need arises.**

- 2) Attendance of Directors to Meetings Held in 2015:

	Date of Meeting							
	Jan. 27	Mar 6	Mar 26	Apr 27	Apr 27*	Jul 31	Oct 29	Dec 16**
BENITO TAN GUAT	✓	-	✓	-	✓	-	✓	✓
WILLY N. OCIER	✓	✓	✓	✓	✓	✓	✓	-
ELIZABETH ANNE C. UYCHACO	✓	✓	✓	✓	✓	✓	✓	-
FREDERIC C. DYBUNCIO	✓	✓	✓	✓	✓	-	✓	-
EMILIO S. DE QUIROS, JR.	✓	✓	✓	✓	✓	✓	✓	✓
GREGORIO U. KILAYKO	✓	✓	✓	✓	✓	✓	✓	✓
JACINTO C. NG, JR.	✓	✓	✓	✓	✓	✓	✓	✓
JOSE T. SIO	✓	✓	✓	✓	✓	✓	✓	✓
WASHINGTON Z. SYCIP	✓	✓	✓	-	-	✓	✓	✓
CESAR E.A. VIRATA	✓	✓	✓	-	-	✓	✓	✓
VIRGINIA A. YAP	✓	✓	✓	✓	✓	✓	✓	✓

\*Organizational Meeting

\*\* Meeting of Non-Executive Directors

- 3) Do non-executive directors have a separate meeting during the year without the presence of any executive? If yes, how many times?

**YES. Non-executive Directors meet at least once annually without the presence of Executive Directors. A meeting was held on December 16, 2015 as part of their program to improve effective governance for the coming year.**

- 4) Is the minimum quorum requirement for Board decisions set at two-thirds of board members? Please explain.

**Yes, all Board decisions are considered approved so long as 2/3 of the Board of Directors were present during each meeting.**

5) Access to Information

- (a) How many days in advance are board papers<sup>4</sup> for board of directors meetings provided to the board?

**Board papers for Board of Directors' meetings are provided to the directors at least five (5) business days before the meeting.**

- (b) Do board members have independent access to Management and the Corporate Secretary?

**YES. Board members have independent access to management and the Corporate Secretary as per the Company's Revised Manual on Corporate Governance (2.2.4).**

- (c) State the policy of the role of the company secretary. Does such role include assisting the Chairman in preparing the board agenda, facilitating training of directors, keeping directors updated regarding any relevant statutory and regulatory changes, etc?

**Under the Company's Revised Manual on Corporate Governance, the Corporate Secretary has the following duties and responsibilities:**

- 1) Be responsible for the safekeeping and preservation of the integrity of minutes of the meeting of the Board and its committees, as well as other official records of the Company.**
- 2) Work fairly and objectively with the Board, management and stockholders.**
- 3) Have appropriate administrative and interpersonal skills.**
- 4) If he is not at the same time the Company's legal counsel, to be aware of the laws, rules, and regulations necessary in the performance of his duties and responsibilities.**
- 5) Have a working knowledge of the operations of the Company.**
- 6) Inform that members of the Board, or of the committees of the Board, as the case may be, in accordance with the By-Laws, of the agenda of their meetings and ensure that the members have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval.**
- 7) Attend all Board meetings except when justifiable causes, such as illness, death in the immediate family and serious accidents prevent him from doing so.**
- 8) Ensure that all Board and Committee procedures, rules and regulations are strictly followed by members.**
- 9) If he is also the Compliance Officer, perform all the duties and responsibilities of the said officer as provided for in the SEC's Code of Corporate Governance.**

- (d) Is the company secretary trained in legal, accountancy or company secretarial practices? Please explain should the answer be in the negative.

**YES. The Corporate Secretary (Atty. A. Bayani K. Tan) holds a Master of Laws degree from New York University USA and earned his Bachelor of Laws degree from the University of the Philippines. He passed the bar examinations in 1981.**

- (e) Committee Procedures

Disclose whether there is a procedure that Directors can avail of to enable them to get information necessary to be able to prepare in advance for the meetings of different committees:

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<sup>4</sup> Board papers consist of complete and adequate information about the matters to be taken in the board meeting. Information includes the background or explanation on matters brought before the Board, disclosures, budgets, forecasts and internal financial documents.



Yes ☒ No ☐

Committee	Details of the procedures
Executive	To enable the Board to properly fulfill their duties and responsibilities, they are provided with complete and timely information about the matters in the agenda of the meetings. Directors are given independent access to management and the Corporate Secretary and they can freely communicate with them through email or telephone.
Audit	
Risk Management	
Nomination	
Remuneration	
Others (specify)	<u><i>The Committee Members may request for additional information thru the Corporate Secretary of Management, if necessary.</i></u>

6) External Advice

Indicate whether or not a procedure exists whereby directors can receive external advice and, if so, provide details:

Procedures	Details
To enable the Board <u>and each Board Committee</u> to properly fulfill their duties and responsibilities, they are provided with complete and timely information about the matters in the agenda of the meetings. Directors are given independent access to management and the Corporate Secretary, as well as to independent professional advice when the need arises.	

7) Change/s in existing policies

Indicate, if applicable, any change/s introduced by the Board of Directors (during its most recent term) on existing policies that may have an effect on the business of the company and the reason/s for the change:

	Existing Policies	Changes	Reason
1	<u><i>Dividend policy</i></u>	<u><i>Payment of dividends within 30 days from declaration</i></u>	<u><i>To align with leading corporate governance practices</i></u>
2	<u><i>Disclosure of trading in Company shares</i></u>	<u><i>Directors and key officers must declare their dealings with Company shares within three (3) business days</i></u>	
3	<u><i>ASM Agenda</i></u>	<u><i>Each agenda item in the Notice to Shareholders' Meeting that will require shareholder approval must have a brief explanation or rationale.</i></u>	<u><i>To align with leading corporate governance practices</i></u>
4	<u><i>Vendor Accreditation</i></u>	<u><i>Adoption of Vendor Accreditation and Selection Process</i></u>	
5	<u><i>Whistle blower</i></u>	<u><i>Adoption of Whistle Blower Policy and Protection from Retaliation Policy</i></u>	

## D. REMUNERATION MATTERS

### 1) Remuneration Process

Disclose the process used for determining the remuneration of the CEO and the four (4) most highly compensated management officers:

Process	CEO	Top 4 Highest Paid Management Officers
(1) Fixed remuneration	<u>Performance-based</u>	<u>Performance-based</u>
(2) Variable remuneration	<u>Not applicable</u>	<u>Not applicable</u>
(3) Per diem allowance	<u>For independent directors – Php 50,000 and for other directors – Php10,000 per Board meeting attended</u>	<u>Not applicable</u>
(4) Bonus	<u>Performance-based</u>	<u>Performance-based</u>
(5) Stock Options and other financial instruments	<u>Not applicable</u>	<u>Not applicable</u>
(6) Others (specify)	<u>Not applicable</u>	<u>Not applicable</u>

### 2) Remuneration Policy and Structure for Executive and Non-Executive Directors

Disclose the company's policy on remuneration and the structure of its compensation package. Explain how the compensation of Executive and Non-Executive Directors is calculated.

	Remuneration Policy	Structure of Compensation Packages	How Compensation is Calculated
Executive Directors	The Compensation and Remuneration Committee determines the amount of remuneration which shall be in a level sufficient to attract directors, executives and other key senior personnel needed to run the Company successfully.	Executive compensation is composed of salaries, bonuses and other annual compensation, plus fixed per diem for every board meeting attended.	<u>Benchmarks such as industry peer group, compensation studies, and level of responsibilities are used as basis.</u>
Non-Executive Directors		<u>Independent Director – P50,000 / meeting</u> <u>Others – P10,000 / meeting</u>	

Do stockholders have the opportunity to approve the decision on total remuneration (fees, allowances, benefits-in-kind and other emoluments) of board of directors? Provide details for the last three (3) years.

Remuneration Scheme	Date of Stockholders' Approval
Yes, stockholders ratify all acts made by the Board and Management during the Annual Stockholders' Meeting (ASM). The annual compensation of the principal officers and the per diem for directors are disclosed in the SEC Form 20-IS distributed to all stockholders prior to the ASM.	<u>27 April 2015</u>
	<u>28 April 2014</u>
	<u>22 April 2013</u>

### 3) Aggregate Remuneration

Complete the following table on the aggregate remuneration accrued during the most recent year:

Remuneration Item	Executive Directors	Non-Executive Directors (other than Independent Directors)	Independent Directors
(a) Fixed Remuneration (b) Variable Remuneration (c) Per Diem Allowance (d) Bonuses (e) Stock options and / or other financial instruments (f) Others (Specify)	<p><b><u>The total per diem allowance paid to Directors in 2015 amounted to P1.24 million.</u></b></p> <p><b>There are no stock options and/or other financial instruments given to directors.</b></p>		
<b>Total</b>			

Other Benefits	Executive Directors	Non-Executive Directors (other than Independent Directors)	Independent Directors
(a) <u>Advances</u> (b) <u>Credit granted</u> (c) <u>Pension plans. Contributions</u> (d) <u>Pension plans. Obligations incurred</u> (e) <u>Life Insurance premium</u> (f) <u>Hospitalization plan</u> (g) <u>Car plan</u> (h) <u>Others (Specify)</u>	<p><b>There are no advances, credit and car plan granted to directors.</b></p> <p><b>There are no life insurance and hospitalization plan for the independent directors. The directors (except independent directors) are covered with life insurance and are included in the retirement contribution given for the Company's eligible employees as a whole.</b></p>		
<b>Total</b>			

### 4) Stock Rights, Options and Warrants

#### (a) Board of Directors

Complete the following table, on the members of the company's Board of Directors who own or are entitled to stock rights, options or warrants over the company's shares:

Director's Name	Number of Direct Option/Rights/Warrants	Number of Indirect Option/Rights/Warrants	Number of Equivalent Shares	Total % from Capital Stock
<b>NONE.</b>				

#### (b) Amendments of Incentive Programs

Indicate any amendments and discontinuation of any incentive programs introduced, including the criteria used in the creation of the program. Disclose whether these are subject to approval during the Annual Stockholders' Meeting:

Incentive Program	Amendments	Date of Stockholders' Approval
<b>NONE.</b>		

## 5) Remuneration of Management

Identify the five (5) members of management who are not at the same time executive directors and indicate the total remuneration received during the financial year:

**The aggregate compensation paid in Year 2015 to the five (5) highest compensated executive officers amounted to Php 32.8 million.**

## E. BOARD COMMITTEES

### 1) Number of Members, Functions and Responsibilities

Provide details on the number of members of each committee, its functions, key responsibilities and the power/authority delegated to it by the Board:

Committee	No. of Members			Committee Charter	Functions	Key Responsibilities	Power
	Executive Director (ED)	Non-executive Director (NED)	Independent Director (ID)				
Executive	2	3		<ul style="list-style-type: none"><li>• Oversees the management of the Company and is responsible for the Company’s finances, goals, and policies;</li><li>• Tasked to foster the long-term success of the Company and sustain its competitiveness and profitability in a manner consistent with its corporate objectives and the best interests of its stockholders through sound strategic policies, guidelines and programs that can sustain the Company’s long-term viability and strength.</li></ul>			
Audit		1	2	<ul style="list-style-type: none"><li>• Assists and advises the Board of Directors in fulfilling its oversight responsibilities to ensure the quality and integrity of the Company’s accounting, financial reporting, auditing practices and internal control systems and adherence to over-all corporate governance best practice.</li><li>• Oversees the Company’s process for monitoring compliance with laws, regulations, the Code of Ethics and Discipline, and performs other duties as the Board may require.</li></ul> <p>Under its Charter, the Committee is duty-bound to perform and carry out the following responsibilities, among others, categorized under <u>seven (7)</u> major domains:</p> <ol style="list-style-type: none"><li>1) Financial statements and reporting<ul style="list-style-type: none"><li>– Review significant accounting and reporting issues</li><li>– Review and endorse to the Board for approval the financial statements of the Company</li><li>– Review the results of external audit</li></ul></li><li>2) Internal control<ul style="list-style-type: none"><li>– Review the effectiveness of the Company’s internal control system</li></ul></li><li>3) Internal audit<ul style="list-style-type: none"><li>– Provide oversight of the performance of the internal audit group</li></ul></li></ol>			

Committee	No. of Members			Committee Charter	Functions	Key Responsibilities	Power
	Executive Director (ED)	Non-executive Director (NED)	Independent Director (ID)				
				<div>4) External audit<ul style="list-style-type: none"><li>Review the external auditors' audit scope and approach and the results of the audit</li></ul></div> <div>5) Compliance<ul style="list-style-type: none"><li>Review and continually improve the effectiveness of the system for monitoring the results of management's investigation and follow-up of any instance of non-compliance</li></ul></div> <div>6) Reporting responsibilities<ul style="list-style-type: none"><li>Regularly report to the Board the Committee's activities, findings, decisions, deliberations and recommendations</li></ul></div> <div>7) Other responsibilities<ul style="list-style-type: none"><li>Perform other activities as requested by the Board</li></ul></div>			
Risk Management		1	2	<ul style="list-style-type: none"><li>Assists and advises the Board of Directors in fulfilling its oversight responsibilities to ensure the quality and integrity of the Company's Risk Management System, by carrying out the following:<ul style="list-style-type: none"><li>Review the adequacy and effectiveness of the Company's policies and procedures relating to the identification, analysis, management, monitoring and reporting of financial and non-financial risks</li><li>Review the details of the Company's related party transactions</li></ul></li><li><u>Ensure that Management sufficiently and swiftly manages risks, (i.e. reduction and mitigation across operating units) especially those categorized as having high impact with high probability of occurring.</u></li></ul>			
Nomination	0	1	2	<ul style="list-style-type: none"><li><u>Pre-screens and shortlists all candidates nominated to become a member of the Board of Directors in accordance with the Company's Manual on Corporate Governance;</u></li><li><u>Ensures that all candidates nominated by shareholders to become a member of the Board shall possess the ideals and values that are aligned to the Company's mission and vision statements;</u></li><li><u>In consultation with the appropriate executive or management committee/s, re-define the role, duties and responsibilities of the Chief Executive Officer (CEO) by integrating the dynamic requirements of the business as a going concern and future expansionary prospects within the realm of good corporate governance at all times;</u></li><li><u>Determine the number of directorships which a member of the Board of Directors may hold, in accordance with the guidelines provided under the Manual on Corporate Governance and all relevant rules and regulations;</u></li></ul>			

Committee	No. of Members			Committee Charter	Functions	Key Responsibilities	Power
	Executive Director (ED)	Non-executive Director (NED)	Independent Director (ID)				
Compensation and Remuneration	<u>0</u>	<u>1</u>	<u>2</u>			<ul style="list-style-type: none"> <li><u>Tasked to establish a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of corporate officers and directors, and provide oversight over remuneration of senior management and other key personnel, ensuring that compensation is consistent with the Company's culture, strategy and control environment;</u></li> <li><u>Designate amount of remuneration, which shall be in sufficient level to attract and retain directors and officers who are needed to run the Company successfully;</u></li> <li><u>Review policies to strengthen provisions on conflict of interest, salaries and benefits policies, promotion and career advancement directives and compliance of personnel concerned with all statutory requirements that must be periodically met in their respective posts.</u></li> <li><u>Reviews existing human resource policies to ensure the continued growth and development of the Company's workforce.</u></li> </ul>	
Others-specify				NONE			

## 2) Committee Members

### (a) Executive Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (ED)	Willy N. Ocier	4/27/2015	<u>14</u>	<u>14</u>	<u>100%</u>	<u>17</u>
Member (NED)	Elizabeth Anne C. Uychaco	4/27/2015	<u>14</u>	<u>14</u>	<u>100%</u>	<u>6</u>
Member (ED)	Frederic C. DyBuncio	4/27/2015	<u>14</u>	<u>12</u>	<u>86%</u>	<u>3</u>
Member (NED)	Jacinto C. Ng, Jr.	4/27/2015	<u>14</u>	<u>6</u>	<u>43%</u>	<u>15</u>
Member (NED)	Virginia A. Yap	4/27/2015	<u>14</u>	<u>13</u>	<u>93%</u>	<u>5</u>

### (b) Audit Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (ID)	Gregorio U. Kilayko	4/27/2015	<u>6</u>	<u>6</u>	<u>100%</u>	12
Member (NED)	Jacinto C. Ng, Jr.	4/27/2015	<u>6</u>	<u>3</u>	<u>50%</u>	14
Member (ID)	Cesar E. A. Virata	4/27/2015	<u>6</u>	<u>6</u>	<u>100%</u>	19
Member (NED)	Virginia A. Yap	4/27/2015	<u>5</u>	<u>5</u>	<u>100%</u>	4

Note: Ms. Virginia A. Yap is no longer a member of the Audit Committee with effect on 10.29.2015.

(c) Risk Management Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (ID)	Gregorio U. Kilayko	4/27/2015	<u>3</u>	<u>3</u>	<u>100%</u>	12
Member (NED)	Jacinto C. Ng, Jr.	4/27/2015	<u>3</u>	<u>0</u>	<u>0%</u>	14
Member (ID)	Cesar E. A. Virata	4/27/2015	<u>3</u>	<u>3</u>	<u>100%</u>	19
<b>Member (NED)</b>	<b><u>Virginia A. Yap</u></b>	<b><u>4/27/2015</u></b>	<b><u>3</u></b>	<b><u>3</u></b>	<b><u>100%</u></b>	4

*Note: Ms. Virginia A. Yap is no longer a member of the Risk Management Committee with effect on 10.29.2015.*

Disclose the profile or qualifications of the Audit Committee and the Risk Management Committee members.

**Gregorio U. Kilayko**

Mr. Kilayko is an Independent Director of the Company. He was founding head of ING Barings' stockbrokerage and investment banking business in the Philippines, and a Philippine Stock Exchange Governor in 1996 and 2000. Mr. Kilayko holds a Master of Business Administration degree from the Wharton School of the University of Pennsylvania.

**Jacinto C. Ng, Jr.**

Mr. Ng is a Director of the Company and concurrently a Director and Treasurer of Republic Biscuit Corporation and the Chief Executive Officer of Elanvital Enclaves, Inc. Mr. Ng is also a Director of the following companies: Asia United Insurance Corporation, Highlands Prime, Inc., Manila Bay Development Corporation, Quantuvis Resources Corporation and Palm Concepcion Power Corporation. He holds a Bachelor of Science degree in Architecture from the University of the Philippines.

**Cesar E.A. Virata**

Mr. Virata is an Independent Director of the Company. He is the President and Principal Consultant of C. Virata & Associates, Inc., Management Consultants. He is currently the Vice Chairman of Rizal Banking Corporation (RCBC); and Director of RCBC subsidiaries and some affiliates. He is also an Independent Director of Benpres Holdings Corporation, City & Land Development Corporation and Business World. Mr. Virata was formerly the Minister of Finance and Prime Minister of the Philippines.

**Virginia A. Yap**

Ms. Virginia A. Yap is a Director of the Company. She is also a member of the Company's Executive and Nomination Committee. Ms. Yap holds key positions in the SM Group of Companies including being Treasurer of SM Development Corporation, and Vice President – Office of the Chairman of the Board of Directors of SM Investments Corporation, SM Land, Inc. (formerly Shoemart, Inc.) and SM Retail Inc.

She is also the Treasurer of the Highlands Prime, Inc. since August 22, 2002, a member of the Board of Directors since January 25, 2010, and a member of Executive, Compensation and Remuneration, and Audit Committees of Highlands Prime Inc. She holds a Bachelor of Science in Commerce (Major in Accounting) degree from the University of Mindanao. She has been connected with the SM Group of Companies for the last twenty-five years.

Describe the Audit Committee's responsibility relative to the external auditor.

**The Audit Committee, as authorized by the Board, has the primary responsibility of endorsing the appointment, re-appointment and removal of the external auditors. The**

Board, through the Audit Committee, recommends to the stockholders a duly accredited external auditor who shall undertake the independent audit and shall provide and perform an objective assurance on the preparation and presentation of financial statements.

The Audit Committee also:

- Performs oversight functions of the Company's external auditors. It ensures that the internal and external auditors act independently from each other, and that both auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit function.
- Prior to the commencement of the audit, discusses with the external auditor the nature, scope and expenses of the audit and ensure proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts.
- Reviews the reports submitted by the external auditors, including any difficulties encountered.
- Evaluates and determines the non-audit work, if any, of the external auditor, and reviews periodically the non-audit fees paid to the external auditor in relation to their significance to the total annual income of the external auditor and to the Company's overall consultancy expenses. The Committee shall disallow any non-audit work that will conflict with the duties of the external auditor or may pose a threat to his independence. The non-audit work, if allowed, should be disclosed in the Company's annual report.
- Meets separately with the external auditor, on a regular basis, to discuss any matter that the Committee or auditors believe should be discussed privately.

(d) Nomination Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (ID)	Washington Z. SyCip	4/27/2015	<u>2</u>	<u>2</u>	<u>100%</u>	19
Member (ID)	Cesar E. A. Virata	<u>10/29/2015</u>	<u>0</u>	<u>0</u>	<u>0%</u>	<u>&lt;1</u>
Member (NED)	Virginia A. Yap	4/27/2015	<u>2</u>	<u>2</u>	<u>100%</u>	4
<u>Member (ED)</u>	<u>Willy N. Ocier</u>	<u>4/27/2015</u>	<u>2</u>	<u>2</u>	<u>100%</u>	<u>16</u>
<u>Member (NED)</u>	<u>Jose T. Sio</u>	<u>4/27/2015</u>	<u>2</u>	<u>2</u>	<u>100%</u>	<u>5</u>

Note: Messrs. Jose T. Sio and Willy N. Ocier are no longer members of the Nomination Committee with effect on 10.29.2015.

(e) Compensation and Remuneration Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
<u>Chairman (ID)</u>	<u>Gregorio U. Kilayko</u>	<u>10/29/2015</u>	<u>1</u>	<u>1</u>	<u>100%</u>	<u>&lt;1</u>
Member (ID)	Cesar E. A. Virata	4/27/2015	<u>2</u>	<u>2</u>	<u>100%</u>	19
Member (NED)	Elizabeth Anne C. Uyachaco	4/27/2015	<u>2</u>	<u>2</u>	<u>100%</u>	3
<u>Chairman (ED)</u>	<u>Willy N. Ocier</u>	<u>4/27/2015</u>	<u>1</u>	<u>1</u>	<u>100%</u>	<u>16</u>
<u>Member (ED)</u>	<u>Frederic C. DyBuncio</u>	<u>4/27/2015</u>	<u>1</u>	<u>1</u>	<u>100%</u>	<u>&lt;2</u>
<u>Member (NED)</u>	<u>Emilio S. De Quiros, Jr.</u>	<u>4/27/2015</u>	<u>1</u>	<u>1</u>	<u>100%</u>	<u>4</u>

Note: Messrs. Willy N. Ocier, Frederic DyBuncio and Emilio S. de Quiros, Jr. are no longer members of the Compensation and Remuneration Committee with effect on 10.29.2015.



(f) Others (Specify)

Provide the same information on all other committees constituted by the Board of Directors:

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	NONE. There are no other committees constituted by the Board of Directors other than the ones identified above.					
Member (ED)						
Member (NED)						
Member (ID)						

### 3) Changes in Committee Members

Indicate any changes in committee membership that occurred during the year and the reason for the changes:

Name of Committee	Name	Reason
Executive	<u>No change.</u>	<u>No change.</u>
Audit	<u>Virginia A. Yap</u>	<u>Committee Restructuring</u>
Risk Management	<u>Virginia A. Yap</u>	<u>Committee Restructuring</u>
Nomination	<u>Willy N. Ocier</u> <u>Jose T. Sio</u>	<u>Committee Restructuring</u>
Compensation & Remuneration	<u>Gregorio U Kilayko</u> <u>Willy N. Ocier</u> <u>Frederic C. DyBuncio</u> <u>Emilio S. De Quiros, Jr.</u>	<u>Committee Restructuring</u>
Others (Specify)	N/A	N/A

### 4) Work Done and Issues Addressed

Describe the work done by each committee and the significant issues addressed during the year.

Name of Committee	Work Done	Issues Addressed
Executive	<ul style="list-style-type: none"> <li>▪ Oversaw the management of the Company, which includes, among others: <ul style="list-style-type: none"> <li>– Financial matters</li> <li>– Construction updates and issues</li> <li>– Property maintenance updates and issues</li> <li>– Sales and post-sales concerns</li> <li>– Legal matters</li> </ul> </li> <li>▪ Reviewed the Company's vision, mission, strategies, plans, and annual budget</li> <li>▪ Monitored the implementation of policies and strategies, including management's overall performance</li> </ul>	<u>To adhere to good corporate governance practices</u>
Audit	<ul style="list-style-type: none"> <li>▪ Assisted and advised the Board of Directors in fulfilling its oversight responsibilities to ensure the quality and integrity of the Company's accounting, financial reporting, auditing practices, risk management and internal control systems and adherence to over-all corporate governance best practice</li> <li>▪ <u>Recommended for Board approval the audited financial statements of Belle Corporation for the year ended December 31, 2014;</u></li> <li>▪ <u>Reviewed Belle Corporation's financial statements for the</u></li> </ul>	<u>Reported audit findings, identified significant risks and related party transactions</u>

Name of Committee	Work Done	Issues Addressed
	<p><u><i>first quarter ended March 31, 2015, second quarter ended June 30, 2015, third quarter ended September 30, 2015;</i></u></p> <ul style="list-style-type: none"> <li>▪ Reviewed significant accounting and reporting issues, and endorsed to the Board for approval the financial statements of the Company</li> <li>▪ Reviewed the effectiveness of the Company's internal control system</li> <li>▪ Provided oversight of the performance of the internal audit group</li> <li>▪ Reviewed the external auditors' audit scope and approach and the results of the audit</li> <li>▪ <u><i>Reviewed and introduced changes to its Charter to conform with good corporate governance practices.</i></u></li> <li>▪ <u><i>Restructured the Committee based on the provisions of the new Charter.</i></u></li> </ul>	
Risk Management	<ul style="list-style-type: none"> <li>▪ Reviewed the adequacy and effectiveness of the Company's policies and procedures relating to the identification, analysis, management, monitoring and reporting of financial and non-financial risks</li> <li>▪ <u><i>Discussed the results of the enterprise-wide risk assessment and Management's action plans to address identified risks;</i></u></li> <li>▪ Reviewed the details of the Company's related party transactions</li> <li>▪ <u><i>Reviewed and introduced changes to its Charter to conform to good corporate governance practices.</i></u></li> <li>▪ <u><i>Restructured the Committee based on the provisions of the new Charter.</i></u></li> </ul>	<p><u><i>Reported audit findings, identified significant risks and related party transactions</i></u></p>
Nomination	<ul style="list-style-type: none"> <li>▪ Evaluated all candidates nominated to the Board in accordance with the requirements set forth by the SEC and the Company's Manual on Corporate Governance</li> <li>▪ Ensured that those nominated to the Board meet all the qualifications and none of the disqualifications for directorship</li> <li>▪ <u><i>Reviewed and introduced changes to its Charter to conform to good corporate governance practices.</i></u></li> <li>▪ <u><i>Restructured the Committee based on the provisions of the new Charter.</i></u></li> </ul>	<p><u><i>To adhere to good corporate governance practices</i></u></p>
Compensation and Remuneration	<ul style="list-style-type: none"> <li>▪ Performed oversight of policies on salaries and benefits, as well as promotions and other forms of career advancement</li> <li>▪ Reviewed existing human resource policies to ensure the continued growth and development of the Company's workforce</li> <li>▪ <u><i>Reviewed and introduced changes to its Charter to conform to good corporate governance practices;</i></u></li> <li>▪ <u><i>Restructured the Committee based on the provisions of the new Charter.</i></u></li> </ul>	<p><u><i>To adhere to good corporate governance practices</i></u></p>
Others (specify)	NONE	

## 5) Committee Program

Provide a list of programs that each committee plans to undertake to address relevant issues in the improvement or enforcement of effective governance for the coming year.

Name of Committee	Planned Programs	Issues to be Addressed
Executive	<ul style="list-style-type: none"> <li>▪ Foster the long-term success of the Company and sustain its competitiveness and profitability in a manner consistent with its corporate objectives and the best interests of its stockholders through sound strategic policies, guidelines and programs that can sustain the Company's long-term viability and strength</li> <li>▪ Periodically review the Company's vision, mission, strategies, plans, and annual budget and continuously monitor the implementation of such policies and strategies, including management's overall performance</li> <li>▪ Institutionalize the risk management assessment process to ensure standardization, effectiveness and efficiency, and continuously monitor key risk areas and performance indicators with due diligence to enable the Company to anticipate and prepare for possible threats to its operational and financial viability</li> <li>▪ Institute good corporate governance practices and ensure effective communication with all employees for acknowledgment and strict compliance</li> <li>▪ Define policies and plans regarding corporate social responsibility (CSR), including formulating an action plan for publicizing and promoting awareness of CSR among all officers and employees</li> </ul>	
Audit	<ul style="list-style-type: none"> <li>▪ Implement the action plans made based on the results of the self-assessment conducted following the guideline set forth by SEC Memorandum Circular No. 4, which includes, among others: <ul style="list-style-type: none"> <li>– Develop a succession plan for its members and Chair</li> <li>– Reporting to the Board and issuance of certifications on critical compliance issues</li> <li>– Review and approval of management representation letter before submission to external auditor</li> <li>– Obtaining management's assurance on the state of internal controls</li> <li>– Promotion of risk awareness in the organization</li> <li>– Evaluation of compliance with the Code of Conduct for management</li> <li>– Review and approval of fees of external auditor</li> </ul> </li> </ul>	
Risk Management	<ul style="list-style-type: none"> <li>▪ Review and assess the effectiveness of the Company's risk management system in the mitigation of financial and non-financial risks</li> <li>▪ Review the Company's continual process of good corporate governance, as well as providing approaches and advices for development, and tasking management to look into the evolving ASEAN Corporate Governance initiative from the regulators and advocacy groups to see what other enhancements can be properly pursued</li> <li>▪ Oversee the effectiveness of the Company's whistleblower policy, so that the whistleblower has the confidence that the Company has the required and appropriate independent procedure to effectively investigate and resolve such possible wrong-doings and non-compliance issues</li> </ul>	
Nomination	<ul style="list-style-type: none"> <li>▪ Enhance the process for the selection of directors who can add value and contribute independent judgment to the formulation of sound corporate strategies and policies, and appoint competent, professional, honest and highly-motivated management officers</li> </ul>	

Name of Committee	Planned Programs	Issues to be Addressed
	<ul style="list-style-type: none"> <li>▪ Ensure annual performance appraisal of individual directors, the board as a whole, board committees and the President, and periodically review the criteria used in assessing such performance</li> <li>▪ Formulate succession plans for top key management positions and review such plan on a regular basis</li> <li>▪ Identify areas for improvement of the members of the Board, such as training/continuing education programs or any other form of assistance that directors may need in the performance of their duties</li> </ul>	
Compensation and Remuneration	<ul style="list-style-type: none"> <li>▪ Periodically review the compensation method for directors, officers and employees so that they are equitable and appropriately corresponds to the respective assigned duties and responsibilities, current business environment and performance results of the Company</li> <li>▪ Define goals and evaluate the performance of top management to set reasonable compensation</li> </ul>	
Others (specify)	NONE	

## F. RISK MANAGEMENT SYSTEM

1) Disclose the following:

(a) Overall risk management philosophy of the company;

**The Company has adopted a risk management policy that establishes a culture of disclosing, evaluating and managing risks, from the Board and throughout the organization toward achieving its goals and objectives, which include, among others, the protection and preservation its employees' and clients' safety and welfare, the value and condition of its properties and assets, and its local and global reputation. The Company aligns its risk appetite with its long-term strategic objectives.**

(b) A statement that the directors have reviewed the effectiveness of the risk management system and commenting on the adequacy thereof;

**The Board of Directors through the Risk Management Committee has reviewed the Company's risk management system and has found the same effective and adequate.**

(c) Period covered by the review;

**Year 2015.**

(d) How often the risk management system is reviewed and the directors' criteria for assessing its effectiveness; and

**The Risk Management Committee reviews annually the effectiveness of the Company's risk management system. The Committee reviews the adequacy and effectiveness of the Company's policies and procedures relating to the identification, analysis, management, monitoring and reporting of financial and non-financial risks, including management's reduction and mitigation plan to sufficiently and swiftly manage major financial and business risk exposures.**

(e) Where no review was conducted during the year, an explanation why not.

## NOT APPLICABLE

### 2) Risk Policy

#### (a) Company

Give a general description of the company's risk management policy, setting out and assessing the risk/s covered by the system (ranked according to priority), along with the objective behind the policy for each kind of risk:

Risk Exposure	Risk Management Policy	Objective
<b><u>Financial Risks</u></b> <ul style="list-style-type: none"> <li>▪ Interest rate risk</li> <li>▪ Foreign currency risk</li> <li>▪ Credit risk</li> <li>▪ Liquidity risk</li> <li>▪ Equity price risk</li> <li>▪ Capital management</li> </ul>	<ul style="list-style-type: none"> <li>▪ Manage interest cost by limiting borrowings</li> <li>▪ Mitigate transactional currency exposure by maintaining costs at consistently low levels, regardless of upward or downward movement in the foreign currency exchange rate</li> <li>▪ All customers who wish to trade on credit terms are subject to credit verification procedures, and receivable balances are monitored on an ongoing basis to ensure that exposure to bad debts is not significant</li> <li>▪ Maintain a balance between continuity of funding and flexibility through valuation of projected and actual cash flow information</li> <li>▪ Maintain debt-to-equity ratio at manageable levels</li> </ul>	<p>The Company has adopted a risk management policy that establishes a culture of disclosing, evaluating and managing risks, from the Board and throughout the organization toward achieving its goals and objectives, which include, among others, the protection and preservation its employees' and clients' safety and welfare, the value and condition of its properties and assets, and its local and global reputation. The Company aligns its risk appetite with its long-term strategic objectives.</p> <p>In order to mitigate risk exposures, the Company continues to exercise fiscal prudence and adopt what it considers conservative financial and operational controls.</p>
<b><u>Market Risks</u></b> <ul style="list-style-type: none"> <li>▪ Economic and political conditions</li> <li>▪ Competition</li> </ul>	<ul style="list-style-type: none"> <li>▪ Diversify portfolio by offering different product lines</li> <li>▪ Enhance existing amenities and introduce new concepts which will cater to the high-end market</li> <li>▪ Offer long and affordable terms for buyers</li> </ul>	
<b><u>Performance / Completion Risks</u></b> <ul style="list-style-type: none"> <li>▪ Suppliers</li> <li>▪ Contractors</li> </ul>	<ul style="list-style-type: none"> <li>▪ Purchase only from accredited suppliers</li> <li>▪ Performance bonds for contractors to ensure contractual arrangements meet the Company's performance standards</li> </ul>	
<b><u>Regulatory Risks</u></b>	<ul style="list-style-type: none"> <li>▪ Compliance with licensing</li> </ul>	

<b>Risk Exposure</b>	<b>Risk Management Policy</b>	<b>Objective</b>
<ul style="list-style-type: none"> <li>▪ Government regulations</li> <li>▪ Changes to Philippine laws and regulations</li> </ul>	and regulatory requirements necessary to operations	
<u><b>Hazard Risks</b></u> <ul style="list-style-type: none"> <li>▪ Natural disasters</li> </ul>	<ul style="list-style-type: none"> <li>▪ Regular site inspections by Company personnel and consultants/experts</li> <li>▪ Implement safety measures in the design plans</li> <li>▪ Include in insurance coverage</li> </ul>	
<u><b>IT Risks</b></u> <ul style="list-style-type: none"> <li>▪ Primary data center risk</li> <li>▪ Mission critical business application risk</li> <li>▪ Internet connection risk</li> <li>▪ Hacking risk</li> <li>▪ IT solution acquisition risk</li> </ul>	<ul style="list-style-type: none"> <li>▪ Co-location arrangement with redundant capability and automatic fail-over set-up for disaster recovery</li> <li>▪ Implement enterprise security solutions to manage external and internal threats</li> <li>▪ Annual review of technology roadmap to ensure alignment between business and IT</li> </ul>	

(b) Group

Give a general description of the Group's risk management policy, setting out and assessing the risk/s covered by the system (ranked according to priority), along with the objective behind the policy for each kind of risk:

<b>Risk Exposure</b>	<b>Risk Management Policy</b>	<b>Objective</b>
<u><b>Financial Risks</b></u> <ul style="list-style-type: none"> <li>▪ Interest rate risk</li> <li>▪ Foreign currency risk</li> <li>▪ Credit risk</li> <li>▪ Liquidity risk</li> <li>▪ Equity price risk</li> <li>▪ Capital management</li> </ul>	<ul style="list-style-type: none"> <li>▪ Manage interest cost by limiting borrowings</li> <li>▪ Mitigate transactional currency exposure by maintaining costs at consistently low levels, regardless of upward or downward movement in the foreign currency exchange rate</li> <li>▪ All customers who wish to trade on credit terms are subject to credit verification procedures, and receivable balances are monitored on an ongoing basis to ensure that exposure to bad debts is not significant</li> <li>▪ Maintain a balance between continuity of funding and flexibility through valuation</li> </ul>	<p>The Group has adopted a risk management policy that establishes a culture of disclosing, evaluating and managing risks, from the Board and throughout the organization toward achieving its goals and objectives, which include, among others, the protection and preservation its employees' and clients' safety and welfare, the value and condition of its properties and assets, and its local and global reputation. The Group aligns its risk appetite with its long-term strategic objectives.</p> <p>In order to mitigate risk exposures, the Group continues to exercise fiscal</p>

<b>Risk Exposure</b>	<b>Risk Management Policy</b>	<b>Objective</b>
	<ul style="list-style-type: none"> <li>of projected and actual cash flow information</li> <li>▪ Maintain debt-to-equity ratio at manageable levels</li> </ul>	prudence and adopt what it considers conservative financial and operational controls.
<b><u>Market Risks</u></b> <ul style="list-style-type: none"> <li>▪ Economic and political conditions</li> <li>▪ Competition</li> </ul>	<ul style="list-style-type: none"> <li>▪ Diversify portfolio by offering different product lines</li> <li>▪ Enhance existing amenities and introduce new concepts which will cater to the high-end market</li> <li>▪ Offer long and affordable terms for buyers</li> </ul>	
<b><u>Performance / Completion Risks</u></b> <ul style="list-style-type: none"> <li>▪ Suppliers</li> <li>▪ Contractors</li> </ul>	<ul style="list-style-type: none"> <li>▪ Purchase only from accredited suppliers</li> <li>▪ Performance bonds for contractors to ensure contractual arrangements meet the Group's performance standards</li> </ul>	
<b><u>Regulatory Risks</u></b> <ul style="list-style-type: none"> <li>▪ Government regulations</li> <li>▪ Changes to Philippine laws and regulations</li> </ul>	<ul style="list-style-type: none"> <li>▪ Compliance with licensing and regulatory requirements necessary to operations</li> </ul>	
<b><u>Hazard Risks</u></b> <ul style="list-style-type: none"> <li>▪ Natural disasters</li> </ul>	<ul style="list-style-type: none"> <li>▪ Regular site inspections by Group personnel and consultants/experts</li> <li>▪ Implement safety measures in the design plans</li> <li>▪ Include in insurance coverage</li> </ul>	
<b><u>IT Risks</u></b> <ul style="list-style-type: none"> <li>▪ Primary data center risk</li> <li>▪ Mission critical business application risk</li> <li>▪ Internet connection risk</li> <li>▪ Hacking risk</li> <li>▪ IT solution acquisition risk</li> </ul>	<ul style="list-style-type: none"> <li>▪ Co-location arrangement with redundant capability and automatic fail-over set-up for disaster recovery</li> <li>▪ Implement enterprise security solutions to manage external and internal threats</li> <li>▪ Annual review of technology roadmap to ensure alignment between business and IT</li> </ul>	

(c) Minority Shareholders

Indicate the principal risk of the exercise of controlling shareholders' voting power.

<b>Risk to Minority Shareholders</b>
<p><b>Principal risks of the exercise of controlling shareholders' voting power are as follows:</b></p> <ol style="list-style-type: none"> <li>1) Majority shareholders may dominate major Company decisions</li> <li>2) Lack of transparency on the actions and decisions of majority shareholders</li> <li>3) Abusive and inequitable conduct on the part of majority shareholders</li> <li>4) Rights of minority shareholders may not be upheld and protected</li> </ol> <p><b>The Company's Revised Manual on Corporate Governance expressly provides for the protection of its stockholders' rights and minority interests. The Board of Directors is committed to respect the rights of minority stockholders.</b></p>

### 3) Control System Set Up

#### (a) Company

Briefly describe the control systems set up to assess, manage and control the main issue/s faced by the company:

<b>Risk Exposure</b>	<b>Risk Assessment (Monitoring and Measurement Process)</b>	<b>Risk Management and Control (Structures, Procedures, Actions Taken)</b>
<b><u>Financial Risks</u></b> <ul style="list-style-type: none"> <li>▪ Interest rate risk</li> <li>▪ Foreign currency risk</li> <li>▪ Credit risk</li> <li>▪ Liquidity risk</li> <li>▪ Equity price risk</li> <li>▪ Capital management</li> </ul>	<p>The Company has adopted a risk management policy that establishes a culture of disclosing, evaluating and managing risks, from the Board and throughout the organization toward achieving its goals and objectives, which include, among others, the protection and preservation its employees' and clients' safety and welfare, the value and condition of its properties and assets, and its local and global reputation. The Company aligns its risk appetite with its long-term strategic objectives.</p>	
<b><u>Market Risks</u></b> <ul style="list-style-type: none"> <li>▪ <u>Economic and political conditions</u></li> <li>▪ <u>Competition</u></li> </ul>	<p>In order to mitigate risk exposures, the Company continues to exercise fiscal prudence and adopt what it considers conservative financial and operational controls.</p>	
<b><u>Performance / Completion Risks</u></b> <ul style="list-style-type: none"> <li>▪ <u>Suppliers</u></li> <li>▪ <u>Contractors</u></li> </ul>	<p>The Company also has an Enterprise Risk Management Committee (ERMC) which is an oversight committee created to act as the monitoring body for the individual risk management activities of the Company. 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 Management Committee on any risk concerns.</p>	
<ul style="list-style-type: none"> <li>▪ <u>Regulatory Risks</u></li> <li>▪ <u>Government regulations</u></li> <li>▪ <u>Changes to Philippine laws and regulations</u></li> </ul>	<p>In addition, the Risk Management Committee is tasked to perform and carry out the following responsibilities related to Risk Management:</p> <ol style="list-style-type: none"> <li>1) Review the adequacy and effectiveness of the Company's policies and procedures relating to the identification, analysis, management, monitoring and reporting of financial and non-financial risks.</li> </ol>	
<ul style="list-style-type: none"> <li>▪ <u>Hazard Risks</u></li> <li>▪ <u>Natural disasters</u></li> </ul>		



Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
<ul style="list-style-type: none"> <li>▪ <u>IT Risks</u></li> <li>▪ <u>Primary data center risk</u></li> <li>▪ <u>Mission critical business application risk</u></li> <li>▪ <u>Internet connection risk</u></li> <li>▪ <u>Hacking risk</u></li> <li>▪ <u>IT solution acquisition risk</u></li> </ul>	<p>2) Ensure that management sufficiently and swiftly manages risks, (i.e. reduction and mitigation across operating units) especially those categorized as having high impact with high probability of occurring.</p> <p>3) Advise the Board, in consultation with management, on the overall risk management program of the Company as it relates to its risk appetite and strategic direction.</p> <p>4) May engage a consultant for a more independent assessment of the risk management infrastructure and review different units' best practice.</p> <p>5) Meet separately with the Chief Risk Officer to discuss any matters that the Committee believes should be discussed privately.</p> <p>6) Review the details of the Company's related party transactions.</p>	

(b) Group

Briefly describe the control systems set up to assess, manage and control the main issue/s faced by the Group:

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
<u>Financial Risks</u> <ul style="list-style-type: none"> <li>▪ Interest rate risk</li> <li>▪ Foreign currency risk</li> <li>▪ Credit risk</li> <li>▪ Liquidity risk</li> <li>▪ Equity price risk</li> <li>▪ Capital management</li> </ul>	<p>The Group has adopted a risk management policy that establishes a culture of disclosing, evaluating and managing risks, from the Board and throughout the organization toward achieving its goals and objectives, which include, among others, the protection and preservation its employees' and clients' safety and welfare, the value and condition of its properties and assets, and its local and global reputation. The Group aligns its risk appetite with its long-term strategic objectives.</p>	
<u>Market Risks</u> <ul style="list-style-type: none"> <li>▪ Economic and political conditions</li> <li>▪ Competition</li> </ul>	<p>In order to mitigate risk exposures, the Group continues to exercise fiscal prudence and adopt what it considers conservative financial and operational controls.</p> <p>The Group also has an Enterprise Risk Management Committee (ERMC) which is an oversight committee created to act as the monitoring body for the individual risk management activities of the Group. The ERMC has the responsibility of developing a formal framework to assist the Group in managing its risks and is mandated to report regularly to the Risk Management Committee on any risk concerns.</p>	
<u>Performance / Completion Risks</u> <ul style="list-style-type: none"> <li>▪ Suppliers</li> <li>▪ Contractors</li> </ul>		
<u>Regulatory Risks</u> <ul style="list-style-type: none"> <li>▪ Government regulations</li> <li>▪ Changes to</li> </ul>	<p>In addition, the Risk Management Committee is tasked to perform and carry out the following responsibilities related to Risk Management:</p>	

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
Philippine laws and regulations	<ol style="list-style-type: none"> <li>1) Review the adequacy and effectiveness of the Group's policies and procedures relating to the identification, analysis, management, monitoring and reporting of financial and non-financial risks.</li> <li>2) Ensure that management sufficiently and swiftly manages risks, (i.e. reduction and mitigation across operating units) especially those categorized as having high impact with high probability of occurring.</li> <li>3) Advise the Board, in consultation with management, on the overall risk management program of the Group as it relates to its risk appetite and strategic direction.</li> <li>4) May engage a consultant for a more independent assessment of the risk management infrastructure and review different units' best practice.</li> <li>5) Meet separately with the Chief Risk Officer to discuss any matters that the Committee believes should be discussed privately.</li> <li>6) Review the details of the Group's related party transactions.</li> </ol>	
<u>Hazard Risks</u> <ul style="list-style-type: none"> <li>▪ Natural disasters</li> </ul>		
<u>IT Risks</u> <ul style="list-style-type: none"> <li>▪ Primary data center risk</li> <li>▪ Mission critical business application risk</li> <li>▪ Internet connection risk</li> <li>▪ Hacking risk</li> <li>▪ IT solution acquisition risk</li> </ul>		

(c) Committee

Identify the committee or any other body of corporate governance in charge of laying down and supervising these control mechanisms, and give details of its functions:

Committee/Unit	Control Mechanism	Details of its Functions
<b>Risk Management Committee</b>	<p>The Committee is tasked to perform and carry out the following responsibilities related to Risk Management:</p> <ol style="list-style-type: none"> <li>1) Review the adequacy and effectiveness of the Company's policies and procedures relating to the identification, analysis, management, monitoring and reporting of financial and non-financial risks.</li> <li>2) Ensure that Management sufficiently and swiftly manages risks, (i.e. reduction and mitigation across operating units) especially those categorized as having high impact with high probability of occurring.</li> <li>3) Advise the Board, in consultation with Management, on the overall risk management program of the Company as it relates to its risk appetite and strategic direction.</li> <li>4) May engage a consultant for a more independent assessment of the risk management infrastructure and review different units' best practice.</li> <li>5) Meet separately with the Chief Risk Officer to discuss any matters that the Committee believes should be discussed privately.</li> <li>6) Review the details of the Company's related party transactions.</li> </ol> <p>The Committee directly reports the results of its review and</p>	

Committee/Unit	Control Mechanism	Details of its Functions
	assessment of the Company's risk management process to the Board of Directors.	
Enterprise Risk Management Committee (ERMC)	The ERMC is an oversight committee created to act as the monitoring body for the individual risk management activities of the Company. 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 Management Committee on any risk concerns.	

## G. INTERNAL AUDIT AND CONTROL

### 1) Internal Control System

Disclose the following information pertaining to the internal control system of the company:

(a) Explain how the internal control system is defined for the company;

**The Company defines internal control as the system established by the Board of Directors and management for the accomplishment of the Company's objectives, the efficient operation of its business, the reliability of its financial reporting, and faithful compliance with applicable laws, regulations and internal rules. The internal control system is the framework under which internal controls are developed and implemented to manage and control a particular risk or business activity, or a combination of risks or business activities, to which the Company is exposed.**

(b) A statement that the directors have reviewed the effectiveness of the internal control system and whether they consider them effective and adequate;

**The Board of Directors, through the Audit Committee, has reviewed the effectiveness of the Company's internal control system, including the information technology security controls. Effective and adequate internal control mechanisms are in place, implemented and properly complied with.**

(c) Period covered by the review;

**Year 2015**

(d) How often internal controls are reviewed and the directors' criteria for assessing the effectiveness of the internal control system; and

**The Audit Committee reviews annually the effectiveness of the Company's internal control system, including information technology security and controls. To facilitate their review, the Committee understands and evaluates the scope of the internal and external auditors' review of internal controls over financial reporting, and obtains regular reports on significant findings and recommendations, together with management's responses, to obtain reasonable assurance that the Company's key organizational and procedural controls are effective, appropriate and complied with.**

**The scope and the particulars of a system of effective organizational and procedural controls shall be based on the following factors: the nature and complexity of business and the business culture; the volume, size and complexity of transactions; the degree of risks; the degree of centralization and delegation of authority; the extent**

**and effectiveness of information technology; and the extent of regulatory compliance.**

(e) Where no review was conducted during the year, an explanation why not.

**NOT APPLICABLE**

## 2) Internal Audit

### (a) Role, Scope and Internal Audit Function

Give a general description of the role, scope of internal audit work and other details of the internal audit function.

Role	Scope	Indicate whether In-house or Outsource Internal Audit Function	Name of Chief Internal Auditor/ Auditing Firm	Reporting process
To provide an independent, objective assurance and consulting activity designed to add value and improve the Company's operations	<p>To determine whether the Company's network of risk management, control and corporate governance processes, as designed and represented by management, is adequate and functioning in a manner to ensure:</p> <ul style="list-style-type: none"> <li>• Risk are appropriately identified and managed.</li> <li>• Interaction with the various corporate governance groups occurs as needed.</li> <li>• Significant financial, managerial and operating information are accurate, reliable and timely.</li> <li>• Employees' actions are in compliance with policies, standards, procedures and applicable laws and regulations.</li> <li>• Resources are acquired economically, used efficiently and adequately protected.</li> <li>• Programs, plans and objectives are achieved.</li> <li>• Quality and continuous improvement are fostered in the control processes of the Company.</li> <li>• Significant legislative or regulatory issues impacting the Company are recognized and addressed appropriately.</li> </ul>	In-house	Rhea Marie R. Abueg	<p>The Internal Audit Head, in the discharge of her duties, shall be accountable to Audit Committee and the Senior Management to:</p> <ol style="list-style-type: none"> <li>Provide annually an assessment on the adequacy and effectiveness of the organization's processes for controlling its activities and managing its risks in the areas set forth under the mission and scope of work.</li> <li>Report significant issues related to the processes for controlling the activities of the organization and its subsidiaries, including potential improvements to those processes and provide information concerning such issues through resolution.</li> <li>Periodically</li> </ol>

Role	Scope	Indicate whether In-house or Outsource Internal Audit Function	Name of Chief Internal Auditor/ Auditing Firm	Reporting process
				<p>provide information on the status and results of the annual audit plan and the sufficiency of department resources.</p> <p>d. Coordinate with and provide oversight of other control and monitoring functions (risk management, compliance, security, legal ethics, environmental, external audit)</p>

- (b) Do the appointment and/or removal of the Internal Auditor or the accounting /auditing firm or corporation to which the internal audit function is outsourced require the approval of the Audit Committee?

**YES. Under the Company's Revised Manual on Corporate Governance Section 2.6.2.f, the Audit Committee is tasked to organize an internal audit department, and consider the appointment of an independent internal auditor and the terms and conditions of its engagements and removal.**

- (c) Discuss the internal auditor's reporting relationship with the audit committee. Does the internal auditor have direct and unfettered access to the board of directors and the audit committee and to all records, properties and personnel?

**As stated in the Revised Manual on Corporate Governance, the Internal Audit Head reports directly to the Audit Committee. In the performance of the internal audit function, the group is authorized to:**

- 1) Have unrestricted access to all functions, records, property and personnel.**
- 2) Have full and free access to communicate with the Audit Committee.**
- 3) Allocate resources, set frequencies, select subjects, determine scopes of work and apply the techniques required to accomplish audit objectives.**
- 4) Obtain the necessary assistance of personnel in units of the Company where they perform audits, as well as other specialized services from with or outside the Company.**

- (d) Resignation, Re-assignment and Reasons

Disclose any resignation/s or re-assignment of the internal audit staff (including those employed by the third-party auditing firm) and the reason/s for them. NOTE: Covering period is January to December 2015.

<b>Name of Audit Staff</b>	<b>Reason</b>
<b>Elda Ting (January 2015)</b>	<b>Will study</b>
<b>Melvilo De Mesa (April 2015)</b>	<b>AWOL</b>

(e) Progress against Plans, Issues, Findings and Examination Trends

State the internal audit's progress against plans, significant issues, significant findings and examination trends.

<b>Progress Against Plans</b>	<b>Internal audit engagements are conducted in accordance with the audit plan and timetable approved by the Audit Committee.</b>
<b>Issues<sup>5</sup></b>	<b>Issues and findings noted during the audit were given appropriate attention by management and recommendations were implemented accordingly. Significant findings and recommendations, together with management's responses, are reported to the Audit Committee to enable the Committee to obtain reasonable assurance that the Company's key organizational and procedural controls are effective, appropriate and complied with.</b>
<b>Findings<sup>6</sup></b>	
<b>Examination Trends</b>	

[The relationship among progress, plans, issues and findings should be viewed as an internal control review cycle which involves the following step-by-step activities:

- 1) Preparation of an audit plan inclusive of a timeline and milestones;
- 2) Conduct of examination based on the plan;
- 3) Evaluation of the progress in the implementation of the plan;
- 4) Documentation of issues and findings as a result of the examination;
- 5) Determination of the pervasive issues and findings ("examination trends") based on single year result and/or year-to-year results;
- 6) Conduct of the foregoing procedures on a regular basis.]

(f) Audit Control Policies and Procedures

Disclose all internal audit controls, policies and procedures that have been established by the company and the result of an assessment as to whether the established controls, policies and procedures have been implemented under the column "Implementation."

<b>Policies &amp; Procedures</b>	<b>Implementation</b>
<b>Internal controls over financial reporting</b>	<b>Implemented</b>
<b>Authorization of transactions</b>	<b>Implemented</b>
<b>Physical safeguards</b>	<b>Implemented</b>
<b>IT general and application controls</b>	<b>Implemented</b>

(g) Mechanism and Safeguards

<sup>5</sup> "Issues" are compliance matters that arise from adopting different interpretations.

<sup>6</sup> "Findings" are those with concrete basis under the company's policies and rules.

State the mechanism established by the company to safeguard the independence of the auditors, financial analysts, investment banks and rating agencies (example, restrictions on trading in the company's shares and imposition of internal approval procedures for these transactions, limitation on the non-audit services that an external auditor may provide to the company):

Auditors (Internal and External)	Financial Analysts	Investment Banks
<ul style="list-style-type: none"> <li>▪ The Audit Committee reviews and confirms the independence of the external auditors by obtaining certification from the latter relative to their overall relationship with the Company. The Committee shall disallow any non-audit work that will conflict with the duties of the external auditor or may pose a threat to his independence.</li> <li>▪ To provide for the independence of the internal auditor, the Internal Audit Head reports directly to the Audit Committee. The group has the authority to have unrestricted access to all functions, records, property and personnel of the Company.</li> </ul>	<p>The Company aims to conduct business in accordance with the highest standards of business ethics. To this end, all business dealings should be compliant with all applicable laws and must not in any way compromise the good name and reputation of the Company.</p> <p>All directors, officers and employees shall act with utmost integrity and shall not engage in unfair dealing practices. The Company prohibits any conflict of interest, unfair competition, breach of trust, insider trading, or any other act inimical to the Company's interest.</p>	

(h) State the officers (preferably the Chairman and the CEO) who will have to attest to the company's full compliance with the SEC Code of Corporate Governance. Such confirmation must state that all directors, officers and employees of the company have been given proper instruction on their respective duties as mandated by the Code and that internal mechanisms are in place to ensure that compliance.

**Belle Corporation fully complies with the Securities and Exchange Commission's Revised Code of Corporate Governance, as attested by its Chairman, Benito Tan Guat, and President and Chief Executive Officer, Frederic C. DyBuncio. Its directors, officers and employees have been given instructions on their respective duties as provided for in the Code and that internal mechanisms are in place to ensure compliance.**

## H. ROLE OF STAKEHOLDERS

1) Disclose the company's policy and activities relative to the following:

	Policy	Activities
Customers' welfare	<p><b><u>Code of Ethics: Belle recognizes that the core of its business is its customers, and values customer satisfaction and loyalty. Thus, all directors, officers and employees shall be guided by fairness, professionalism, courtesy and respect when dealing with customers, and shall endeavor to provide excellent and</u></b></p>	<p>The Company has a dedicated customer service group to address the concerns/queries of all current and potential buyers.</p>

	Policy	Activities
	<u><i>diligent service at all times. No false or misleading information shall be provided to customers.</i></u>	
Supplier/ contractor selection practice	The Company observes propriety and acts with fairness and transparency in dealing with business partners (i.e., contractors, suppliers, creditors and other entities that engage in business with the Company). The Company adheres to its principles of healthy competition, equal opportunity and fair treatment of business partners.	<u><i>Securing of at least three (3) quotations from accredited suppliers / contractors and choosing the best offer</i></u>
Environment ally friendly value-chain	The Company ensures the environmental friendliness of its operations, and contributes to the overall sustainability of the physical environment where the Company operates. The Company is committed to the protection of the environment and complies with all applicable environmental laws and regulations.	<p>The Company has been conducting regular tree-planting activities and has partnered with different organizations in line with its aim to plant One Million Trees in 50 years inside the Tagaytay Highlands Complex, its flagship project.</p> <p>Inside the said Complex, it has also promoted waste segregation activities, incandescent bulbs have been replaced by compact fluorescent ones to reduce power consumption by 60%.</p> <p>It has also put-up its own sewerage treatment plans that converts wastewater to usable water, which is being used for irrigation and maintenance of the Complex' surrounding landscaped areas.</p>
Community interaction	<p>The Company respects relevant laws and/or regulations in the community where the Company operates. Compliance with those laws and regulations is strictly monitored to prevent any damage to the quality of life of society, surrounding communities and the environment.</p> <p><u><i>The Company has also introduced initiatives on health, education, livelihood and social services to improve the quality of lives of its host communities.</i></u></p>	The Company's Corporate Social Responsibility program Belle Kaagapay aims to make a difference by partnering with the local communities where it operates its businesses. Implementation of initiatives is geared towards health, education, aid and assistance, livelihood and social



	Policy	Activities
		<p>services. These are meant to teach the local communities realistic and sustainable and easy to replicate activities that will create empowered and productive citizens.</p> <p><u>For School Year 2015 to 2016</u>, a feeding program to support the Department of Education's Adopt-A-School program was conducted and the beneficiaries were 346 kindergarten to grade 6 schoolchildren of several public schools in Talisay and Tanauan, Batangas, areas of which are close to Tagaytay Highlands, Belle Corporation's flagship project.</p> <p><u>The same program was also accorded to 105 wasted and severely wasted elementary students of the Tambo Elementary School (Unit 1) located in Paranaque City where the City of Dreams Manila project is located.</u> The goal is to help these students reach their ideal nutritional status affording them to perform better in school and improve their class attendance.</p> <p>The Company also selected ten financially-challenged students from SM Foundation's pool of scholars and committed to sponsor their entire college education. The educational grant shall afford them to acquire more and hone their skills, improve their social standing and encourage them to be active citizens thereby creating a better society <u>to</u> live in.</p>

	Policy	Activities
Anti-corruption programmes and procedures	<p>The Company's whistle blower policy was adopted to create an environment where concerns and issues, made in good faith, may be raised freely within the organization. Under the policy, any stakeholder may submit an incident report on suspected or actual violations of the Code of Ethics and Discipline or any other applicable law or regulation. Upon receipt of an incident report, management is tasked to conduct an investigation on its merit, subject to due process and applicable penalties and sanctions thereafter. Anyone who in good faith reports a violation of the Code or policies or law shall not be retaliated upon or suffer harassment or adverse employment consequence.</p> <p><u><i>In addition, the Company has issued Guidelines on Acceptance of Gifts which prohibits solicitation or acceptance of gifts in any form from any business partner.</i></u></p>	<p>As stated in the Company's Code of Ethics, all Directors, officers and employees enjoined to freely raise concerns they may have within the Company thru the submission of incident reports on suspected or actual violations of the Code of Ethics or Code of Discipline. The same shall be Management's basis for conducting the investigation, subject to due process and applicable sanctions.</p>
Safeguarding creditors' rights	<p>The Company observes propriety and acts with fairness and transparency in dealing with business partners (i.e., contractors, suppliers, creditors and other entities that engage in business with the Company). The Company adheres to its principles of healthy competition, equal opportunity and fair treatment of business partners.</p>	<p>The Company strictly respects agreements with creditors, manages loans according to lending objectives, ensures timely repayment of loans and interests, thoroughly honors loan conditions as agreed and competently operates the business to assure creditors about the Company's healthy financial standing and loan repayment capabilities.</p>

- 2) Does the company have a separate corporate responsibility (CR) report/section or sustainability report/section?

**Yes.** Belle Corporation serves as a catalyst in nation building and the country's economic progress through its pioneering and world-class leisure property developments and integrated resorts. In line with the Company's mission to develop quality entertainment and leisure facilities that promote growth and environmental sustainability, Tagaytay Highlands has implemented various initiatives such as tree-planting events, recycling, and the use of renewable resources.

Further to such efforts, Belle Corporation's new CSR Program aims to make a difference by partnering with local communities Belle Corporation is present in through the implementation of initiatives focusing on health, education, calamity aid and assistance, livelihood, social services and the protection of the environment.

The long-term vision of the program is to teach members of these local communities realistic, sustainable and easy to replicate activities that will create empowered and productive citizens, uplifting the quality of life while nurturing self-respect and human dignity.

The Company's CSR activities are geared towards providing the following:

- Health
- Education & Environmental Protection
- Aid and Assistance
- Livelihood
- Social Services

Feeding programs, medical and dental missions, tree-planting activities, recycling efforts, use of renewable resources, granting of scholarships to eligible college students, among others are on-going. Donations to the victims of typhoon and other calamity are extended that will help rebuild lives.

3) Performance-enhancing mechanisms for employee participation.

(a)What are the company's policy for its employees' safety, health, and welfare?

**The Company's Code of Ethics states that:**

- All officers and employees shall be selected, engaged and compensated based on qualification, merit and performance. They shall be treated fairly and accorded respect and dignity. Their individual and collective rights shall not be violated.
- The Company shall maintain a safe, productive and conducive workplace and environment and comply with all applicable health, safety and environmental laws. It shall foster harmonious relations among its officers and employees and establish free and honest communication with them.
- The Company endeavors to provide career advancement through a clearly defined promotion system based on employees' competencies, major contributions and accomplishments, work attitude and interpersonal relationship. The Company shall also offer its employees continuous learning sessions, seminars and workshops to improve and increase their level of competency, efficiency and general well-being.

(b)Show data relating to health, safety and welfare of its employees.

As of December 31, 2015, the Company has 141 employees, all of whom are full-time employees and are not subject to Collective Bargaining Agreements, broken down as follows:

<b><u>Officers</u></b>	<b><u>16</u></b>
<b><u>Senior Managers/Managers</u></b>	<b><u>20</u></b>
<b><u>Supervisors and Rank and File</u></b>	<b><u>105</u></b>
<b><u>TOTAL</u></b>	<b><u>141</u></b>

All regular employees are enrolled under a group life insurance plan with Generali and Ace Insurance and under a group health plan with Avega and Valucare. The Company also complies with government mandated benefits such as SSS, Philhealth and Pag-ibig for all employees.

Company outings are also provided that foster camaraderie, teamwork and sportsmanship.

The Company encourages good health and wellness through its various sports and fitness programs. Employees may use the courts and fitness facilities in the workplace and are encouraged to participate in HRD supported aerobic and dance activities. The Company also conducts orientations and learning sessions on health related matters, such as breast and cervical cancer awareness and detection; influenza and hepatitis B prevention and drug abuse awareness, to name a few.

- (c) State the company's training and development programmes for its employees. Show the data.

The Company considers its officers and employees as important stakeholders of the Company and is committed to their continuous learning and growth. The Company offers its employees continuous learning sessions, seminars and workshops to improve and increase their level of competency, efficiency and general well-being.

In 2015, internal trainings and seminars offered to employees include 7 Habits, Developing Leadership Skills, Customer Service Training, and etc., attended by a total of 33 employees.

- (d) State the company's reward/compensation policy that accounts for the performance of the company beyond short-term financial measures

The Company endeavors to provide career advancement to employees through a clearly defined promotion system based on the employee's competencies, major contributions and accomplishments, work attitude and interpersonal relationships. Performance appraisals are conducted annually, and merit increases resulting from these appraisals are given to the deserving employee subject to the review and approval of management.

Moreover, the Company has a defined benefit pension plan covering all regular and permanent employees. The benefits are based on the employee's projected salaries and number of years in service.

- 4) What are the company's procedures for handling complaints by employees concerning illegal (including corruption) and unethical behavior? Explain how employees are protected from retaliation.

The Company's whistle blower policy was adopted to create an environment where concerns and issues, made in good faith, may be raised freely within the organization. Under the policy, any stakeholder may submit an incident report on suspected or actual violations of the Code of Ethics and Discipline or any other applicable law or regulation. Upon receipt of an incident report, management is tasked to conduct an investigation on its merit, subject to due process and applicable penalties and sanctions thereafter. Anyone who in good faith reports a violation of the Code or policies or law shall not be retaliated upon or suffer harassment or adverse employment consequence.

## I. DISCLOSURE AND TRANSPARENCY

### 1) Ownership Structure

#### (a) Holding 5% shareholding or more

Shareholder	Number of Shares	Percent	Beneficial Owner
<u><b>PCD Nominee Corporation (Filipino)</b></u> <sup>(1)</sup>	<u><b>4,400,911,269</b></u>	<u><b>41.67%</b></u>	<u><b>see footnote</b></u>
<u><b>Belleshares Holdings, Inc.</b></u>	<u><b>2,604,740,622</b></u>	<u><b>24.76%</b></u>	<u><b>SM Commercial Properties, Inc.</b></u> <sup>(2)</sup>
<u><b>PCD Nominee Corporation (Non-Filipino)</b></u> <sup>(1)</sup>	<u><b>2,239,786,664</b></u>	<u><b>21.21%</b></u>	<u><b>see footnote</b></u>
<u><b>Sysmart Corporation</b></u> <sup>(2)</sup>	<u><b>1,629,425,469</b></u>	<u><b>15.49%</b></u>	<u><b>Sysmart Corporation</b></u>
<u><b>SM Development Corporation</b></u> <sup>(2)</sup>	<u><b>695,068,560</b></u>	<u><b>6.60%</b></u>	<u><b>SM Development Corporation</b></u>
<u><b>Sybase Equity Investments Corporation</b></u>	<u><b>531,320,577</b></u>	<u><b>5.05%</b></u>	<u><b>Sybase Equity Investments Corporation</b></u>

- (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 annual power to decide how the PCD shares in Belle are to be voted. The participants of PCD who own more than 5% of the Company’s outstanding capital are as follows:

**i. Citibank N.A. – 26.94%**

**ii. The Hong Kong and Shanghai Banking Corporation Ltd – Client’s Account – 21.90%**

**iii. BDO Securities Corporation – 5.21%**

- (2) Mr. Henry Sy, Sr. is the single largest shareholder of SM Commercial Properties, Inc., Sysmart Corporation and SM Development Corporation

Name of Senior Management	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
<b>NONE. There are no members of senior management that hold 5% shareholding or more.</b>			

### 2) Does the Annual Report disclose the following:

Key risks	<b>Yes</b>
Corporate objectives	<b>Yes</b>
Financial performance indicators	<b>Yes</b>
Non-financial performance indicators	<b>Yes</b>
Dividend policy	<b>Yes</b>
Details of whistle-blowing policy	<b>Yes</b>
Biographical details (at least age, qualifications, date of first appointment, relevant experience, and any other directorships of listed companies) of directors/commissioners	<b>Yes</b>
Training and/or continuing education programme attended by each director/commissioner	<b>Yes</b>

Number of board of directors/commissioners meetings held during the year	<b>Yes</b>
Attendance details of each director/commissioner in respect of meetings held	<b>Yes</b>
Details of remuneration of the CEO and each member of the board of directors/commissioners	<b>Yes</b>

Should the Annual Report not disclose any of the above, please indicate the reason for the non-disclosure. **Not applicable.**

3) External Auditor's fee

Name of auditor	Audit Fee	Non-audit Fee
<b><u>SyCip Gorres Velayo &amp; Co.</u></b>	<b><u>P1.1 million</u></b>	<b><u>0.00</u></b>

4) Medium of Communication

List down the mode/s of communication that the company is using for disseminating information.

**The Company fully complies with the reporting and disclosure requirements of all relevant laws as well as regulations issued by the SEC and PSE. Annual reports, financial statements and other disclosures are readily available to the public. These reports and the accompanying press releases may be viewed and downloaded from the PSE or the Company website. The Company website is regularly updated to ensure prompt disclosures.**

**The Company also conducts briefings and meetings with investors, analysts and the press to keep them updated on the Company's various projects and financial and operational results. Those held in the Philippines were last February, June and October 2015. Those which took place in several parts of Asia and London, England were completed in July and September 2014 and January to March 2015.**

5) Date of release of audited financial report: **March 15, 2016**

6) Company Website

Does the company have a website disclosing up-to-date information about the following?

Business operations	<b>Yes</b>
Financial statements/reports (current and prior years)	<b>Yes</b>
Materials provided in briefings to analysts and media	<b>Yes</b>
Shareholding structure	<b>Yes</b>
Group corporate structure	<b>Yes</b>
Downloadable annual report	<b>Yes</b>
Notice of AGM and/or EGM	<b>Yes</b>
Company's constitution (company's by-laws, memorandum and articles of association)	<b>Yes</b>

Should any of the foregoing information be not disclosed, please indicate the reason thereto.  
**Not Applicable.**

## 7) Disclosure of RPT

<u><b>RPT</b></u>	<u><b>Relationship</b></u>	<u><b>Nature</b></u>	<u><b>Value (In Thousands)</b></u>
<b><u>ADVANCES TO RELATED PARTIES</u></b>			
<u><b>APC Group, Inc.</b></u>	<u><b>Associate</b></u>	<u><b>Advances to associate</b></u>	<u><b>79,772</b></u>
<u><b>Belle Jai Alai</b></u>	<u><b>Associate</b></u>	<u><b>Advances to associate</b></u>	<u><b>29,398</b></u>
<u><b>WDC</b></u>	<u><b>Associate</b></u>	<u><b>Advances to associate</b></u>	<u><b>54,334</b></u>
<u><b>Others</b></u>	<u><b>Associates</b></u>	<u><b>Advances to associates</b></u>	<u><b>11,604</b></u>
<u><b>Tagaytay Highlands International Golf Club, Inc.</b></u>	<u><b>With common set of directors</b></u>	<u><b>Advances to other related parties</b></u>	<u><b>459</b></u>
<u><b>The Country Club at Tagaytay Highlands, Inc.</b></u>	<u><b>With common set of directors</b></u>	<u><b>Advances to other related parties</b></u>	<u><b>1,023</b></u>
<u><b>Others</b></u>	<u><b>With common set of directors</b></u>	<u><b>Advances to other related parties</b></u>	<u><b>20,214</b></u>
<b><u>ADVANCES FROM RELATED PARTIES</u></b>			
<u><b>Tagaytay Midlands Golf Club, Inc.</b></u>	<u><b>With common set of directors</b></u>	<u><b>Advances from other related parties</b></u>	<u><b>19</b></u>
<u><b>Belle Jai Alai</b></u>	<u><b>Associate</b></u>	<u><b>Advances from associate</b></u>	<u><b>60,753</b></u>
<u><b>Tagaytay Highlands International Golf Club, Inc.</b></u>	<u><b>With common set of directors</b></u>	<u><b>Advances from other related parties</b></u>	<u><b>10,849</b></u>
<u><b>Others</b></u>	<u><b>Associates</b></u>	<u><b>Advances from other related parties</b></u>	<u><b>1,167</b></u>
<b><u>OTHER TRANSACTIONS</u></b>			
<u><b>BDO</b></u>	<u><b>With common stockholders</b></u>	<u><b>Cash equivalent</b></u>	<u><b>100,407</b></u>
		<u><b>Escrow fund</b></u>	<u><b>1,148,500</b></u>
		<u><b>Trade and other current liabilities</b></u>	<u><b>(28,025)</b></u>
<u><b>SM Land, Inc.</b></u>	<u><b>With common stockholders</b></u>	<u><b>Operating Lease</b></u>	<u><b>1,919</b></u>
<u><b>SM Arena Complex Corporation</b></u>	<u><b>With common stockholders</b></u>	<u><b>Sponsorship agreement</b></u>	<u><b>7,044</b></u>
<u><b>Directors and officers</b></u>	<u><b>Key management personnel</b></u>	<u><b>Receivables</b></u>	<u><b>1,138 (with allowance 688)</b></u>
		<u><b>Short-term employee benefits</b></u>	<u><b>61,907</b></u>
		<u><b>Post-employment benefits</b></u>	<u><b>5,478</b></u>

When RPTs are involved, what processes are in place to address them in the manner that will safeguard the interest of the company and in particular of its minority shareholders and other stakeholders?

To ensure that the Company conducts all related party transactions on an arm's length basis, it practices full disclosure of details of related-party transactions. The nature, extent and all other material details of transactions with related parties are disclosed in the Company's financial statements and quarterly and annual reports to the SEC and PSE. The financial statements and reports are also available in the website and readily accessible to the public.

Management regularly presents the details of transactions entered into by the Company with related parties at the meetings of the Risk Management Committee.

## J. RIGHTS OF STOCKHOLDERS

### 1) Right to participate effectively in and vote in Annual/Special Stockholders' Meetings

#### (a) Quorum

Give details on the quorum required to convene the Annual/Special Stockholders' Meeting as set forth in its By-laws.

Quorum Required	Majority of the stock issued and outstanding
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#### (b) System Used to Approve Corporate Acts

Explain the system used to approve corporate acts.

System Used	Vote of stockholders
Description	Corporate acts are approved by the vote of stockholders owning the majority of the stock issued and outstanding of the Company.

#### (c) Stockholders' Rights

List any Stockholders' Rights concerning Annual/Special Stockholders' Meeting that differ from those laid down in the Corporation Code.

Stockholders' Rights under The Corporation Code	Stockholders' Rights <u>not</u> in The Corporation Code
<b><u>Voting Right</u></b> <ul style="list-style-type: none"><li>▪ Shareholders shall have the right to elect, remove and replace directors and vote on certain corporate acts in accordance with the Corporation Code of the Philippines.</li><li>▪ Cumulative voting shall be used in the election of directors.</li></ul>	
<b><u>Power of Inspection</u></b> <ul style="list-style-type: none"><li>▪ The Company shall allow all stockholders to inspect books and records of the Company including minutes of Board meetings and stock registries in accordance with the Corporation Code, and during normal business hours.</li><li>▪ Annual reports, including financial statements, shall be provided to stockholders, without cost or restrictions.</li></ul>	
<b><u>Right to Information</u></b> <ul style="list-style-type: none"><li>▪ The Board shall ensure that all material information about the Company which could adversely affect its viability or the interests of the shareholders shall be publicly and timely disclosed through established procedures of the stock exchange and SEC.</li></ul>	



Stockholders' Rights under The Corporation Code	Stockholders' Rights <u>not</u> in The Corporation Code
<ul style="list-style-type: none"> <li>▪ Upon request, the Company shall provide the stockholders with periodic reports and information about directors and officers, and certain other matters such as their holdings of the Company's shares, dealings with the Company, relationships among directors and key officers and the aggregate compensation of directors and officers.</li> </ul>	
<u>Right to Dividends</u> <ul style="list-style-type: none"> <li>▪ Subject to the discretion of the Board, all stockholders shall have the right to receive dividends.</li> <li>▪ <u>Dividends shall be paid to all shareholders within thirty (30) days from declaration.</u></li> </ul>	
<u>Appraisal Right</u> <ul style="list-style-type: none"> <li>▪ The stockholders shall have appraisal right to dissent and demand payment of the fair value of their shares in the manner provided under Section 82 of the Corporation Code, under any of the following circumstances: <ul style="list-style-type: none"> <li>a. In case any amendment to the Articles of Incorporation has the effect of changing or restricting the rights of any stockholders or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence;</li> <li>b. 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.</li> <li>c. In case of merger or consolidation.</li> </ul> </li> </ul>	

#### Dividends

Declaration Date	Record Date	Payment Date
<u><b>February 29, 2016</b></u>	<u><b>March 14, 2016</b></u>	<u><b>March 29, 2016</b></u>

#### (d) Stockholders' Participation

1. State, if any, the measures adopted to promote stockholder participation in the Annual/Special Stockholders' Meeting, including the procedure on how stockholders and other parties interested may communicate directly with the Chairman of the Board, individual directors or board committees. Include in the discussion the steps the Board has taken to solicit and understand the views of the stockholders as well as procedures for putting forward proposals at stockholders' meetings.

Measures Adopted	Communication Procedure
<p>Notice of the Annual Stockholders' Meeting is given to all stockholders at least 21 business days before the meeting to provide stockholders with enough time to examine the information. The Notice encloses essential and adequate facts on all items on the agenda for consideration and approval of the stockholders.</p> <p>As provided for in the Company's Revised Manual on Corporate Governance, minority stockholders have the right to propose items in the agenda of the meeting, provided the items are for legitimate business purposes.</p>	<ul style="list-style-type: none"> <li>• Notice of the Annual Stockholders' Meeting</li> <li>• SEC Form D20-IS</li> </ul>
<p>To facilitate stockholders who cannot attend the meeting, they are encouraged to fill out, date, sign and send a proxy. For corporate stockholders, the proxies should be accompanied by a Secretary's Certificate on the appointment of the corporation's authorized signatory.</p>	<ul style="list-style-type: none"> <li>• Notice of the Annual Stockholders' Meeting</li> <li>• Proxy Forms</li> <li>• SEC Form D20-IS</li> </ul>
<p>To ensure that all stockholders' concerns are properly addressed, the Chairman of the Board, Board Directors, the President, Board Committee Chairmen and Members, Senior Management, Corporate Secretary and the Independent Auditors are always present during the Annual Stockholders' Meeting. The meeting agenda provides an opportunity for stockholders to freely express their views and raise their concerns at the meeting.</p>	<ul style="list-style-type: none"> <li>• Notice of the Annual Stockholders' Meeting</li> <li>• SEC Form D20-IS</li> </ul>

2. State the company policy of asking shareholders to actively participate in corporate decisions regarding:

- a. Amendments to the Company's constitution
- b. Authorization of additional shares
- c. Transfer of all or substantially all assets, which in effect results in the sale of the company

**Corporate acts such as amendments to the Company's constitution, authorization of additional shares, and the transfer of all or substantially all assets, which in effect results in the sale of the Company, are approved by the vote of stockholders owning the majority of the stock issued and outstanding of the Company. The agenda enclosed in the Notice of Annual Stockholders' Meeting would include such corporate acts for the consideration and approval of the stockholders.**

3. Does the company observe a minimum of 21 business days for giving out of notices to the AGM where items to be resolved by shareholders are taken up? **YES**

- a. Date of sending out notices: **March 31, 2015**
- b. Date of the Annual/Special Stockholders' Meeting: **April 27, 2015**

4. State, if any, questions and answers during the Annual/Special Stockholders' Meeting.

To ensure that all stockholders' concerns are properly addressed, the Chairman of the Board, Board Directors, the President, Board Committee Chairmen and Members, Senior Management, Corporate Secretary and the Independent Auditors are always present during the Annual Stockholders' Meeting. The meeting agenda provides an opportunity for stockholders to freely express their views and raise their concerns at the meeting.

The opportunities were presented to ask questions and raise issues but there were no questions or issues which the stockholders raised during the Annual Stockholders' Meeting.

5. Result of Annual/Special Stockholders' Meeting's Resolutions

Resolution	Approving	Dissenting	Abstaining
Approval of the minutes of the previous meeting of stockholders	100%	–	–
Approval of 2014 operations and results	100%	–	–
Ratification of all acts of the Board of Directors and officers	100%	–	–
Election of directors	92.88%	–	7.12%
Appointment of SGV & Co. as external auditors	100%	–	–

6. Date of publishing of the result of the votes taken during the most recent AGM for all resolutions:

**April 27, 2015**

- (e) Modifications

State, if any, the modifications made in the Annual/Special Stockholders' Meeting regulations during the most recent year and the reason for such modification:

Modifications	Reason for Modification
<b>NONE. There were no modifications made in the Annual Stockholders' Meeting regulations during the recent year.</b>	

- (f) Stockholders' Attendance

- (i) Details of Attendance in the Annual/Special Stockholders' Meeting Held:

Type of Meeting	Names of Board members / Officers present	Date of Meeting	Voting Procedure (by poll, show of hands, etc.)	% of SH Attending in Person	% of SH in Proxy	Total % of SH attendance
Annual	BOARD MEMBERS:	4/27/2015	<u>Raising of hands</u>	1.37%	80.29%	81.66%

Type of Meeting	Names of Board members / Officers present	Date of Meeting	Voting Procedure (by poll, show of hands, etc.)	% of SH Attending in Person	% of SH in Proxy	Total % of SH attendance
	1. Willy N. Ocier 2. Elizabeth Anne C. Uychaco 3. Frederic C. DyBuncio 4. Emilio S. De Quiros, Jr. 5. Gregorio U. Kilayko 6. Jacinto C. Ng, Jr. 7. Jose T. Sio 8. Virginia A. Yap  <b>OFFICERS:</b> 1. Manuel A. Gana 2. Armin B. Raquel-Santos 3. Ian Jason R. Aguirre 4. Michelle T. Hernandez 5. Zenia K. Sy 6. Nancy O. Hui 7. Rogelio I. Robang 8. Rudy P. Aninipot 9. A. Bayani K. Tan 10. Arthur A. Sy					

- (ii) Does the company appoint an independent party (inspectors) to count and/or validate the votes at the ASM/SSMs?

**YES. Under the Company's Amended By-Laws, two inspectors shall be appointed by the Board of Directors before or at each meeting of the stockholders of the corporation, at which an election of directors shall take place. The inspectors shall receive and take charge of all proxies and ballots and shall decide all questions touching upon the qualifications of voters, the validity of proxies, and the acceptance and rejection of votes.**

**For purposes of the Annual Stockholders' Meeting on April 27, 2015, 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 to oversee the counting of votes.**

- (iii) Do the company's common shares carry one vote for one share? If not, disclose and give reasons for any divergence to this standard. Where the company has more than one class of shares, describe the voting rights attached to each class of shares.

**YES. Per Company's Amended By-Laws Article II Section 5, each stockholder shall be entitled to one vote for each share of stock standing in his name in the books of the corporation. Voting rights for each class of share are as follows:**

Share Class	Voting Rights
Common	Full voting rights
Preferred	Non-voting

(g) Proxy Voting Policies

State the policies followed by the company regarding proxy voting in the Annual/Special Stockholders' Meeting.

	Company's Policies
Execution and acceptance of proxies	<b>Article II Section 6 of the Revised Manual on Corporate Governance states that proxies of any stockholder entitled to vote at the meeting would be recognized, provided that the proxy shall have been appointed in writing by the stockholder himself or by his duly authorized attorney, and provided further that the proxy is filed with the Secretary of Corporation at least four (4) days before the meeting.</b>
Notary	<b>Notarization of proxy forms is not required to encourage stockholders to apply their right to vote through the proxy forms.</b>
Submission of Proxy	<b>All proxies should be received by the Corporation at least four (4) days before the meeting.</b>
Several Proxies	<b>If the stockholder intends to designate several proxies, the number of shares of stock to be represented by each proxy shall be specifically indicated in the proxy form. If some of the proxy forms do not indicate the number of shares, the total shareholding of the stockholder shall be tallied and the balance thereof, if any, shall be allotted to the holder of the proxy form without the number of shares. If all are in blank, the stocks shall be distributed equally among the proxies.</b>
Validity of Proxy	<b>Proxies of any stockholder entitled to vote at the meeting would be recognized, provided that the proxy shall have been appointed in writing by the stockholder himself or by his duly authorized attorney, and provided further that the proxy is filed with the Secretary of Corporation at least four (4) days before the meeting.</b>
Proxies executed abroad	
Invalidated Proxy	
Validation of Proxy	
Violation of Proxy	
	<b>Proxy is valid for five (5) years) from date of its execution.</b>
	<b>Two inspectors shall be appointed by the Board of Directors before or at each meeting of the stockholders of the corporation, at which an election of directors shall take place. The inspectors shall receive and take charge of all proxies and ballots and shall decide all questions touching upon the qualifications of voters, the validity of proxies, and the acceptance and rejection of votes.</b>

(h) Sending of Notices

State the company's policies and procedure on the sending of notices of Annual/Special Stockholders' Meeting.

Policies	Procedure
<b>Article II Section 4 of the Amended By-Laws states that notice of time and place of regular or special meetings of stockholders shall be given by mailing</b>	<b>In practice, the Company sends out notice of annual or special stockholders' meeting at least 21 days before the actual meeting. Included</b>

<b>Policies</b>	<b>Procedure</b>
or delivering written or printed notice of the same at least ten (10) days prior to the meeting, with postage and/or delivery charges prepaid, to each stockholder of record of the corporation entitled to vote at such meeting and addressed to the stockholder's last known post office address appearing on the corporate books of the corporation.	are the documents such as but not limited are proxy forms, copies of the Information Statement and other documents stating the resolutions to be taken up during the meeting.

(i) Definitive Information Statements and Management Report

<b>Number of Stockholders entitled to receive Definitive Information Statements and Management Report and Other Materials</b>	<b>2,251</b>
<b>Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by market participants/certain beneficial owners</b>	<b>March 31, 2015</b>
<b>Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by stockholders</b>	<b>March 31, 2015</b>
<b>State whether CD format or hard copies were distributed</b>	<b>Copies in CD format were sent</b>
<b>If yes, indicate whether requesting stockholders were provided hard copies</b>	<b>Yes upon request</b>

(j) Does the Notice of Annual/Special Stockholders' Meeting include the following:

Each resolution to be taken up deals with only one item.	<b>Yes</b>
Profiles of directors (at least age, qualification, date of first appointment, experience, and directorships in other listed companies) nominated for election/re-election.	<b>Yes</b>
The auditors to be appointed or re-appointed.	<b>Yes</b>
An explanation of the dividend policy, if any dividend is to be declared.	<b>Yes</b>
The amount payable for final dividends.	<b>Yes</b>
Documents required for proxy vote.	<b>Yes</b>

Should any of the foregoing information be not disclosed, please indicate the reason thereto.  
**Not applicable.**

## 2) Treatment of Minority Stockholders

(a) State the company's policies with respect to the treatment of minority stockholders.

Policies	Implementation
<p><b><u>Voting Right</u></b></p> <ul style="list-style-type: none"> <li>▪ Shareholders shall have the right to elect, remove and replace directors and vote on certain corporate acts in accordance with the Corporation Code of the Philippines.</li> <li>▪ Cumulative voting shall be used in the election of directors.</li> <li>▪ A director shall not be removed without cause if it will deny minority shareholders representation in the Board.</li> </ul>	<ul style="list-style-type: none"> <li>▪ During the Annual Stockholders' Meeting held last April 27, 2015, members of the Company's Board of Directors were nominated and elected to serve for the year 2015-2016 and until their successors are duly elected and qualified.</li> </ul>
<p><b><u>Power of Inspection</u></b></p> <ul style="list-style-type: none"> <li>▪ The Company shall allow all stockholders to inspect books and records of the Company including minutes of Board meetings and stock registries in accordance with the Corporation Code, and during normal business hours.</li> <li>▪ Annual reports, including financial statements, shall be provided to stockholders, without cost or restrictions.</li> </ul>	<ul style="list-style-type: none"> <li>▪ The Company fully complies with the reporting and disclosure requirements of all relevant laws as well as regulations issued by the SEC and the PSE.</li> <li>▪ Annual reports, financial statements and other disclosures are readily available to the public. These reports may be viewed and downloaded from the PSE or the Company website. The Company website is regularly updated to ensure prompt disclosures.</li> <li>▪ The Company undertakes to provide printed copies of the Information Statement and Annual Report upon written request of any stockholder entitled to vote at the Annual Stockholders' Meeting without charge.</li> </ul>
<p><b><u>Right to Information</u></b></p> <ul style="list-style-type: none"> <li>▪ The Board shall ensure that all material information about the Company which could adversely affect its viability or the interests of the shareholders shall be publicly and timely disclosed through established procedures of the stock exchange and SEC.</li> <li>▪ Upon request, the Company shall provide the stockholders with periodic reports and information about directors and officers, and certain other matters such as their holdings of the Company's shares, dealings with the Company, relationships among directors and</li> </ul>	<ul style="list-style-type: none"> <li>▪ The Company fully complies with the reporting and disclosure requirements of all relevant laws as well as regulations issued by the SEC and the PSE.</li> <li>▪ Annual reports, financial statements and other disclosures are readily available to the public. These reports may be viewed and downloaded from the PSE or the Company website. The Company website is regularly updated to ensure prompt disclosures.</li> <li>▪ Information about directors and officers, and certain other matters such as their holdings of the Company's shares, dealings with</li> </ul>

Policies	Implementation
<p>key officers and the aggregate compensation of directors and officers.</p> <ul style="list-style-type: none"> <li>▪ The minority shareholders shall be granted the right to propose the holding of a meeting, and the right to propose items in the agenda of the meeting, provided the items are for legitimate business purposes.</li> <li>▪ The minority shareholders shall have access to all information relating matters for which the management is accountable and to those relating to matters for which the management should include in such information. If not included the minority shareholders can propose to include such matters in the agenda of stockholders' meeting, being within the definition of "legitimate purposes".</li> </ul>	<p>the Company, relationships among directors and key officers and the aggregate compensation of directors and officers are disclosed <u>to regulators</u>.</p>
<p><b><u>Right to Dividends</u></b></p> <ul style="list-style-type: none"> <li>▪ Subject to the discretion of the Board, all stockholders shall have the right to receive dividends.</li> <li>▪ <u>Dividends shall be paid to all shareholders within thirty (30) days from declaration.</u></li> </ul>	<ul style="list-style-type: none"> <li>▪ The Company's By-Laws provide that dividends upon the capital stock of the corporation may be declared by the Board of Directors in the manner and form provided by law.</li> <li>▪ At its meeting on <u>February 29, 2016</u>, the Company's Board of Directors approved the declaration of special cash dividends for all shareholders on record as of <u>March 14, 2016, with a payment date of March 29, 2016.</u></li> </ul>
<p><b><u>Appraisal Right</u></b></p> <ul style="list-style-type: none"> <li>▪ The stockholders shall have appraisal right to dissent and demand payment of the fair value of their shares in the manner provided under Section 82 of the Corporation Code, under any of the following circumstances: <ul style="list-style-type: none"> <li>a. In case any amendment to the Articles of Incorporation has the effect of changing or restricting the rights of any stockholders or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence;</li> <li>b. In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>▪ The matters voted upon in the Annual Stockholders' Meeting held last April 27, 2015 are not among the instances 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.</li> </ul>



Policies	Implementation
all of the corporate property and assets as provided in the Corporation Code. c. In case of merger or consolidation.	

(b) Do minority stockholders have a right to nominate candidates for board of directors?

**YES. Minority stockholders have a right to nominate candidates for the board of directors as provided for in the Revised Manual on Corporate Governance.**

## K. INVESTORS RELATIONS PROGRAM

- 1) Discuss the company's external and internal communications policies and how frequently they are reviewed. Disclose who reviews and approves major company announcements. Identify the committee with this responsibility, if it has been assigned to a committee.

**Financial statements and results of operations are disclosed quarterly. Before submission to the PSE and SEC, these reports are presented to the Audit Committee and the Board of Directors for their review and approval. The Corporate Information Officer approves all disclosures that will be made available to the public.**

**Annual reports, financial statements and other disclosures may be viewed and downloaded from the PSE or the Company website. The Company website is regularly updated to ensure prompt disclosures.**

- 2) Describe the company's investor relations program including its communications strategy to promote effective communication with its stockholders, other stakeholders and the public in general. Disclose the contact details (e.g. telephone, fax and email) of the officer responsible for investor relations.

	Details
(1) Objectives	<ul style="list-style-type: none"> <li>▪ To assist investors in making investment decisions with regard to their shareholdings in the Company</li> <li>▪ To guide analysts in formulating their forecasts and recommendations with regard to the valuation and prospects of the Company <u>and its listed subsidiaries</u></li> <li>▪ To provide the regulators, the media and the general public with the most current information about the Company, which will have a material impact on the company's overall growth and profitability</li> <li>▪ To handle enquiries and manage relations with investors, analysts, shareholders and the general public</li> </ul>
(2) Principles	<ul style="list-style-type: none"> <li>▪ Transparency and accountability to all existing and potential investors</li> <li>▪ Fairness and level playing field for all stakeholders</li> </ul>
(3) Modes of Communications	<ul style="list-style-type: none"> <li>▪ Annual reports, financial statements and other disclosures may be viewed and downloaded from the</li> </ul>

	Details
	<p>PSE or the Company website.</p> <ul style="list-style-type: none"> <li>▪ The Company conducts briefings, conferences, and meetings with investors, analysts and the press to keep them updated on the Company's various projects and financial and operational results.</li> <li>▪ <u>TV questings</u></li> <li>▪ <u>Press releases, powerpoint presentations</u></li> </ul>
(4) Investors Relations Officer	<p>Mr. Manuel A. Gana Executive Vice President and Chief Financial Officer Email: <a href="mailto:manuel.gana@bellecorp.com">manuel.gana@bellecorp.com</a> Telephone No.: 662-8807</p>

- 3) What are the company's rules and procedures governing the acquisition of corporate control in the capital markets, and extraordinary transactions such as mergers, and sales of substantial portions of corporate assets?

Name of the independent party the board of directors of the company appointed to evaluate the fairness of the transaction price.

**Before any extraordinary transaction is finalized, the Company performs due diligence, benchmarking and cost-benefit analysis procedures to ensure that the transaction is in line with the long-term sustainability of the business and within the core competency of the Group. In addition, Board, stockholder and regulatory approvals are obtained first before such transaction is finalized.**

The independent party to be appointed may vary depending on the type of the transaction (e.g., investment banks, external auditors, third party appraisers and legal and tax consultants).

#### **L. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES**

Discuss any initiative undertaken or proposed to be undertaken by the company.

Initiative	Beneficiary
Medical and Dental Mission	<u>Residents of Brgy. Mabato, Calamba, Laguna, Barangay Calabuso, Tagaytay, Cavite, Brgy. Suplang, Tanauan, Batangas</u>
Education	<u>College students who are SM Foundation scholars</u>
Education	Department of Education's Brigada Eskwela 2015: • <u>Dona Maria Laurel Platon (Aya) / Montana / Quiling / Sulpoc / Tranca Elementary Schools</u>
Health (feeding program)	<ul style="list-style-type: none"> <li>• <u>346</u> public school children from Tanauan &amp; Talisay, Batangas</li> <li>• <u>Tambo Elementary School, Paranaque</u></li> </ul>
Health (Spray for dengue mosquitoes)	• <u>Residents of Brgy Aya, Talisay, Batangas</u>

Initiative	Beneficiary
Donation	<ul style="list-style-type: none"> <li>• World Wildlife Fund – Philippines</li> <li>• Victims of typhoon Haiyan</li> <li>• <u>AFP Retired Veterans Association, Inc.</u></li> <li>• <u>Students of Sulpoc Elementary School</u></li> <li>• <u>Dona Maria Laurel Platon Elementary School, Aya, Talisay, Batangas</u></li> </ul>
Financial assistance	<ul style="list-style-type: none"> <li>• Philippine Leprosy Mission, Inc.</li> <li>• <u>Town Fiesta celebrations</u></li> </ul>
Environmental	<ul style="list-style-type: none"> <li>• <u>Desilting at Barangays Sulpoc and Montana, Tanuan, Batangas for their residents' benefit</u></li> <li>• <u>Tree-planting at Bgy. Aya, Talisay, Batangas to prevent erosion</u></li> </ul>
Annual 'One Tree at a Time' tree planting activity (in partnership with Highlands Prime, Inc. and the ASEAN Centre for Biodiversity)	Tagaytay Highlands <u>and its members</u>
Recycling efforts	Tagaytay Highlands <u>and its members</u>
Use of renewable resources	Tagaytay Highlands <u>and its members</u>

#### M. BOARD, DIRECTOR, COMMITTEE AND CEO APPRAISAL

Disclose the process followed and criteria used in assessing the annual performance of the board and its committees, individual director, and the CEO/President.

	Process	Criteria
Board of Directors	<p>The Board conducts an annual performance self-evaluation.</p> <p>The performance evaluation is based on the duties and responsibilities of the Board of Directors, Board Committees, individual directors and President as provided for by the Manual on Corporate Governance and By-Laws.</p> <p>Directors are also asked to identify areas for improvement, such as training/ continuing education programs or any other forms of assistance that they may need in the performance of their duties. The evaluation forms also include items on support services given to the</p>	<ol style="list-style-type: none"> <li>1. Independence</li> <li>2. Leadership</li> <li>3. Expertise</li> <li>4. Corporate Governance</li> </ol>
Board Committees		<ol style="list-style-type: none"> <li>1. Independence</li> <li>2. Leadership</li> <li>3. Expertise</li> <li>4. Corporate Governance</li> </ol>
Individual Directors		<ol style="list-style-type: none"> <li>1. Independence</li> <li>2. Leadership</li> <li>3. Expertise</li> <li>4. Corporate Governance</li> </ol>
CEO/President		<ol style="list-style-type: none"> <li>1. Leadership</li> <li>2. Integrity</li> <li>3. Diligence</li> <li>4. <u>Adherence to Corporate Governance</u></li> </ol>

	Process	Criteria
	Board, such as the quality and timeliness of information provided to them, the frequency and conduct of regular, special or committee meetings and their accessibility to Management, the Corporate Secretary and Board Advisors.	

## N. INTERNAL BREACHES AND SANCTIONS

Discuss the internal policies on sanctions imposed for any violation or breach of the corporate governance manual involving directors, officers, management and employees

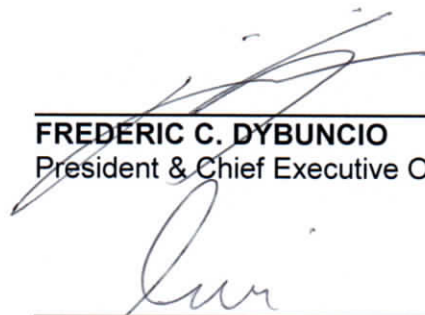
Violations	Sanctions
Violation of any of the provisions in the Revised Manual on Corporate Governance	In case of <u>first violation</u> , the subject person shall be warned, reprimanded or suspended depending on the severity of the violation. Any first violation that results in any notable financial loss for the Company shall at least be reprimanded or suspended.
	A <u>second violation</u> may require suspension depending on the gravity of the violation.
	For the <u>third violation</u> , the maximum penalty of removal from office may be imposed. When removed, the subject directors, officers or staff of the Company or its subsidiaries and affiliates, shall not be granted additional benefits except those required by law.

Pursuant to the requirement of the Securities and Exchange Commission, this Annual Corporate Governance Report is signed on behalf of the registrant by the undersigned, thereunto duly authorized, in the City of QUEZON CITY on MAR 11 2016, 20\_\_.

## SIGNATURES



**WILLY N. OCIER**  
Vice Chairman




**FREDERIC C. DYBUNCIO**  
President & Chief Executive Officer



**CESAR E.A. VIRATA**  
Independent Director

**GREGORIO U. KILAYKO**  
Independent Director




**A. BAYANI K. TAN**  
Corporate Secretary / Compliance Officer

**SUBSCRIBED AND SWORN** to before me this \_\_\_\_\_ day of MAR 11 2016, 20\_\_, affiant(s) exhibiting to me their \_\_\_\_\_, as follows:

NAME/NO.	DATE OF ISSUE	PLACE OF ISSUE
Willy N. Ocier	PP No. EB6130282	14 August 2012
Frederic C. Dybuncio	PP No. EC0634893	22 March 2014
Cesar E.A. Virata	PP No. EB8339839	07 June 2013
Gregorio U. Kilayko		
A. Bayani K. Tan	PP No. XX0650593	06 June 2012

## NOTARY PUBLIC

Doc No. 131  
Page No. 28  
Book No. 11  
Series of 2016

  
**IAN ABELLE PALAYNO**  
Notary Public for Quezon City  
Adm. Matter No. AP-248 (2015-2016)  
Commission Expires on December 31, 2016  
No. 71 Scout Quizon Street Brgy. South Triangle, Quezon City  
PTA No. 2445442 / 01.11.16 / Mandaluyong City  
IBP LRN No. 012742 / 03.26.14 / Quezon City Chapter  
Roll of Attorneys No. 63260



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

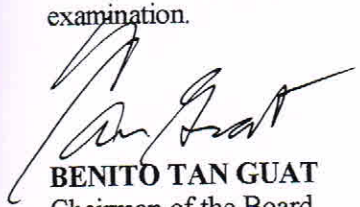
**SECURITIES AND EXCHANGE COMMISSION**

SEC Building, EDSA Greenhills  
Mandaluyong City, Metro Manila

The management of Belle Corporation and Subsidiaries is responsible for the preparation and fair presentation of the consolidated financial statements for the years ended December 31, 2015 and 2014, including the additional components attached therein, in accordance with Philippine Financial Reporting Standards. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the consolidated financial statements and submits the same to the stockholders.

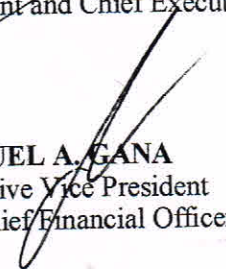
SyCip Gorres Velayo & Co., the independent auditors, appointed by the stockholders has examined the consolidated financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon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



**BENITO TAN GUAT**  
Chairman of the Board



**FREDERIC C. DYBUNCIO**  
President and Chief Executive Officer



**MANUEL A. GANA**  
Executive Vice President  
and Chief Financial Officer

Signed this 29th day of February, 2016



MAR 02 2016 MAKATI CITY

SUBSCRIBED AND SWORN to before me this \_\_\_\_th day of \_\_\_\_\_ 2016 affiants exhibiting to me their Passports/TIN, as follows:

NAME	PASSPORT/ TIN No.	DATE OF ISSUE	PLACE OF ISSUE
Benito Tan Guat	Passport # EC1327276 TIN# 101-935-043	June 05, 2014	DFA Manila
Frederic C. DyBuncio	Passport # EC0634893 TIN# 103-432-824	March 22, 2014	DFA Manila
Manuel A. Gana	Passport # EB4684110 TIN# 906-105-409	February 10, 2012	DFA Manila

DOC. No. 69  
PAGE NO. 14  
BOOK No. XVIII  
SERIES OF 2016

ATTY. REINIER S. QUIAMBAO  
NOTARY PUBLIC  
UNTIL DECEMBER 31, 2018  
PTR NO. 5329630 / 01.07.16 / MAKATI CITY  
IBP NO. 1023809 / 01.06.15 / TARLAC CITY  
TIN 236-251-699 ROLL NO. 62283  
MCLE NO. V - 0011532 / 10.06.15

## **Belle Corporation and Subsidiaries**

Consolidated Financial Statements  
December 31, 2015 and 2014  
And Years Ended December 31, 2015, 2014  
and 2013

and

Independent Auditors' Report





## INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors  
Belle Corporation

We have audited the accompanying consolidated financial statements of Belle Corporation and Subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2015 and 2014, and the consolidated statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2015, and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Philippine Financial Reporting Standards, 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.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

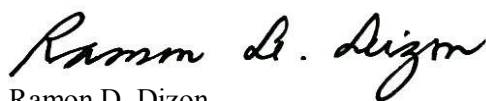
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



***Opinion***

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Belle Corporation and Subsidiaries as at December 31, 2015 and 2014, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2015 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.



Ramon D. Dizon

Partner

CPA Certificate No. 46047

SEC Accreditation No. 0077-AR-3 (Group A),

February 21, 2013, valid until April 30, 2016

Tax Identification No. 102-085-577

BIR Accreditation No. 08-001998-17-2015,

February 27, 2015, valid until February 26, 2018

PTR No. 5321631, January 4, 2016, Makati City

February 29, 2016



**BELLE CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
(Amounts in Thousands)

	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Notes 9, 40 and 44)	<b>₱3,570,065</b>	₱6,326,509
Investments held for trading (Notes 10, 20, 36 and 44)	<b>226,747</b>	262,815
Receivables - net (Notes 11, 40 and 44)	<b>1,599,607</b>	1,474,911
Current portion of finance lease receivable (Notes 38 and 44)	<b>1,419,651</b>	722,745
Real estate for sale - at cost (Note 12)	<b>843,074</b>	935,530
Club shares - at cost (Note 13)	<b>2,995,593</b>	2,700,551
Other current assets (Notes 14 and 37)	<b>2,323,619</b>	2,193,830
Total Current Assets	<b>12,978,356</b>	14,616,891
<b>Noncurrent Assets</b>		
Land held for future development (Notes 12 and 24)	<b>3,018,515</b>	3,018,515
Finance lease receivable - net of current portion (Notes 38 and 44)	<b>15,725,603</b>	8,866,747
Investments in and advances to associates - net (Notes 15, 40 and 44)	<b>65,364</b>	93,909
Available-for-sale financial assets (Notes 16 and 44)	<b>2,041,303</b>	1,887,379
Investment properties (Notes 17, 25 and 38)	<b>1,540,961</b>	4,432,277
Property and equipment (Note 18)	<b>770,716</b>	576,817
Intangible asset (Note 19)	<b>4,970,341</b>	5,249,552
Goodwill (Notes 20 and 21)	<b>1,828,578</b>	1,828,578
Pension asset (Note 39)	<b>—</b>	1,103
Deferred tax assets (Note 37)	<b>42,261</b>	41,234
Other noncurrent assets (Note 22)	<b>710,167</b>	778,084
Total Noncurrent Assets	<b>30,713,809</b>	26,774,195
<b>TOTAL ASSETS</b>	<b>₱43,692,165</b>	<b>₱41,391,086</b>

**LIABILITIES AND EQUITY**

<b>Current Liabilities</b>		
Trade and other current liabilities (Notes 12, 24, 40 and 44)	<b>₱2,435,975</b>	₱2,930,340
Loans payable (Notes 23 and 44)	<b>1,000,017</b>	3,000,017
Assignment of receivables with recourse (Notes 11, 40 and 44)	<b>—</b>	28,026
Income tax payable	<b>49,600</b>	56,546
Estimated liability on construction costs (Note 17)	<b>2,556,836</b>	1,035,028
Current portion of:		
Nontrade liability (Notes 26 and 44)	<b>455,886</b>	274,562
Obligations under finance lease (Note 38)	<b>25,028</b>	16,356
Long-term debt (Notes 25 and 44)	<b>362,500</b>	12,500
Installment payable (Notes 38 and 44)	<b>173</b>	928
Total Current Liabilities	<b>6,886,015</b>	7,354,303

(Forward)



	December 31	
	2015	2014
<b>Noncurrent Liabilities</b>		
Noncurrent portion of:		
Nontrade liability (Notes 26 and 44)	₱4,839,172	₱3,966,694
Long-term debt (Notes 25 and 44)	4,621,875	1,737,500
Obligations under finance lease (Note 38)	93,527	76,494
Installment payable (Notes 38 and 44)	—	198
Pension liability (Note 39)	12,346	18,787
Deferred tax liabilities - net (Note 37)	1,166,104	806,229
Total Noncurrent Liabilities	10,733,024	6,605,902
<b>TOTAL LIABILITIES</b>	<b>17,619,039</b>	<b>13,960,205</b>
<b>Equity</b>		
Attributable to equity holders of the parent:		
Common stock (Note 27)	10,561,000	10,559,383
Additional paid-in capital	5,503,731	5,503,731
Treasury shares (Note 27)	(134,442)	—
Equity share in cost of Parent Company shares held by associates (Note 15)	(2,501)	(2,501)
Cost of Parent Company common and preferred shares held by subsidiaries (Note 3)	(1,749,628)	(1,604,824)
Unrealized gain on available-for-sale financial assets - net (Note 16)	520,618	87,046
Retained earnings (Note 27)	4,903,882	6,530,078
Other reserves (Notes 2, 3 and 39)	3,085,896	3,272,665
Excess of cost over net asset value of an investment (Note 20)	252,040	252,040
Total Equity Attributable to Equity Holders of the Parent	22,940,596	24,597,618
Non-controlling interests (Note 3)	3,132,530	2,833,263
Total Equity	26,073,126	27,430,881
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>₱43,692,165</b>	<b>₱41,391,086</b>

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		
	2015	2014	2013
<b>REVENUE</b>			
Interest income on finance lease (Note 38)	<b>₱1,917,354</b>	₱1,409,173	₱1,177,570
Equipment rental and instant scratch ticket sales (Notes 38 and 41)	<b>1,537,648</b>	949,721	—
Gaming revenue share - net (Note 28)	<b>756,238</b>	38,809	—
Sale of real estate and club shares	<b>347,775</b>	300,252	175,280
Lease income (Note 38)	<b>190,906</b>	188,757	157,136
Revenue from property management	<b>112,682</b>	115,356	105,033
Termination income (Note 41)	—	—	949,608
Others (Note 29)	<b>332,879</b>	161,724	59,620
	<b>5,195,482</b>	3,163,792	2,624,247
<b>COSTS AND EXPENSES</b>			
Cost of lottery services (Note 30)	<b>(595,142)</b>	(306,021)	—
Cost of gaming operations (Note 31)	<b>(382,023)</b>	(18,709)	—
Cost of real estate and club shares sold (Notes 12 and 32)	<b>(157,942)</b>	(125,856)	(115,389)
Cost of lease income	<b>(152,584)</b>	(11,368)	(3,803)
Cost of services for property management (Notes 12 and 33)	<b>(80,208)</b>	(88,052)	(60,269)
General and administrative expenses (Note 34)	<b>(950,414)</b>	(731,508)	(638,839)
	<b>(2,318,313)</b>	(1,281,514)	(818,300)
<b>OTHER INCOME (EXPENSES)</b>			
Accretion of nontrade liability (Note 26)	<b>(651,684)</b>	(533,348)	—
Interest expense (Note 35)	<b>(273,977)</b>	(98,723)	(103,852)
Net foreign exchange gain (loss)	<b>36,135</b>	(7,619)	(86,167)
Interest income (Note 35)	<b>34,470</b>	29,979	56,112
Equity in net earnings of associates (Note 15)	<b>27,340</b>	117,190	119,940
Gain from cancellation of Swap Agreement (Note 41)	—	1,219,133	—
Gain on significant acquisitions - net (Note 20)	—	879,348	—
Gain (loss) on finance lease (Notes 17 and 38)	—	(812,842)	2,324,434
Gain on share swap (Note 15)	—	—	772,247
Other income (charges) (Note 36)	<b>44,391</b>	14,747	81,052
	<b>(783,325)</b>	807,865	3,163,766
<b>INCOME BEFORE INCOME TAX</b>	<b>2,093,844</b>	2,690,143	4,969,713
<b>PROVISION FOR INCOME TAX</b> (Note 37)			
Current	<b>306,296</b>	179,943	305,577
Deferred	<b>363,038</b>	(46,474)	1,027,952
	<b>669,334</b>	133,469	1,333,529
<b>NET INCOME</b>	<b>1,424,510</b>	2,556,674	3,636,184

(Forward)



	Years Ended December 31		
	2015	2014	2013
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>			
Items to be reclassified to profit or loss in subsequent periods:			
Unrealized gain on available-for-sale financial assets - net (Note 16)	<b>₱521,570</b>	₱277,831	(₱205,653)
Unrealized loss on available-for-sale financial assets - net recycled to profit or loss (Note 16)	<b>(87,998)</b>	—	—
Fair value change due to recovery of previous impairment (Note 41)	—	1,559,847	—
Recycling of fair value change due to cancellation of Swap Agreement (Notes 16 and 41)	—	(1,559,847)	—
Share in unrealized gain (loss) in available-for-sale financial assets of associates (Note 15)	—	1,573	(8,560)
	<b>433,572</b>	279,404	(214,213)
Items not to be reclassified to profit or loss in subsequent periods:			
Remeasurement gain (loss) of pension asset/liability - net (Note 39)	<b>9,046</b>	(23,178)	5,880
Income tax effect	<b>(2,714)</b>	6,954	(1,764)
	<b>6,332</b>	(16,224)	4,116
<b>TOTAL OTHER COMPREHENSIVE INCOME (LOSS)</b>	<b>439,904</b>	263,180	(210,097)
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>₱1,864,414</b>	₱2,819,854	₱3,426,087
Net income attributable to:			
Equity holders of the parent (Note 43)	<b>₱1,186,460</b>	₱2,202,253	₱3,639,853
Non-controlling interests	<b>238,050</b>	354,421	(3,669)
	<b>₱1,424,510</b>	₱2,556,674	₱3,636,184
Total comprehensive income attributable to:			
Equity holders of the parent	<b>₱1,623,417</b>	₱2,465,433	₱3,429,756
Non-controlling interests	<b>240,997</b>	354,421	(3,669)
	<b>₱1,864,414</b>	₱2,819,854	₱3,426,087
Basic/Diluted Earnings Per Share (Note 43)	<b>₱0.116</b>	₱0.216	₱0.355

See accompanying Notes to Consolidated Financial Statements.



# BELLE CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2015, 2014 AND 2013

(Amounts in Thousands)

	Attributable to Equity Holders of the Parent														Total	Non-controlling Interests	Total Equity
	Common Stock (Note 27)	Additional Paid-in Capital	Treasury Shares	Equity Share in Cost of Parent Company Shares Held by Associates (Note 15)	Cost of Parent Company Common and Preferred Shares Held by Subsidiaries (Note 3)	Unrealized Gain on Available-for-Sale Financial Assets - net (Note 16)	Other Reserves				Excess of Asset Value of an Investment (Note 20)	Retained Earnings (Note 27)					
							Share in Unrealized Gain (Loss) on Available-for-Sale Financial Assets of Associates (Note 15)	Remeasurement of Pension Income (Expense) (Note 39)	Transactions with Non-Controlling Interests	Cost over Net							
Balance at December 31, 2014	₱10,559,383	₱5,503,731	₱-	(₱2,501)	(₱1,604,824)	₱87,046	₱14,061	(₱7,326)	₱3,265,930	₱252,040	₱6,530,078	₱24,597,618	₱2,833,263	₱27,430,881			
Issuance of common stock	1,617	-	-	-	(1,617)	-	-	-	-	-	-	-	-	-			
Purchase of treasury shares	-	-	(134,442)	-	-	-	-	-	-	-	-	(134,442)	-	(134,442)			
Acquisition of non-controlling interest in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	(74,909)	(74,909)			
Acquisition of additional Parent Company shares by Pacific Online	-	-	-	-	(143,187)	-	-	-	-	-	-	(143,187)	-	(143,187)			
Disposal of Parent Company interest in Pacific Online and transaction costs	-	-	-	-	-	-	-	-	(190,154)	-	-	(190,154)	179,205	(10,949)			
Collections of subscriptions from non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	-	185,481	185,481			
Cash dividends (Note 27)	-	-	-	-	-	-	-	-	-	-	(2,812,656)	(2,812,656)	(231,507)	(3,044,163)			
Net income	-	-	-	-	-	-	-	-	-	-	1,186,460	1,186,460	238,050	1,424,510			
Remeasurement loss of defined benefit - asset (liability) net	-	-	-	-	-	-	-	3,385	-	-	-	3,385	2,947	6,332			
Unrealized gain on available-for-sale financial assets - net (Note 16)	-	-	-	-	-	433,572	-	-	-	-	-	433,572	-	433,572			
Total comprehensive income for the year	-	-	-	-	-	433,572	-	3,385	-	-	1,186,460	1,623,417	240,997	1,864,414			
Balance at December 31, 2015	₱10,561,000	₱5,503,731	(₱134,442)	(₱2,501)	(₱1,749,628)	₱520,618	₱14,061	(₱3,941)	₱3,075,776	₱252,040	₱4,903,882	₱22,940,596	₱3,132,530	₱26,073,126			



	Attributable to Equity Holders of the Parent												Total	Non-controlling Interests	Total Equity
	Preferred Stock (Notes 3 and 27)	Common Stock (Note 27)	Additional Paid-in Capital	Equity Share in Cost of Parent Company Shares Held by Associates (Note 15)	Cost of Parent Company and Preferred Shares Held by Subsidiaries (Note 3)	Unrealized Gain on Available-for-Sale Financial Assets - net (Note 16)	Other Reserves			Excess of Cost over Net Asset Value of an Investment (Note 20)	Retained Earnings (Note 27)				
							Share in Unrealized Gain (Loss) on Available-for-Sale Financial Assets of Associates (Note 15)	Remeasurement of Pension Income (Expense) (Note 39)	Transactions with Non-Controlling Interests						
Balance at December 31, 2013	₱1,000,000	₱10,559,383	₱5,503,731	(₱2,501)	(₱2,257,631)	(₱190,785)	₱12,488	₱8,898	₱–	₱252,040	₱4,533,666	₱19,419,289	₱787,795	₱20,207,084	
Cancellation of preferred stock (Note 3)	(1,000,000)	–	–	–	1,000,000	–	–	–	–	–	–	–	–	–	
Cancellation of share swap between PLC and LIR (Note 41)	–	–	–	–	–	–	–	–	(961,972)	–	–	(961,972)	(257,161)	(1,219,133)	
Acquisition of subsidiary accounted for under acquisition method (Note 20)	–	–	–	–	(328,074)	–	–	–	–	–	–	(328,074)	665,879	337,805	
Acquisition of non-controlling interest in subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	(231,696)	(231,696)	
Acquisition of additional Parent Company shares by Pacific Online	–	–	–	–	(21,192)	–	–	–	–	–	–	(21,192)	–	(21,192)	
Disposal of Parent Company shares by Pacific Online	–	–	–	–	2,073	–	–	–	–	–	–	2,073	–	2,073	
Disposal of Parent Company interest in PLC without loss of control (Note 2)	–	–	–	–	–	–	–	–	3,830,380	–	–	3,830,380	1,704,136	5,534,516	
Disposal of Parent Company interest in PLAI without loss of control (Note 3)	–	–	–	–	–	–	–	–	(55,288)	–	–	(55,288)	55,288	–	
Disposal of Parent Company interest in Pacific Online without loss of control (Note 3)	–	–	–	–	–	–	–	–	(304,934)	–	–	(304,934)	559,595	254,661	
Parent Company's additional subscription in PLC (Note 3)	–	–	–	–	–	–	–	–	1,896,027	–	–	1,896,027	(1,896,027)	–	
Transaction costs of acquisition and disposal of interest in subsidiaries (Note 3)	–	–	–	–	–	–	–	–	(1,138,283)	–	–	(1,138,283)	–	(1,138,283)	

(Forward)





	Attributable to Equity Holders of the Parent											Total	Non-controlling Interests	Total Equity	
	Preferred Stock (Note 27)	Common Stock (Note 27)	Additional Paid-in Capital	Equity Share in Cost of Parent Company Shares Held by Associates (Note 15)	Cost of Parent Company Common and Preferred Shares Held by Subsidiaries (Note 3)	Unrealized Gain on Available-for-Sale Financial Assets - net (Note 16)	Other Reserves	Share in Unrealized Gain (Loss) on Available-for-Sale Financial Assets of Associates (Note 15)	Remeasurement of Pension Income (Expense) (Note 39)	Transactions with Non-Controlling Interests	Excess of Cost over Net Asset Value of an Investment (Note 20)				Retained Earnings (Note 27)
Collections of subscription from non-controlling shareholders	P=	P=	P=	P=	P=	P=	P=	P=	P=	P=	P=	P=	P=	P1,165,644	P1,165,644
Cash dividends (Note 27)	—	—	—	—	—	—	—	—	—	—	—	(205,841)	(205,841)	(74,611)	(280,452)
Net income	—	—	—	—	—	—	—	—	—	—	—	2,202,253	2,202,253	354,421	2,556,674
Unrealized gain (loss) on available-for-sale financial assets - net (Note 16)	—	—	—	—	—	277,831	—	—	—	—	—	—	277,831	—	277,831
Disposal of share in unrealized loss on available-for-sale financial asset of associate	—	—	—	—	—	—	1,573	—	—	—	—	—	1,573	—	1,573
Remeasurement loss of defined benefit - asset (liability) net	—	—	—	—	—	—	—	(16,224)	—	—	—	—	(16,224)	—	(16,224)
Fair value change due to recovery of previous impairment	—	—	—	—	—	1,559,847	—	—	—	—	—	—	1,559,847	—	1,559,847
Recycling of fair value change due to cancellation of Swap Agreement (Notes 16 and 41)	—	—	—	—	—	(1,559,847)	—	—	—	—	—	—	(1,559,847)	—	(1,559,847)
Total comprehensive income (loss) for the year	—	—	—	—	—	277,831	1,573	(16,224)	—	—	—	2,202,253	2,465,433	354,421	2,819,854
Balance at December 31, 2014	P=	P10,559,383	P5,503,731	(P2,501)	(P1,604,824)	P87,046	P14,061	(P7,326)	P3,265,930	P252,040	P6,530,078	P24,597,618	P2,833,263	P27,430,881	



	Attributable to Equity Holders of the Parent														
	Other Reserves														
	Preferred Stock (Note 27)	Common Stock (Note 27)	Additional Paid-in Capital	Equity Share in Cost of Parent Company Shares Held by Associates (Note 15)	Cost of Parent Company and Preferred Shares Held by Subsidiaries (Note 3)	Unrealized Gain on Available-for-Sale Financial Assets - net (Note 16)	Share in Unrealized Gain (Loss) on Available-for-Sale Financial Assets of Associates (Note 15)	Share in Other Comprehensive Income of an Associate (Note 15)	Remeasurement of Pension Income (Expense) (Note 39)	Transactions with Non-Controlling Interests	Excess of Cost over Net Asset Value of an Investment (Note 20)	Retained Earnings (Note 27)	Total	Non-controlling Interests	Total Equity
Balance at December 31, 2012	₱1,000,000	₱10,559,383	₱5,503,731	(₱731,696)	(₱562,375)	₱14,868	₱20,386	(₱26,393)	₱4,782	₱—	₱—	₱893,813	₱16,676,499	(₱53,104)	₱16,623,395
Disposals (acquisitions) of parent company common and preferred shares by associates and subsidiaries	—	—	—	729,195	(1,695,256)	—	—	—	—	—	—	—	(966,061)	—	(966,061)
Excess of cost over net asset value of an investment	—	—	—	—	—	—	—	—	—	—	252,040	—	252,040	—	252,040
Disposal of share in cumulative translation adjustments and unrealized loss on available-for-sale financial assets of associates	—	—	—	—	—	—	662	26,393	—	—	—	—	27,055	—	27,055
Acquisition of additional non-controlling interest in PLC	—	—	—	—	—	—	—	—	—	—	—	—	—	844,568	844,568
Net income	—	—	—	—	—	—	—	—	—	—	—	3,639,853	3,639,853	(3,669)	3,636,184
Other comprehensive income (loss)	—	—	—	—	—	(205,653)	(8,560)	—	4,116	—	—	—	(210,097)	—	(210,097)
Total comprehensive income (loss) for the year	—	—	—	—	—	(205,653)	(8,560)	—	4,116	—	—	3,639,853	3,429,756	(3,669)	3,426,087
Balance at December 31, 2013	₱1,000,000	₱10,559,383	₱5,503,731	(₱2,501)	(₱2,257,631)	(₱190,785)	₱12,488	₱—	₱8,898	₱—	₱252,040	₱4,533,666	₱19,419,289	₱787,795	₱20,207,084

See accompanying Notes to Consolidated Financial Statements



**BELLE CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Amounts in Thousands)

	Years Ended December 31		
	2015	2014	2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income before income tax	<b>₱2,093,844</b>	₱2,690,143	₱4,969,713
Adjustments for:			
Interest income on finance lease (Note 38)	<b>(1,917,354)</b>	(1,409,173)	(1,177,570)
Accretion of nontrade liability (Note 26)	<b>651,684</b>	533,348	–
Depreciation and amortization (Notes 18, 19, 30, 31, 33 and 34)	<b>431,135</b>	140,560	34,939
Interest expense (Note 35)	<b>273,977</b>	98,723	103,852
Loss (gain) on sale of:			–
Available-for-sale investments (Notes 16 and 36)	<b>(90,342)</b>	–	–
Investments held for trading (Notes 10 and 36)	<b>(7,439)</b>	(22,296)	–
Property and equipment (Notes 18 and 36)	<b>397</b>	(451)	(72,026)
Held-to-maturity investments (Note 36)	–	(31,353)	–
Amortization of discount on trade receivables (Notes 11 and 29)	<b>(56,768)</b>	(9,954)	(32,280)
Unrealized mark-to-market gain on investments held for trading (Note 36)	<b>43,464</b>	(34,206)	–
Unrealized foreign exchange loss - net	<b>(36,135)</b>	7,619	86,167
Interest income (Note 35)	<b>(34,470)</b>	(29,979)	(56,112)
Equity in net earnings of associates (Note 15)	<b>(27,340)</b>	(117,190)	(119,940)
Dividend income (Note 29)	<b>(23,209)</b>	(22,443)	–
Pension costs (Notes 34 and 39)	<b>20,241</b>	8,913	5,318
Provision for (reversal of):			–
Probable loss on other assets (Note 36)	<b>(34,951)</b>	9,034	4,418
Doubtful accounts (Note 36)	<b>32,437</b>	5,492	352
Impairment loss on advances to associates (Note 36)	–	40	–
Impairment loss on investment in associates (Note 36)	<b>(255)</b>	–	–
Impairment loss on advances to related parties (Note 36)	–	–	4,137
Gain from cancellation of Swap Agreement (Note 41)	–	(1,219,133)	–
Gain on significant acquisitions - net (Note 20)	–	(879,348)	–
Loss (gain) in finance lease (Notes 17 and 38)	–	812,842	(2,324,434)
Gain on share swap (Note 15)	–	–	(772,247)
Working capital adjustments:			
Decrease (increase) in:			
Receivables	<b>895,944</b>	1,266,829	2,552,727
Real estate for sale	<b>92,456</b>	(361,769)	(690,941)
Club shares	<b>(295,042)</b>	215,475	2,421
Other assets	<b>(68,012)</b>	(1,782,994)	(331,509)
Decrease in trade and other current liabilities	<b>(521,390)</b>	(113,053)	(3,515,856)
Net cash generated from (used for) operations	<b>1,422,872</b>	(244,324)	(1,328,871)
Interest received	<b>34,470</b>	44,929	1,214,806
Income taxes paid	<b>(272,151)</b>	(123,397)	(325,601)
Contributions to the retirement fund (Note 39)	<b>(15,000)</b>	(15,000)	(10,310)
Net cash provided by (used in) operating activities	<b>1,170,191</b>	(337,792)	(449,976)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Expenditures on investment properties (Note 17)	<b>(2,171,854)</b>	(2,605,824)	(977,326)
Acquisitions of:			
Investment in associate (Note 15)	–	(413,272)	–
Investments held for trading (Note 10)	<b>(65,138)</b>	(30,060)	–
Property and equipment (Note 18)	<b>(366,257)</b>	(104,535)	(41,821)
Payment of subscription (Note 15)	<b>(3,675,000)</b>	–	–

(Forward)



	Years Ended December 31		
	2015	2014	2013
Collection of advances from associate (Note 15)	₱3,675,000	₱–	₱–
Purchase consideration for acquisitions of subsidiaries, net of cash acquired (Note 20)	–	(195,576)	–
Proceeds from redemption of held-to-maturity investments	–	781,353	–
Proceeds from disposal of:			
Investments held for trading (Note 10)	65,181	200,201	–
Available-for-sale financial assets (Note 16)	308,515	–	–
Property and equipment (Notes 18 and 36)	20,037	572	76,294
Interest paid - capitalized to investment properties (Note 17)	–	(80,285)	(111,023)
Decrease in:			
Investments in and advances to associates and related parties	56,140	–	463,014
Escrow fund (Note 41)	–	–	2,064,450
Short-term investments	–	–	965
Dividends received (Note 29)	23,209	22,443	–
Net cash provided by (used in) investing activities	(2,130,167)	(2,424,983)	1,474,553
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Payments of:			
Long-term debt and loans payable	(3,015,625)	(4,013,459)	(5,250,037)
Interest - net of capitalized interest	(273,977)	(98,723)	(135,586)
Acquisition of Parent Company shares held by a subsidiary (Note 27)	(145,931)	(21,192)	–
Transaction costs of acquisition and disposal of non-controlling interest (Note 3)	(10,949)	(1,138,283)	–
Proceeds from:			
Disposal of Parent Company interest in PLC without loss of control (Note 2)	–	5,534,516	–
Availment of loans and long-term debt (Notes 24 and 26)	4,250,000	7,050,000	229,941
Collection of subscriptions receivable from non-controlling interest	185,481	1,165,644	–
Disposal of interest in Pacific Online without loss of control (Note 3)	2,744	254,661	–
ABLGI advance (Note 26)	780,000	–	4,000,000
Disposal of Parent Company shares held by a subsidiary	–	2,073	–
Dividends paid	(3,039,387)	(280,452)	–
Acquisition of treasury shares (Note 27)	(134,442)	–	–
Acquisition of non-controlling interest (Note 27)	(74,909)	(231,696)	–
Increase (decrease) in:			
Nontrade liability	(377,883)	(292,092)	–
Advances from related parties	(2,479)	(2,272)	(105,791)
Obligations under finance lease	25,706	118	–
Installment payable	(952)	(2,336)	–
Net cash provided by (used in) financing activities	(1,832,603)	7,926,507	(1,261,473)
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>			
	36,135	(7,619)	(12,419)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>			
	(2,756,444)	5,156,113	(249,315)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>			
	6,326,509	1,170,396	1,419,711
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 9)</b>			
	₱3,570,065	₱6,326,509	₱1,170,396

See accompanying Notes to Consolidated Financial Statements.



# **BELLE CORPORATION AND SUBSIDIARIES**

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## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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### **1. General Information**

#### Corporate Information

Belle Corporation (“Belle” or “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 29, 2016.

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### **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 investments held for trading and available-for-sale (AFS) financial assets which have been measured at fair value (see Notes 10 and 16). 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 (PFRS).

#### 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, 2015 and 2014. 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.

When the Company has less than a majority of the voting and 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. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Company's accounting policies. 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.

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:

Subsidiaries	Industry	2015			2014		
		Percentage of Ownership			Percentage of Ownership		
		Direct	Indirect	Total	Direct	Indirect	Total
Belle Bay Plaza Corporation (Belle Bay Plaza)*	Investment	100.0	—	100.0	100.0	—	100.0
Metropolitan Leisure and Tourism Corporation (MLTC)*	Investment	100.0	—	100.0	100.0	—	100.0
Parallax Resources, Inc. (PRI)*	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.	Investment	90.0	—	90.0	90.0	—	90.0
Premium Leisure Corp. (PLC) (formerly Sinophil Corporation) and Subsidiaries:	Gaming	78.7	1.0	79.7	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 (Pacific Online) and Subsidiaries:	Gaming	—	50.1	50.1	16.6	35.3	51.9
Loto Pacific Leisure Corporation (LotoPac)	Gaming	—	100.0	50.1	—	100.0	100.0
Lucky Circle Corporation (LCC)	Gaming	—	100.0	50.1	—	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

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

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

#### Material Partly-owned Subsidiaries

##### *Pacific Online*

The non-controlling interests of Pacific Online are material to the Company. Non-controlling interest holds 48.1% as at December 31, 2014.



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

Summarized Consolidated Statement of Financial Position as at December 31, 2014:

	2014
	<i>(In Thousands)</i>
Total current assets	₱1,771,169
Total noncurrent assets	580,392
Total current liabilities	(458,632)
Total noncurrent liabilities	(94,431)
Total equity	₱1,798,498
Attributable to:	
Equity holders of the Parent	₱803,723
Non-controlling interests	994,775
Total	₱1,798,498

Summarized Consolidated Statement of Comprehensive Income for the year ended December 31, 2014:

	2014
	<i>(In Thousands)</i>
Revenues	₱1,030,329
Costs and expenses	(635,368)
Other charges - net	(151,903)
Income before income tax	243,058
Provision for income tax	(120,002)
Net income	123,056
Other comprehensive loss	(11,564)
Total comprehensive income	₱111,492
Attributable to:	
Equity holders of the Parent	₱43,113
Non-controlling interests	68,379
Total	₱111,492

Summarized Consolidated Statement of Cash Flows for the year ended December 31, 2014:

	2014
	<i>(In Thousands)</i>
Operating	₱502,535
Investing	(187,764)
Financing	(5,445)
Net increase in cash and cash equivalents	₱309,326



Dividends paid to non-controlling interests in 2014 amounted to ₱74.6 million. On August 5, 2015, the remaining direct interest of the Parent Company in Pacific Online was sold to PLC. As a result of the transaction, the Company recognized additional non-controlling interests amounting to ₱190.2 million and a credit to “Other reserves - transactions with non-controlling interest” amounting to ₱190.2 million in the equity section of the 2015 consolidated statement of financial position, gross of transactions costs amounting to ₱10.9 million. Accordingly, the non-controlling interests attributable to Pacific Online are already included in the non-controlling interests attributable to PLC as at December 31, 2015.

#### PLC

The non-controlling interests of PLC are material to the Company. Non-controlling interests hold 20.9% and 21.0% as at December 31, 2015 and 2014.

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, 2015 and 2014:

	2015	2014
	<i>(In Thousands)</i>	
Total current assets	<b>₱3,147,209</b>	₱3,035,433
Total noncurrent assets	<b>13,294,789</b>	12,837,428
Total current liabilities	<b>440,574</b>	83,953
Total noncurrent liabilities	<b>112,166</b>	1,048
Total equity	<b>₱15,889,258</b>	₱15,787,860
Attributable to:		
Equity holders of the Parent	<b>₱12,762,884</b>	₱13,949,372
Non-controlling interests	<b>3,126,374</b>	1,838,488
Total	<b>₱15,889,258</b>	₱15,787,860

Summarized Consolidated Statements of Comprehensive Income for the years ended December 31, 2015 and 2014:

	2015	2014
	<i>(In Thousands)</i>	
Revenue	<b>₱1,475,565</b>	₱38,809
Costs and expenses	<b>(1,209,625)</b>	(420,367)
Other income charges - net	<b>141,978</b>	1,725,620
Income before income tax	<b>407,918</b>	1,344,062
Provision for income tax	<b>(184,763)</b>	(5,117)
Net income	<b>223,155</b>	1,338,945
Other comprehensive income (loss)	<b>(286,137)</b>	19,431
Total comprehensive income (loss)	<b>(₱62,982)</b>	₱1,358,376
Attributable to:		
Equity holders of the Parent	<b>(₱216,401)</b>	₱1,072,334
Non-controlling interests	<b>153,419</b>	286,042
Total	<b>(₱62,982)</b>	₱1,358,376





Summarized Consolidated Statements of Cash Flows for the years ended December 31, 2015 and 2014:

	2015	2014
	<i>(In Thousands)</i>	
Operating	<b>₱970,611</b>	(₱383,598)
Investing	<b>(1,805,245)</b>	(11,020,891)
Financing	<b>(669,931)</b>	14,095,686
Net increase in cash and cash equivalents	<b>(₱1,504,565)</b>	₱2,691,197

In September and October 2014, Belle, its subsidiaries and affiliates sold a total of approximately 3.5 billion PLC shares in the secondary market increasing PLC's public float. These share sales reduced Belle's consolidated ownership in PLC to 24.9 billion shares or approximately 79.0%. This transaction is considered as a sale of interest in PLC without losing control, thus all of the related gains and related transaction costs were accounted for directly in equity. As a result of the sale, the Company recognized additional non-controlling interests amounting to ₱1,704.1 million and a credit to "Other reserves - transactions with non-controlling interests" amounting to ₱3,830.4 million in the equity section of the 2014 consolidated statement of financial position pertaining to the proceeds from the sale, net of transaction costs.

### 3. Corporate Reorganization

On June 2, 2014, the BOD of the Parent Company approved the plan to transfer the gaming business and interests of Belle to PLC (the "Investment Plan") by authorizing the sale of the Parent Company's investments in PLAI and Pacific Online. PLAI is a grantee by PAGCOR of a License to operate integrated resorts, including casinos in the vicinity of Entertainment City.

On June 20, 2014, the Parent Company and PLC entered into a subscription agreement for 24,700,000,000 common shares of PLC at a subscription price of ₱0.369 per share or a total subscription of ₱9,114.3 million, thereby increasing the Company's ownership in PLC to 89.8%. Subscription payments were made by the Parent Company in July 2014. As a result, the Company recognized ₱1,896.0 million adjustment to non-controlling interests. Transaction costs amounting to ₱54.0 million were charged to "Other reserves - transactions with non-controlling interests" in the equity section of the 2014 consolidated statement of financial position. The Company's consolidated interest in PLC was subsequently reduced by the sale of approximately 3.5 billion shares in PLC in the secondary market (see Note 2).

On July 22, 2014, Belle and PLC executed a Deed of Sale of Shares for the sale of 100% ownership interest in PLAI by Belle to PLC for a consideration of ₱10,847.8 million. The transaction resulted in a ₱55.3 million adjustment to non-controlling interests in the Company's 2014 consolidated financial statements. Transaction costs amounting to ₱1,084.3 million were charged to "Other reserves - transactions with non-controlling interests" in the equity section of the 2014 consolidated statement of financial position.

On July 22, 2014, PLC executed several Deeds of Sale of Shares with Belle and certain of its subsidiaries for the acquisition of 101,668,953 common shares of Pacific Online at a subscription price of ₱15 per share, equivalent to 34.5% ownership interest in Pacific Online, for a total consideration of ₱1,525.0 million. This resulted to a decrease in the Parent Company's direct ownership interest in Pacific Online to 16.2% immediately after the sale. The transactions resulted in a ₱304.9 million adjustment to non-controlling interests.



Consistent with the decision for PLC to take on the gaming business, PLC was also authorized to sell to Belle its non-gaming related assets consisting of the following transactions, which were eliminated in the Company's consolidated financial statements:

- Membership shares in Tagaytay Midlands Golf Club, Inc. (TMGCI) for a consideration of ₱198.0 million;
- A lot with gross area of 4,348 square meters located within the Aseana Business Park at the Manila Bay Reclamation Area for a consideration of ₱250.0 million; and
- Several parcels of land in The Parks at Saratoga Hills within the Tagaytay Midlands Complex for a consideration of ₱73.4 million.

On July 22, 2014, Belle and PLC executed a Memorandum of Agreement for the redemption of 1,000,000,000 preferred shares by Belle for a cash consideration of ₱1,000.0 million.

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

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the following amendments to existing PFRS effective beginning January 1, 2015:

- PAS 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions* (Amendments), requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. The adoption of these amendments did not have any impact on the Company's consolidated financial statements since the Company's retirement plans are noncontributory.

##### *Annual Improvements to PFRS (2010 to 2012 cycle)*

The Annual Improvements to PFRS (2010 to 2012 cycle) contain non-urgent but necessary amendments to the following standards. Except as otherwise stated, the adoption of these amendments did not have a significant impact on the consolidated financial statements.

- PFRS 2, *Share-based Payment - Definition of Vesting Condition*, is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:
  - A performance condition must contain a service condition
  - A performance target must be met while the counterparty is rendering service
  - A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group
  - A performance condition may be a market or non-market condition
  - If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.
- PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination*, is applied prospectively for business combinations for which the acquisition date is on or after July 1, 2014. It clarifies that a contingent consideration that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of PAS 39.



- PFRS 8, *Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*, are applied retrospectively and clarify that:
  - An entity must disclose the judgments made by management in applying the aggregation criteria in the standard, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'.
  - The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.
- PAS 16, *Property, Plant and Equipment: Revaluation Method - Proportionate Restatement of Accumulated Depreciation*, and PAS 38, *Intangible Assets: Revaluation Method - Proportionate Restatement of Accumulated Amortization*, is applied retrospectively and clarifies in PAS 16 and PAS 38 that the asset may be revalued by reference to the observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortization is the difference between the gross and carrying amounts of the asset.
- PAS 24, *Related Party Disclosures - Key Management Personnel*, is applied retrospectively and clarifies that a management entity, which is an entity that provides key management personnel services, is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

*Annual Improvements to PFRS (2011 to 2013 cycle)*

The Annual Improvements to PFRS (2011 to 2013 cycle) contain non-urgent but necessary amendments to the following standards. Except as otherwise stated, the adoption of these amendments did not have a significant impact on the consolidated financial statements.

- PFRS 3, *Business Combinations - Scope Exceptions for Joint Arrangements*, is applied prospectively and clarifies the following regarding the scope exceptions within PFRS 3:
  - Joint arrangements, not just joint ventures, are outside the scope of PFRS 3.
  - This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.
- PFRS 13, *Fair Value Measurement - Portfolio Exception*, is applied prospectively and clarifies that the portfolio exception in PFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of PAS 39.
- PAS 40, *Investment Property*, is applied prospectively and clarifies that PFRS 3, and not the description of ancillary services in PAS 40, is used to determine if the transaction is the purchase of an asset or business combination. The description of ancillary services in PAS 40 only differentiates between investment property and owner-occupied property (i.e., property, plant and equipment).



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## 5. Future Changes in Accounting Policies

The standards, amendments and interpretations which have been issued but not yet effective as at December 31, 2015 are disclosed below. Except as otherwise indicated, the Company does not expect the adoption of the applicable new and amended PFRS to have a significant impact on the financial position or performance.

### *Deferred*

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*, covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The SEC and the Financial Reporting Standards Council (FRSC) have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed. Adoption of the interpretation when it becomes effective will result to a change in revenue and cost recognition from percentage of completion method to completed contract method. The Company is currently assessing and monitoring the impact of this new interpretation to its consolidated financial statements.

### *Future Standards Effective January 1, 2016*

- PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortization* (Amendments), clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are effective prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Company given that the Company is not using a revenue-based method to depreciate its noncurrent assets.
- PAS 16, *Property, Plant and Equipment*, and PAS 41, *Agriculture - Bearer Plants* (Amendments), change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. The amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, will apply. The amendments are retrospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Company as the Company does not have any bearer plants.
- PAS 27, *Separate Financial Statements - Equity Method in Separate Financial Statements* (Amendments), will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. The amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments will not have any impact on the Company's consolidated financial statements.



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

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted.

- PFRS 14, *Regulatory Deferral Accounts*, is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of PFRS. PFRS 14 is effective for annual periods beginning on or after January 1, 2016. Since the Company is an existing PFRS preparer, this standard would not apply.
- PAS 1, *Presentation of Financial Statements - Disclosure Initiative* (Amendments), are intended to assist entities in applying judgment when meeting the presentation and disclosure requirements in PFRS. They clarify the following:
  - That entities shall not reduce the understandability of their financial statements by either obscuring material information with immaterial information; or aggregating material items that have different natures or functions
  - That specific line items in the statement of income and OCI and the statement of financial position may be disaggregated
  - That entities have flexibility as to the order in which they present the notes to financial statements
  - That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Early application is permitted and entities do not need to disclose that fact as the amendments are considered to be clarifications that do not affect an entity's accounting policies or accounting estimates. The Company is currently assessing the impact of these amendments on its consolidated financial statements.

- PFRS 10, *Consolidated Financial Statements*, PFRS 12, *Disclosure of Interests in Other Entities*, and PAS 28, *Investments in Associates and Joint Ventures - Investment Entities: Applying the Consolidation Exception* (Amendments), clarify that the exemption in PFRS 10 from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity that measures all of its subsidiaries at fair value and that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity parent is consolidated. The amendments also allow an investor (that is not an investment entity and has an investment entity associate or joint



venture), when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries. These amendments are effective for annual periods beginning on or after January 1, 2016. These amendments are not applicable to the Company since the Company is not an investment entity nor does it have investment entity associates.

*Annual Improvements to PFRS (2012-2014 cycle)*

The Annual Improvements to PFRS (2012-2014 cycle) are effective for annual periods beginning on or after January 1, 2016 and are not expected to have a material impact on the Company. They include:

- PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations - Changes in Methods of Disposal*, is applied prospectively and clarifies that changing from a disposal through sale to a disposal through distribution to owners and vice-versa should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in PFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification.
- PFRS 7, *Financial Instruments: Disclosures - Servicing Contracts*, requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance for continuing involvement in PFRS 7 in order to assess whether the disclosures are required. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will need to be done retrospectively. However, comparative disclosures are not required to be provided for any period beginning before the annual period in which the entity first applies the amendments.
- PFRS 7, *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements (Amendments)*, is applied retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report.
- PAS 19, *Employee Benefits - Regional Market Issue Regarding Discount Rate*, is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.
- PAS 34, *Interim Financial Reporting - Disclosure of Information 'Elsewhere in the Interim Financial Report'*, is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report).



*Effective January 1, 2018*

- PFRS 9, *Financial Instruments*, whose final version was issued in July 2014, reflects all phases of the financial instruments project and replaces PAS 39 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 comparative information is not compulsory. Early application of previous versions of PFRS 9 is permitted if the date of initial application is before February 1, 2015.

The adoption of PFRS 9 (2014 version) will have an effect on the classification and measurement of the Company's financial assets but will have no impact on the classification and measurement of the Company's financial liabilities. The adoption of the other phases of the project is not expected to have any significant impact on the Company's consolidated financial statements. The Company is currently assessing the impact of adopting this standard.

*The following new standard and amendments issued by the IASB has not yet been adopted by the FRSC:*

- International Financial Reporting Standard (IFRS) 15, *Revenue from Contracts with Customers*, was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled to in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018, with early adoption permitted.
- IFRS 16, *Leases*, was issued in January 2016. Under the new standard, lessees will no longer classify their leases as either operating or finance leases in accordance with IAS 17. Rather, leases will apply the single-asset model, wherein lessees will recognize the assets and the related liabilities for most leases in their balance sheets and, subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss. The accounting by lessors is substantially unchanged as the new standard carries forward the principles of lessor accounting under IAS 17. The accounting by lessors is substantially unchanged as the new standard carries forward the principles of lessor accounting under IAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value. The new standard is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted.

The Company is currently assessing the impact of IFRS 15 and IFRS 16 and plans to adopt the new and amended standards on their required effective dates once adopted locally.



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## 6. Summary of Significant Accounting Policies

### Fair Value Measurement

The Company measures financial instruments such as derivatives and non-financial assets such as investment properties, at fair value at each reporting date.

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.

Fair value measurement disclosures are presented in Note 44.





### 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.

### 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 are recognized on settlement date, i.e., the date that an asset is delivered to or by the Company.

*Initial Recognition and Measurement of Financial Assets.* Financial assets are recognized initially at fair value plus, in the case of investments not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset.

*Categories of Financial Assets.* 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, 2015 and 2014, the Company has no 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.

The Company's financial assets held for trading consist of equity instruments in quoted shares of stock shown as shown under "Investments held for trading" account in the consolidated statements of financial position (see Note 10).

#### ▪ 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.

This category includes the Company's receivables, finance lease receivable, deposits, advances to associates, as shown under "Investments in and advances to associates" account in the consolidated statement of financial position, advances to related parties and guarantee bonds (see Notes 11, 14, 15 and 40).



- HTM Investments

HTM investments are quoted non-derivative financial assets with fixed or determinable payments and fixed maturity that the Company has the positive intention and ability to hold to maturity. When the Company sells other than an insignificant amount of HTM financial assets, the entire category would be tainted and reclassified as AFS financial assets.

- AFS Financial Assets

AFS financial assets include equity investments and debt securities. Equity investments classified as AFS are those that are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in the market conditions. 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 (see Note 16).

*Subsequent Measurement.* For the purposes of subsequent measurement, financial assets are classified in four categories: FVPL, Loans and Receivables, HTM Investments and AFS financial assets.

- Financial assets at FVPL

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value presented as part of "Other income (charges)" account in the consolidated statement of comprehensive income.

- Loans and Receivables

Loans and receivables are subsequently measured at amortized cost using the effective interest rate (EIR) method less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is recognized in profit or loss. Gains and losses are recognized in profit or loss in the consolidated statement of comprehensive income when the loans and receivables are derecognized or impaired, as well as through the amortization process. The losses arising from impairment are recognized in the consolidated statement of comprehensive income.

- HTM investments

These investments are subsequently measured at amortized cost using the EIR method, less impairment in value. 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 under "Interest income" account in the consolidated statement of comprehensive income. The losses arising from impairment are recognized in the consolidated statement of comprehensive income.



▪ AFS Financial Assets

AFS financial assets are subsequently measured at fair value with unrealized gains or losses recognized as a separate component of other comprehensive income in the consolidated statement of comprehensive income and in the consolidated statement of changes in equity until the investment is derecognized or determined to be impaired, at which time, the cumulative gain or loss is recognized in profit or loss in the consolidated statement of comprehensive income.

AFS financial assets in equity instruments that do not have a quoted market price in an active market, or derivatives linked to such equity instruments are measured at cost because its fair value cannot be measured reliably.

The Company evaluates its AFS financial assets whether the ability and intention to sell such in the near term is still appropriate. When the Company is unable to trade these financial assets due to inactive markets and management's intent significantly changes to do so in the foreseeable future, the Company may elect to reclassify these financial assets in rare circumstances. Reclassification to loans and receivables is permitted when the financial asset meets the definition of loans and receivables and the Company has the intent and ability to hold these assets for the foreseeable future or maturity. The reclassification to HTM is permitted only when the Company has the ability and intent to hold until the financial asset matures accordingly.

For a financial asset reclassified from the AFS financial assets category, the fair value carrying amount at the date of reclassification becomes its new amortized cost and any previous gain or loss on that asset that has been recognized in other comprehensive income is amortized to profit or loss in the consolidated statement of comprehensive income over the remaining life of the investment using the effective interest method. Any difference between the new amortized cost and the expected cash flows is also amortized over the remaining life of the asset using the EIR method. If the asset is subsequently determined to be impaired, then the amount recorded in the consolidated statement of changes in equity is reclassified to the profit or loss in the consolidated statement of comprehensive income.

Where the Company holds more than one investment in the same security, these are deemed to be disposed of on a specific identification basis. Interest earned on holding AFS financial assets are reported as interest income using the effective interest rate. Dividends earned on holding AFS financial assets are recognized in profit or loss in the consolidated statement of comprehensive income when the right to receive payment has been established. The losses arising from impairment of such financial assets are recognized in profit or loss in consolidated statement of comprehensive income.

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 and in the case of other financial liabilities, net of directly attributable transaction costs.



*Categories of Financial Liabilities.* 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, 2015 and 2014, the Company has no financial liabilities as at FVPL and derivatives designated as hedging instruments.

Other financial liabilities are not held for trading or not designated as at FVPL upon the inception of the liability. This includes liabilities arising from operations (e.g., trade and other current liabilities).

As at December 31, 2015 and 2014, this category includes the Company's loans payable, trade and other current liabilities (excluding customers' deposits, statutory payables and other liabilities to the government), nontrade liability, obligations under finance lease, installment payable and long-term debt (see Note 44).

*Subsequent Measurement.* After initial recognition, other financial liabilities are subsequently measured at amortized cost using the EIR method. 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. 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 recognized in profit or loss.

#### Offsetting of Financial Assets and Financial Liabilities

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.

#### "Day 1" Difference

Where the transaction price in a nonactive 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 in the consolidated statement of comprehensive income unless it qualifies for recognition as some other type of asset. In cases where unobservable data is used, the difference between the transaction price and model value is only recognized in profit or loss in the consolidated statement of comprehensive income 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.

#### Classification of Financial Assets and Financial Liabilities Between Debt and Equity

A financial asset and financial liability is classified as debt 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.

#### 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 significant, and individually or collectively 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 effective interest rate. 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. Interest income continues to be accrued on the reduced carrying amount based on the effective interest rate 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 decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. 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 AFS equity investments, 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. Where 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 financial asset previously recognized in the other comprehensive income - is removed from other comprehensive income and recognized in profit or loss in the consolidated statement of comprehensive income. Impairment losses on equity investments are not reversed through the profit or loss in the consolidated statement of comprehensive income. Increases in fair value after impairment are recognized directly in other comprehensive income in the consolidated statement of comprehensive income.

*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.

#### Derecognition of Financial Assets and Financial Liabilities

*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 Company's right to receive cash flows from the asset has expired; or
- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Company has transferred its right to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of ownership of the assets, or (b) has neither transferred nor retained substantially all the risks and rewards of ownership of the asset, but has transferred control of the asset.

Where the Company has transferred its right to receive cash flows from an asset or has entered into a "pass-through" arrangement, and has neither transferred nor retained substantially all the risks and rewards of ownership 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 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.

Where 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 to be held for rental or capital appreciation, is held 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, 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.

#### Club Shares

Club shares are stated at the lower of cost and NRV. The cost of club shares sold is determined on the basis mainly of the actual development cost incurred plus the estimated development cost to complete the project based on the estimates as determined by the in-house engineers, adjusted with the actual costs incurred as the development progresses. NRV is the estimated selling price less estimated cost to complete and sell.

#### 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. 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.

Under the equity method, the investments in associates are initially recognized at cost.

The profit or loss in the consolidated statement of comprehensive income reflects the Company's share of the results of operations of the associates. 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 against 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. Where necessary, adjustments are made to bring the accounting policies in line with those of the Parent Company.

#### Investment Properties

Investment properties comprise of land and building under construction 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 for land, are stated at amortized cost less impairment and accumulated depreciation, if any. Investment properties under construction are not depreciated until such time that the relevant assets are completed and become available for operational purpose.

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. 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.

#### 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 cost over net asset value of an investment" account in the equity section of the consolidated statements 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.

#### 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 interest costs and any previous interest held over the net identifiable assets acquired and liabilities assumed. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. 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.

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. Where 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. Where 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 of and the portion of the cash-generating unit retained. Impairment loss with respect to goodwill is not reversed.

Negative goodwill which is not in excess of the fair values of the acquired identifiable nonmonetary assets of subsidiaries and associates is charged directly to income.

Transfers of assets between commonly controlled entities are accounted for under historical cost accounting.

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 recognized 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	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 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.

#### Intangible Assets

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.

#### Other Assets

Other assets are stated at cost less accumulated impairment losses, if any are shown in the consolidated statement of financial position. The accounting policies specific to the related assets are as follows:

*Creditable Withholding Tax (CWT).* CWT is recognized by virtue of Republic Act No. 8424, also known as the Tax Reform Act of 1997, relative to the withholding on income subject to expanded and final withholding tax on compensation, value-added tax and other percentage taxes. CWT is recognized when the other party withheld certain taxes payable to the tax authority, and is reduced to the extent of that CWT which will not be realized through the use of an allowance account.

*Instant Scratch Tickets, Spare Parts and Supplies.* Instant scratch tickets, spare parts and supplies are included under “Other current assets” account in the consolidated statements 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 net realizable value. Cost, which includes all costs attributable to acquisition, is determined using the first-in, first-out method. Net realizable value of 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, intangible asset and other assets 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 or and its value in use. The recoverable amount and 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 as to whether there is any 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.

#### 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 and Preferred 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.

#### Non-controlling Interest (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 Pacific Online not held by the Parent Company.

#### Revenue Recognition

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. 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. The following specific recognition criteria must also be met before revenue is recognized:

*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.

*Revenue from Sale of Real Estate and Club Shares.* Revenue from sale of real estate, which include the sale of lots and condominium units and club shares, 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 percentage of completion method. Under this method, the gain on sale is realized as the related obligations are fulfilled and the units are completed, measured principally as a percentage of actual cost incurred to date over the total estimated project cost.

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.

*Equipment Rental and Instant Scratch Ticket Sales.* Income from equipment rental of central computer, communications equipment, including its accessories, lotto terminals, including the right to use the application software and manuals for the central computer system and terminals and draw equipment, as well as maintenance and repair fees are 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.

Revenue from sale of instant scratch tickets is recognized when the significant risks and rewards of ownership of the Instant Scratch Tickets (tickets) have passed to the buyer and the amount of revenue can be measured reliably, net of all directly attributable costs and expenses.

*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.

*Gaming Revenue Share.* Revenue representing monthly payments from MCE Leisure 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.

*Termination Income.* Termination income is recognized when amount is actually collected.



*Gain (Loss) 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. Loss on finance lease pertains to a loss arising from the modification of cash flows.

*Gain on Share Swap.* Gain is recognized upon delivery of shares and upon confirmation of receipt by the other party.

*Dividends.* Revenue is recognized when the Company's right to receive the payment is established.

*Commission Income on Sale of Real Estate Project of Related Party* (presented under "Other revenue" account). Revenue is recognized when the related services are rendered. Commission is computed as a certain percentage of the net contract price of the sold real estate project of a related party.

*Commission Income on Ticket Sales* (presented under "Other revenues" account). Commission is recognized as a certain percentage of sales of PSCO lottery, sweepstakes, and instant scratch tickets.

*Income from Forfeitures* (presented under "Other income" 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 income" account). Penalty pertains to income from surcharges for buyers' default and late payments. Income is recognized when penalty is actually collected.

*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.

#### 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 includes all direct materials and labor costs, and those indirect costs related to contract performance. 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 contain, a lease is based on the substance of the arrangement at inception date. The arrangement is assessed for whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in the arrangement. A reassessment is made after inception of the lease only if one of the following applies:

- a. There is a change in contractual terms, other than a renewal or extension of the arrangement;
- b. A renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;
- c. There is a substantial change to the asset or assets.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios a, c or d and at the date of renewal or extension period for scenario b.

*Company as a Lessee.* 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 inception of the lease at fair value of the leased property or, of 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.

*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 statements 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 may be 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 statements 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.



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 restated using the closing exchange rate at the reporting date. All differences 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 tax authority. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

*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 ventures, where the timing of the reversal of the temporary differences can be controlled and by the parent, venture or investor, respectively, 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 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:

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

#### Value-Added Tax (VAT)

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

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

Tax benefits acquired as part of a business combination but not satisfying the criteria for separate recognition at that date should be recognized subsequently if new information about facts and circumstances changed. The adjustments would either be treated as a reduction to goodwill.

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 payable” under “Trade payable 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.

#### 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 a finance cost.

#### 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.



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## 7. 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

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 and Club Shares.* 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 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 and club shares sold amounted to ₱347.8 million and ₱157.9 million, respectively, in 2015, ₱300.3 million and ₱125.9 million, respectively, in 2014, and ₱175.3 million and ₱115.4 million, respectively, in 2013 (see Note 32).

*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 20 for the Company's most recent business combinations.

*Assessing Significant Influence over Associates.* Significant influence is presumed when there is a holding of 20% or more of the voting power of the investee (held directly or indirectly, through subsidiaries). Management assessed that the Company has significant influence over all its associates by virtue of the Company's holding more than 20% voting power in the investee, representation on the board of directors, and participation in policy-making processes of the associates.

The carrying value of the investments in and advances to associates amounted to ₱65.4 million and ₱93.9 million as at December 31, 2015 and 2014, respectively (see Note 15).



*Assessing Control over Investees.* The Company assesses whether or not it controls investees when it holds less than a majority voting right (de facto control) by considering the Company's exposure to, or rights to variable returns, from its involvement with the investee and its ability to affect those returns through its power over the investee. As at December 31, 2015 and 2014, the Company has not consolidated any investee by virtue of de facto control.

*Determining Subsidiaries with Material Non-controlling Interests and Material Associates.*

The Company is required to disclose certain financial information on its subsidiaries with material non-controlling interests 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 non-controlling interests as those with assets, non-controlling interests, revenues and net income greater than 5% of consolidated assets, non-controlling interests, 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 in 2015 and PLC and Pacific Online in 2014 as subsidiaries with material non-controlling interests (see Note 3). The Company has no material associates in 2015 and 2014 (see Note 15).

*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.

*Evaluation of Lease Agreement.* The Parent Company has entered into a lease agreement with MCE Leisure (Philippines) Corporation for City of Dreams Manila for the lease of a building. The determination of whether a lease agreement has to be accounted for as operating or finance lease requires significant judgment. 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 (see Notes 17 and 38).

*Operating Lease - as a Lessor.* The Parent Company, as a lessor, has accounted for the lease agreements for its land 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; and
- 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.

Lease income earned from lease of land amounted to ₱183.7 million in 2015, ₱183.3 million in 2014, and ₱152.7 million in 2013 (see Note 38).



Pacific Online and TGTI leases to Philippine Charity Sweepstakes Office (PCSO) the lottery equipment it uses for its nationwide on-line lottery operations. Pacific Online has determined that it has retained substantially all the risks and benefits of ownership of the lottery equipment being leased to PCSO. Accordingly, the lease is accounted for as an operating lease.

Revenue from equipment rental in 2015 and 2014 amounted to ₱1,459.3 million and ₱828.7 million, respectively (see Note 38).

*Finance Lease - as a Lessee.* Pacific Online also entered into various finance lease agreements covering certain lottery equipment. Pacific Online 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 ₱128.4 million and ₱123.3 million as at December 31, 2015 and 2014, respectively (see Note 38).

*Operating Lease - as a Lessee.* The Parent Company, as a lessee, has entered into lease agreements for its office space, land, parking lots, machinery, office and transportation equipment. The Parent 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 ₱11.7 million each in 2015 and 2014, and ₱11.6 million in 2013 (see Notes 34 and 38).

#### 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 44 for the required disclosures on the fair value of the Company's financial assets and financial liabilities.

*Determination of Fair Value of Financial Assets Not Quoted in an Active Market.* The Company classified financial assets by evaluating, among others, whether the asset is quoted or not in an active market. Included in the evaluation on whether a financial asset is quoted in an active market is the determination on whether quoted prices are readily and regularly available, and whether those prices represent actual and regularly accruing market transaction in an arm's length basis.



The fair values of the Company's investments in unquoted shares cannot be reasonably determined as these shares are not quoted in an active market. There were no recent transactions involving these shares, therefore these investments are carried at cost less impairment, if any. The Company does not intend to dispose these investments in unquoted shares.

The carrying value of AFS financial assets in unquoted shares amounted to ₱0.8 million and ₱2.7 million as at December 31, 2015 and 2014, respectively (see Note 16).

*Determination of Impairment of Receivables and Advances to Associates and Other Related Parties.* 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 collectibility 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.

Aggregate provision for doubtful accounts on trade and other receivables and impairment loss on advances to related parties amounted to ₱32.4 million and ₱5.5 million in 2015 and 2014, respectively, and net reversal of provision of ₱3.8 million in 2013 (see Notes 11 and 36). Receivables, net of allowance for doubtful accounts, amounted to ₱1,599.6 million and ₱1,474.9 million as at December 31, 2015 and 2014, respectively. Allowance for doubtful accounts amounted to ₱155.0 million and ₱132.1 million as at December 31, 2015 and 2014, respectively (see Note 11).

Provision for doubtful accounts on advances to associates and impairment loss on advances to related parties amounted to ₱0.04 million in 2014, and nil in 2015 and 2013 (see Notes 15, 36 and 40). Advances to associates, net of allowance for doubtful accounts, amounted to ₱29.8 million and ₱3,704.6 million as at December 31, 2015 and 2014, respectively. Allowance for impairment amounted to ₱145.3 million as at December 31, 2015 and 2014 (see Notes 15 and 40).

*Determination of NRV of Real Estate for Sale, Club Shares and Supplies Inventory.* Real Estate for sale, club shares and supplies inventory are stated at lower of cost and NRV. The Company writes down the carrying value of real estate for sale, club shares 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.

The carrying values of inventories carried at cost are as follows:

	2015	2014
	<i>(In Thousands)</i>	
Real estate for sale and land held for future development (see Note 12)	<b>₱3,861,589</b>	₱3,954,045
Club shares (see Note 13)	<b>2,995,593</b>	2,700,551
Supplies inventory*(see Note 14)	<b>75,661</b>	96,521

\*Included under "Other current assets" account in the consolidated statements of financial position.





*Determination of Impairment of AFS Financial Assets.* 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. In addition, AFS financial assets are considered impaired when the Company believes that future cash flows generated from the investment is expected to decline significantly. The Company's management makes significant estimates and assumptions on the future cash flows expected and the appropriate discount rate to determine if impairment exists. Impairment may also be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance.

No provision for impairment loss was recognized in 2015, 2014 and 2013. However, as discussed in Note 41, the Company implemented the cancellation of the Swap Agreement and therefore reversed the impairment loss recognized in prior years on the shares, net of certain costs, amounting to ₱1,219.1 million. The carrying values of AFS financial assets amounted to ₱2,041.3 million and ₱1,887.4 million as at December 31, 2015 and 2014, respectively (see Notes 16 and 41).

*Determination of Commencement of Amortization of Gaming License.* The Company's gaming license ("License") will be amortized on a straight-line basis over the term of the License which is concurrent with Philippine Amusement and Gaming Corporation's (PAGCOR) congressional franchise set to expire in 2033. The amortization of the License commenced on December 14, 2014, the effectivity of the Notice to Commence Casino Operations issued by PAGCOR which replaced the provisional license (see Note 41).

*Purchase Price Allocation - Estimating the Fair Values of Acquiree's Identifiable Assets and Liabilities and Pre-existing Relationship and Previously Held Interest; Goodwill and Gain on Bargain Purchase.* Where the fair values of the acquiree's identifiable assets and liabilities cannot be derived from active markets, the Company determined the fair values using internal valuation techniques and generally accepted valuation approaches. The inputs to these valuation approaches are taken from historical experience and observable markets where possible, but where this is not feasible, estimates are used in establishing fair values. The estimates may include discount rates and assumptions used in cash flow projections.

The fair values of the identifiable net assets acquired from Pacific Online in 2014 amounted to ₱1,338.3 million (see Note 20). The Company accounts for the acquired businesses using the acquisition method which require extensive use of accounting judgments and estimates to allocate the purchase price to the fair market values of the acquiree's identifiable assets and liabilities and contingent liabilities, if any, at the acquisition date. Any difference in the purchase price and the fair values of the net assets acquired is recorded as either goodwill in the consolidated balance sheet or gain on bargain purchase in profit or loss. Thus, the numerous judgments made in estimating the fair value to be assigned to the acquiree's assets and liabilities can materially affect the Company's financial position and performance.



The acquisition of Pacific Online in 2014 has resulted in recognition of goodwill amounting to ₱1,717.6 million (see Notes 20 and 21). Also, the acquisition by TGTI of FRI in 2014 also resulted to a goodwill of ₱110.9 million. Prior to TGTI's acquisition of FRI, TGTI has an existing consultancy arrangement with FRI which is considered as a pre-existing relationship in a business combination, thus the acquisition also resulted to recognition of loss on settlement of pre-existing relationship amounting to ₱217.4 million and deducted against the "Gain on significant acquisitions - net in the 2014 consolidated statement of comprehensive income (see Note 20).

The Company's controlling interest in Pacific Online in 2014 also requires remeasurement of previously held interest in Pacific Online and has resulted into a gain on remeasurement amounting to ₱1,096.8 million and presented under "Gain on significant acquisitions - net account in the 2014 consolidated statement of comprehensive income (see Note 20).

*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.

There is no impairment loss on goodwill in 2015 and 2014. The carrying amount of goodwill amounted to ₱1,828.6 million as at December 31, 2015 and 2014 (see Notes 20 and 21).

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

There were no changes in the estimated useful lives of property and equipment in 2015 and 2014.

*Determination of Impairment of Nonfinancial Assets.* 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 other 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.



The carrying values of nonfinancial assets subjected to impairment review as at December 31, 2015 and 2014 are as follows:

	2015	2014
	<i>(In Thousands)</i>	
Investments in associates - net (see Note 15)	<b>₱81,456</b>	₱110,261
Investment properties (see Note 17)	<b>1,540,961</b>	4,432,277
Property and equipment (see Note 18)	<b>770,716</b>	576,817
Intangible asset (see Note 19)	<b>4,970,341</b>	5,249,552
Other current assets* (see Note 14)	<b>1,128,001</b>	2,084,989

\*Excluding supplies inventory, deposits, advances to officers and employees, accrual accounts and certain "advances to contractors and suppliers."

*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 ₱4,465.8 million and ₱2,398.0 million as at December 31, 2015 and 2014, respectively. Unrecognized deferred tax assets amounted to ₱934.0 million and ₱942.5 million as at December 31, 2015 and 2014, respectively (see Note 37).

*Determination and Computation of Pension Cost.* The cost of defined benefit pension plans and other post-employment medical benefits as well as the 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 ₱1.1 million as at December 31, 2014. Pension liability amounted to ₱12.3 million and ₱18.8 million as at December 31, 2015 and 2014, respectively (see Note 39).

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 39.

*Evaluation of Legal Contingencies.* The Company is currently involved in legal and administrative proceedings. The Company's estimate of the probable costs for the resolution of these claims has been developed in consultation with outside legal counsel handling defense in these matters and is based upon an analysis of potential results. The Company currently does not believe these proceedings will have a material adverse effect on its financial statements. It is possible, however, that future financial performance could be materially affected by changes in the estimates or in the effectiveness of strategies relating to these proceedings (see Note 42).

No provision for probable losses has been recognized in 2015, 2014 and 2013.



## 8. 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, receivables, real estate for sale, club shares, 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 PFRS.

Financial information about the Company's business segments are shown below:

	2015				
	Real Estate Development and Property Management	Gaming and Gaming Related Activities	Others	Eliminations/ Adjustments	Consolidated
<i>(In Thousands)</i>					
<b>Earnings Information</b>					
Revenue	₱3,357,190	₱2,566,986	₱—	(₱728,694)	₱5,195,482
Costs and expenses	(708,806)	(1,911,451)	(119)	302,063	(2,318,313)
Equity in net earnings of associates	27,340	—	—	—	27,340
Interest expense	(291,870)	(10,884)	—	28,777	(273,977)
Interest income	20,401	42,843	45	(28,819)	34,470
Provision for income tax	375,632	293,702	—	—	669,334
Net profit for the year	2,666,523	480,922	(87)	(1,722,848)	1,424,510
Net profit attributable to equity holders of the parent	2,666,523	242,868	(80)	(1,722,851)	1,186,460
<b>Other Information</b>					
Investments in and advances to associates	9,799,835	—	4,780,763	(14,515,234)	65,364
Investments held for trading	—	226,747	—	—	226,747
Available-for-sale financial assets	2,023,380	1,040,720	—	(1,022,797)	2,041,303
Advances to related parties	21,274	—	—	(7,072)	14,202
Segment assets	31,984,466	15,558,020	113,842	(6,244,614)	41,411,714
Segment liabilities	2,594,615	542,123	26,012	(618,888)	2,543,862
Total consolidated assets	43,828,957	16,825,487	4,894,605	(21,789,719)	43,759,330
Total consolidated liabilities	20,238,107	699,324	4,906,341	(8,157,568)	17,686,204
Capital expenditures	3,487,716	312,703	—	—	3,800,419
Depreciation and amortization	(22,545)	(607,834)	—	284,066	(346,313)



2014					
	Real Estate Development and Property Management	Gaming and Gaming Related Activities	Others	Eliminations/ Adjustments	Consolidated
<i>(In Thousands)</i>					
<b>Earnings Information</b>					
Revenue	₱2,336,086	₱1,091,938	₱1,350	(₱265,582)	₱3,163,792
Costs and expenses	(702,107)	(701,009)	(20,419)	142,021	(1,281,514)
Equity in net earnings of associates	1,286	147,425	—	(31,521)	117,190
Interest expense	(89,798)	(8,925)	(220,000)	220,000	(98,723)
Interest income	22,667	7,312	222,000	(222,000)	29,979
Provision for income tax	1,112,895	129,743	—	(1,109,169)	133,469
Net profit for the year	6,707,646	1,863,660	7,297	(6,021,930)	2,556,673
Net profit attributable to equity holders of the parent	6,707,646	1,509,240	7,297	(6,021,930)	2,202,253
<b>Other Information</b>					
Investments in and advances to associates	10,000,006	1,556,556	4,000,763	(15,463,416)	93,909
Investments held for trading	—	746,617	—	(483,802)	262,815
Available-for-sale financial assets	1,872,478	1,238,614	—	(1,223,713)	1,887,379
Advances to related parties	46,504	—	—	(19,577)	26,927
Segment assets	27,829,655	18,764,154	126,956	(7,600,709)	39,120,056
Segment liabilities	3,027,898	718,625	56,354	(750,469)	3,052,408
Total consolidated assets	39,748,644	22,305,952	4,127,719	(24,791,229)	41,391,086
Total consolidated liabilities	16,221,242	4,115,095	4,099,369	(10,475,501)	13,960,205
Capital expenditures	2,699,728	80,705	—	—	2,780,433
Depreciation and amortization	(25,130)	(26,871)	—	(11,634)	(63,635)
2013					
	Real Estate Development and Property Management	Gaming and Gaming Related Activities	Others	Eliminations/ Adjustments	Consolidated
<i>(In Thousands)</i>					
<b>Earnings Information</b>					
Revenue	₱2,689,682	₱8,068	₱—	(₱73,503)	₱2,624,247
Costs and expenses	(841,261)	(12,539)	(356)	35,856	(818,300)
Equity in net earnings of associates	6,838	113,102	—	—	119,940
Interest expense	(103,852)	—	—	—	(103,852)
Interest income	56,108	4	—	—	56,112
Provision for income tax	1,332,276	1,253	—	—	1,333,529
Net profit for the year	3,539,242	133,058	1,529	(37,645)	3,636,184
Net profit attributable to equity holders of the parent	3,542,901	133,058	1,539	(37,645)	3,639,853
<b>Other Information</b>					
Investments in and advances to associates	7,217,779	146,912	4,000,763	(10,387,438)	978,016
HTM investments	750,000	—	—	—	750,000
Available-for-sale financial assets	3,252,731	1,572,102	41,742	(3,092,782)	1,773,793
Advances to related parties	11,587	—	—	—	11,587
Segment assets	22,930,795	61,671	54,633	4,993,353	28,040,452
Segment liabilities	3,108,310	1,283	25	(627,756)	2,481,862
Total consolidated assets	34,162,893	1,780,684	4,097,138	(8,486,867)	31,553,848
Total consolidated liabilities	14,366,829	1,174,227	4,019,455	(8,213,747)	11,346,764
Capital expenditures	1,130,170	—	—	—	1,130,170
Depreciation and amortization	(34,382)	(415)	(142)	—	(34,939)

Revenues from a certain customer in the Company's real estate development business amounted to ₱2,108.3 million, ₱1,597.9 million and 1,334.7 million for the years ended December 31, 2015, 2014 and 2013, respectively.



Revenues from another customer in the Company's gaming and gaming-related activities amounted to ₱1,459.2 million and ₱828.7 million for the years ended December 31, 2015 and 2014, respectively.

The following illustrate the reconciliations of reportable segment revenues, net profit, assets and liabilities to the Company's corresponding amounts:

	2015	2014	2013
	<i>(In Thousands)</i>		
<b>Revenues</b>			
Total revenue for reportable segments	<b>₱5,924,176</b>	₱3,429,374	₱2,697,750
Elimination for intercompany revenue	<b>(728,694)</b>	(265,582)	(73,503)
Total consolidated revenues	<b>₱5,195,482</b>	₱3,163,792	₱2,624,247
<b>Net Profit for the Year</b>			
Total profit for reportable segments	<b>₱3,147,358</b>	₱8,578,603	₱3,673,829
Elimination for intercompany profits	<b>(1,722,848)</b>	(6,021,929)	(37,645)
Consolidated net profit	<b>₱1,424,510</b>	₱2,556,674	₱3,636,184
<b>Assets</b>			
Total assets for reportable segments	<b>₱41,411,714</b>	₱39,120,056	₱28,040,452
Investments in and advances to associates	<b>65,364</b>	93,909	978,016
HTM investments	<b>—</b>	—	750,000
AFS financial assets	<b>2,041,303</b>	1,887,379	1,773,793
Investments held for trading	<b>226,747</b>	262,815	—
Advances to related parties	<b>14,202</b>	26,927	11,587
Total consolidated assets	<b>₱43,759,330</b>	₱41,391,086	₱31,553,848
<b>Liabilities</b>			
Total liabilities for reportable segments	<b>₱2,543,862</b>	₱3,052,408	₱2,481,862
Loans payable	<b>1,000,017</b>	3,000,017	200,466
Long-term debt	<b>4,984,375</b>	1,750,000	1,502,800
Nontrade liability	<b>5,295,058</b>	4,241,256	4,000,000
Advances from related parties*	<b>72,789</b>	75,267	77,539
Deferred tax liabilities - net	<b>1,166,104</b>	806,229	836,530
Estimated liability on construction costs	<b>2,623,999</b>	1,035,028	2,247,567
Total consolidated liabilities	<b>₱17,686,204</b>	₱13,960,205	₱11,346,764

\*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.



## 9. Cash and Cash Equivalents

This account consists of:

	2015	2014
	<i>(In Thousands)</i>	
Cash on hand and in banks (see Note 40)	<b>₱1,307,022</b>	₱1,357,916
Cash equivalents (see Note 40)	<b>2,263,043</b>	4,968,593
	<b>₱3,570,065</b>	<b>₱6,326,509</b>

Cash in banks earn interest at the respective bank deposit rates. Cash equivalents are short-term investments which are made for varying periods within one day 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, cash equivalents and short-term investments amounted to ₱33.2 million, ₱17.0 million and ₱13.1 million in 2015, 2014 and 2013, respectively (see Note 35).

## 10. Investments Held for Trading

This account consists mainly of investments of Pacific Online in quoted shares of stock of Leisure and Resorts World Corporation, Vantage Equities, Inc., APC Group, Inc., DFNN, Inc., ISM Communications Corp. and Philippine Long Distance Telephone Company.

The movements in investments held for trading during 2015 and 2014 are as follows:

	2015	2014
	<i>(In Thousands)</i>	
Balance at beginning of year	<b>₱262,815</b>	₱—
Assets of a subsidiary acquired through a business combination (see Note 20)	—	376,454
Acquisitions	<b>65,138</b>	30,060
Disposals (see Note 36)	<b>(57,742)</b>	(177,905)
Unrealized mark-to-market gain (see Note 36)	<b>(43,464)</b>	34,206
Balance at end of year	<b>₱226,747</b>	<b>₱262,815</b>

In 2015 and 2014, the Company sold certain investments held for trading for ₱65.1 million and ₱200.2 million, respectively.



# 11. Receivables - net

This account consists of:

	2015	2014
	<i>(In Thousands)</i>	
Trade receivables:		
Real estate sales	<b>₱663,522</b>	₱625,164
Equipment rental and instant scratch ticket sales	<b>275,123</b>	315,912
Leases (see Note 38)	<b>357,053</b>	239,543
Gaming revenue share receivable (see Note 28)	<b>136,276</b>	38,809
Related parties (see Note 40)	<b>21,696</b>	34,420
Accrued interest	<b>5,151</b>	1,671
Advances to third parties and others	<b>295,821</b>	351,449
	<b>1,754,642</b>	1,606,968
Less allowance for doubtful accounts	<b>155,035</b>	132,057
	<b>₱1,599,607</b>	<b>₱1,474,911</b>

- 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 are generally on a 30 to 45 days credit term.
- Gaming revenue share receivable is collectible on a 20 days credit term. This pertains to the Company's receivable from MCE Leisure for the gaming revenue share in the operations of City of Dreams Manila.
- Advances to third parties and other receivables are noninterest-bearing and generally have 90 days term.

As at December 31, 2015 and 2014, trade receivables from real estate with nominal amount of ₱718.9 million and ₱681.8 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 1.29% to 9.44% and 2.33% to 4.80% in 2015 and 2014. The unamortized discount amounted to ₱55.4 million and ₱56.6 million as at December 31, 2015 and 2014, respectively. Amortization of discount on trade receivables from real estate, shown under "Other revenue" account in the consolidated statements of comprehensive income, amounted to ₱56.8 million, ₱10.0 million and ₱32.3 million in 2015, 2014 and 2013, respectively (see Note 29).

Movement of unamortized discount on trade receivables from real estate sales are as follows:

	2015	2014
	<i>(In Thousands)</i>	
Trade receivables at nominal amount	<b>₱718,881</b>	₱681,761
Less discount on trade receivables:		
Balance at beginning of year	<b>56,597</b>	50,376
Discount recognized during the year	<b>55,530</b>	16,175
Amortization during the year (see Note 29)	<b>(56,768)</b>	(9,954)
	<b>55,359</b>	56,597
Balance at end of year	<b>₱663,522</b>	₱625,164





As at December 31, 2014, the gross undiscounted trade receivables from real estate amounting to ₱28.0 million are assigned on a with recourse basis with BDO Unibank, Inc. (see Note 40). In 2015, this outstanding balance has been fully collected. There were no assignments made on a with recourse basis with any bank in 2015.

Terms and conditions relating to related party receivables are disclosed in Note 40.

Movement in the allowance for doubtful accounts is as follows:

	2015			
	Trade	Related Parties	Others	Total
	<i>(In Thousands)</i>			
Balance at beginning of year	₱1,794	₱7,494	₱122,769	₱132,057
Provision (see Note 36)	32,437	—	—	32,437
Write-off	(2,752)	—	(6,707)	(9,459)
Balance at end of year	₱31,479	₱7,494	₱116,062	₱155,035

	2014			
	Trade	Related Parties	Others	Total
	<i>(In Thousands)</i>			
Balance at beginning of year	₱5,773	₱8,656	₱123,576	₱138,005
Provision (see Note 36)	5,492	—	—	5,492
Allowance of a subsidiary accounted under step acquisition	(4,124)	(1,162)	(807)	(6,093)
Others	(5,347)	—	—	(5,347)
Balance at end of year	₱1,794	₱7,494	₱122,769	₱132,057

## 12. Real Estate for Sale and Land Held for Future Development - at cost

This account consists of:

	2015	2014
	<i>(In Thousands)</i>	
Land held for future development	₱3,018,515	₱3,018,515
Residential lots	839,771	932,227
Condominium units	3,303	3,303
	3,861,589	3,954,045
Real estate for sale - current	(843,074)	(935,530)
Real estate for sale - noncurrent	₱3,018,515	₱3,018,515

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 ₱474.8 million and ₱985.6 million as at December 31, 2015 and 2014, respectively, located in Batangas 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 ₱131.0 million and ₱166.1 million as at December 31, 2015 and 2014, respectively (see Note 24).



A summary of the movement in real estate for sale is set out below:

	2015	2014
	<i>(In Thousands)</i>	
Balance at beginning of year	<b>₱935,530</b>	₱654,967
Construction/development costs incurred	<b>65,486</b>	406,419
Disposals (recognized as cost of sales) (see Note 32)	<b>(157,942)</b>	(125,856)
Balance at end of year	<b>₱843,074</b>	₱935,530

A summary of the movement in land held for development in 2014 is set out below:

	2014
	<i>(In Thousands)</i>
Balance at beginning of year	₱2,937,309
Land acquired during the year	82,223
Other adjustments/reclassifications	(1,017)
Balance at end of year	₱3,018,515

There was no movement in land held for development in 2015.

### 13. Club Shares - at cost

This account consists of:

	2015	2014
	<i>(In Thousands)</i>	
Tagaytay Midlands Golf Club, Inc. (TMGCI) (see Note 40)	<b>₱1,278,589</b>	₱1,153,519
The Country Club at Tagaytay Highlands, Inc. (Country Club)	<b>971,167</b>	802,251
Tagaytay Highlands International Golf Club, Inc. (Tagaytay Highlands)	<b>653,756</b>	652,700
The Spa and Lodge at Tagaytay Highlands, Inc.	<b>92,081</b>	92,081
	<b>₱2,995,593</b>	₱2,700,551

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.



#### 14. Other Current Assets

This account consists of:

	2015	2014
	<i>(In Thousands)</i>	
Advances to contractors and suppliers - net of allowance for doubtful accounts of ₱20.3 million in 2015 and 2014	<b>₱1,454,751</b>	<b>₱1,657,762</b>
Input VAT - net of allowance for probable loss of ₱1.5 million in 2015 and ₱12.4 million in 2014	<b>312,485</b>	192,708
Prepaid expenses and others - net of allowance for probable loss of ₱57.2 million in 2015 and 2014	<b>243,501</b>	88,983
Creditable withholding tax - net of allowance for probable loss of ₱4.3 million in 2015 and 2014	<b>221,648</b>	145,536
Instant scratch tickets supplies - at cost	<b>44,114</b>	65,713
Spare parts and supplies - net of allowance for decline in value of ₱3.8 million in 2015 and ₱18.7 million in 2014	<b>31,547</b>	30,808
Deposits	<b>8,331</b>	8,615
Advances to officers and employees - net of allowance for doubtful accounts of ₱3.5 million in 2015 and 2014	<b>7,242</b>	3,705
	<b>₱2,323,619</b>	<b>₱2,193,830</b>

Advances to contractors and suppliers are noninterest-bearing and are expected to be applied against future billings.

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.

Creditable withholding tax pertains to the withholding tax related to the goods sold and services rendered by the Company.

Advances to officers and employees are noninterest-bearing and are normally liquidated within a year.

Gain on sale of spare parts and supplies amounted to ₱1.9 million in 2015 (see Note 36).



# 15. Investments in and Advances to Associates - net

This account consists of:

	2015	2014
	<i>(In Thousands)</i>	
Investments in associates - net of impairment in value of ₱141.7 million in 2015 and ₱141.9 million in 2014	<b>₱81,456</b>	₱110,261
Advances to associates - net of allowance for doubtful accounts of ₱145.3 million in 2015 and 2014 (see Note 40)	<b>29,836</b>	3,704,576
Subscription payable	<b>(45,928)</b>	(3,720,928)
	<b>₱65,364</b>	₱93,909

## Investments in Associates

Investments in the following significant associates are accounted for under the equity method:

Associates	Industry	2015			2014		
		Percentage of Ownership			Percentage of Ownership		
		Direct	Indirect	Total	Direct	Indirect	Total
Belle Jai Alai Corporation (Belle Jai Alai)*	Gaming	<b>50.00</b>	—	<b>50.00</b>	50.00	—	50.00
Lucky Star Gaming Corporation (Lucky Star)*	Gaming	<b>49.00</b>	—	<b>49.00</b>	49.00	—	49.00
Woodland Development Corporation (WDC)	Real estate	<b>47.00</b>	—	<b>47.00</b>	47.00	—	47.00
APC Group, Inc. (APC)	Mining	<b>46.64</b>	<b>2.21</b>	<b>48.85</b>	46.64	2.21	48.85
Belle Bay City Corporation (Belle Bay City)**	Gaming	<b>34.89</b>	—	<b>34.89</b>	34.89	—	34.89

\*Non-operating

\*\*In Liquidation

The associates were all incorporated in the Philippines.

Movements of investments in associates consist of:

	2015	2014
	<i>(In Thousands)</i>	
Acquisition cost:		
Balance at beginning of year	<b>₱5,438,315</b>	₱5,792,121
Acquisition of additional interest in an associate	—	413,272
Acquisition of a subsidiary accounted under acquisition method (see Note 20)	—	(767,078)
Balance at end of year	<b>5,438,315</b>	5,438,315
Accumulated equity in net losses:		
Balance at beginning of year	<b>(5,197,690)</b>	(4,667,730)
Acquisition of a subsidiary accounted under acquisition method (see Note 20)	—	(600,150)
Equity in net earnings for the year	<b>27,340</b>	117,190
Share in declared dividends	<b>(56,400)</b>	(47,000)
Disposal through share swap	—	—
Balance at end of year	<b>(5,226,750)</b>	(5,197,690)

*(Forward)*



	2015	2014
	<i>(In Thousands)</i>	
Accumulated share in unrealized gain		
on AFS financial assets:		
Balance at beginning of year	<b>₱14,061</b>	₱12,488
Share during the year	–	1,573
Balance at end of year	<b>14,061</b>	14,061
Total	<b>225,626</b>	254,686
Less allowance for impairment in value		
Balance at beginning of year	<b>141,924</b>	141,924
Reversal of impairment in value (see Note 36)	<b>(255)</b>	–
Balance at end of year	<b>141,669</b>	141,924
Less equity in cost of Parent Company common shares held by associates	<b>2,501</b>	2,501
	<b>₱81,456</b>	₱110,261

The details of carrying values of the investments accounted for under the equity method, advances and subscriptions payable are as follows:

	2015		
	Carrying Values	Advances	Subscription Payable
	<i>(In Thousands)</i>		
Publicly listed -			
APC	<b>₱77,422</b>	<b>₱320</b>	<b>₱–</b>
Closely held -			
Others	<b>4,034</b>	<b>29,516</b>	<b>(45,928)</b>
	<b>₱81,456</b>	<b>₱29,836</b>	<b>(₱45,928)</b>
	2014		
	Carrying Values	Advances	Subscription Payable
	<i>(In Thousands)</i>		
Publicly listed -			
APC	₱77,422	₱3,675,178	(₱3,675,000)
Closely held -			
Others	32,839	29,398	(45,928)
	₱110,261	₱3,704,576	(₱3,720,928)

Summarized financial information of the Company's associates, which are considered immaterial are as follows:

	2015	2014
	<i>(In Thousands)</i>	
Net income	<b>(₱18,312)</b>	₱122,856
Other comprehensive loss	<b>(9,566)</b>	(2,309)
Total comprehensive income	<b>(27,878)</b>	120,547



*Investments in Highlands Prime.* On August 12, 2013, the Parent Company entered into a share swap agreement with SM Land, Inc. wherein the Parent Company's investment in Highlands Prime with a total of 804,557,877 shares were exchanged for 108,615,313 SM Prime shares of SM Land, Inc., included under "AFS financial assets" account. The said transaction resulted in a gain amounting to ₱772.2 million.

*Investment in Pacific Online.* Pacific Online is engaged in lottery in Visayas and Mindanao. The Company's total ownership in Pacific Online increased to 51.9% as at December 31, 2014, from 34.9% as at December 31, 2013, after a series of share purchases in the secondary market at the PSE during 2014. As a result, the Company consolidates Pacific Online effective June 5, 2014. The acquisition method of accounting for business combination resulted to a goodwill of ₱1,717.6 million (see Notes 20 and 21). By end of 2015, the Parent Company has already transferred all direct interest in Pacific Online to its subsidiary, PLC.

*Subscriptions payable to APC.* Belle and APC agreed that the advances of Belle to APC will be applied against subscription payable. As at December 31, 2014, the subscription payable was presented as a reduction from advances to APC.

In February 2015, Belle and APC finalized the agreement. Accordingly, the advances and subscription payable have been settled and the corresponding shares have been issued.

Allowance for Doubtful Accounts of Advances to Associates

Movement in allowance for doubtful accounts determined using specific identification method is as follows:

	2015	2014
	(In Thousands)	
Balance at beginning of year	₱145,273	₱145,233
Provision during the year (see Note 36)	–	40
Balance at end of year	₱145,273	₱145,273

## 16. Available-for-sale Financial Assets

This account consists of:

	2015	2014
	(In Thousands)	
Shares of stock:		
Quoted	₱2,035,354	₱1,879,730
Unquoted	839	2,729
Club shares	5,110	4,920
	₱2,041,303	₱1,887,379

The Company intends to hold these investments indefinitely in response to liquidity requirements or changes in market conditions.



Movement in AFS financial assets consists of:

	2015	2014
	<i>(In Thousands)</i>	
Cost:		
Balance at beginning of year	<b>₱1,813,982</b>	₱3,574,829
Cancellation of share swap agreement (see Note 41)	–	(1,559,847)
Disposal	<b>(267,913)</b>	–
Write-off	<b>(2,029)</b>	–
Reclassification and others	–	(201,000)
Balance at end of year	<b>1,544,040</b>	1,813,982
Unrealized gain (loss) on AFS financial assets:		
Balance at beginning of year	<b>87,046</b>	(190,785)
Disposal	<b>(87,998)</b>	–
Increase in fair value during the year	<b>521,570</b>	277,831
Balance at end of year	<b>520,618</b>	87,046
Allowance for impairment in value:		
Balance at beginning of year	<b>13,649</b>	1,610,251
Cancellation of share swap agreement (see Note 41)	–	(1,559,847)
Write-off/others	<b>9,706</b>	(36,755)
Balance at end of year	<b>23,355</b>	13,649
	<b>₱2,041,303</b>	₱1,887,379

As at December 31, 2013, AFS financial assets also include the 46,381,600 shares of Legend International Resort H.K. (LIR-HK) held by PLC in relation to a Swap Agreement which was subsequently rescinded as further discussed in Note 41.

In 2014, TMGCI club shares amounting to ₱198.0 million were reclassified to “Club shares - at cost” in the consolidated statement of financial position.

Dividend income realized from AFS investments amounted to ₱23.2 million and ₱22.4 million in 2015 and 2014, respectively (see Note 29).

Proceeds from sale of AFS investments in 2015 amounted to ₱358.2 million (see Note 36).

## 17. Investment Properties

This account consists of:

	2015	2014
	<i>(In Thousands)</i>	
Land (see Note 25)	<b>₱1,540,961</b>	₱1,540,962
City of Dreams Manila building phase 2 - construction in progress (CIP) (see Note 25)	–	2,891,315
	<b>₱1,540,961</b>	₱4,432,277



Investment properties consist of entertainment and resort facilities still under construction, land intended for lease and land that is the subject of the operating lease agreement (see Note 38).

As at December 31, 2014, borrowing costs amounting to ₱191.3 million has been capitalized as part of investment properties under construction (see Notes 23 and 25). The average capitalization rates used were 3.9% in 2014. Movements in investment properties are as follows:

	2015	2014
	<i>(In Thousands)</i>	
Balance at beginning of year	<b>₱4,432,277</b>	₱2,958,707
Additions	<b>3,368,676</b>	1,393,285
Capitalized borrowing costs, including amortization of debt discount (see Notes 23 and 25)	—	80,285
Derecognized asset under finance lease	<b>(6,259,992)</b>	—
Balance at end of year	<b>₱1,540,961</b>	₱4,432,277

Construction cost of the City of Dreams Manila building phase 1, amounting to ₱7.1 billion, was derecognized and accounted for as finance lease in 2013 (see Note 38). Construction cost of the City of Dreams Manila building phase 2, amounting to ₱6.3 billion, was derecognized and accounted for as finance lease in 2015 (see Note 38). Related estimated liability on construction costs amounted to ₱2.6 billion and ₱1.0 billion as at December 31, 2015 and 2014, respectively. Resulting gain on initial recognition of the finance lease amounted to ₱2.3 billion was separately shown in the 2013 consolidated statement of comprehensive income.

The carrying value of the investment properties approximates the aggregate fair value as of December 31, 2015 and 2014. The fair values were determined based on a cost approach valuation technique using current material and labor costs and categorized under Level 3 of the fair value hierarchy. The current use of all investment properties is their highest and best use.

## 18. Property and Equipment

The rollforward analysis of this account follows:

	2015						
	Lottery Equipment	Land and Leasehold Improvements	Machinery and Equipment	Condominium Units and Improvements	Transportation Equipment	Office Furniture, Fixtures and Equipment	Construction- in-progress
	<i>(In Thousands)</i>						
<b>Cost</b>							
Balance at beginning of year	₱323,478	₱276,078	₱239,303	₱243,787	₱66,467	₱163,567	₱45,944
Additions	277,265	6,345	5,600	750	12,650	20,066	43,581
Disposal	—	—	—	—	(26,214)	(22,036)	—
Balance at end of year	<b>600,743</b>	<b>282,423</b>	<b>244,903</b>	<b>244,537</b>	<b>52,903</b>	<b>161,597</b>	<b>89,525</b>
<b>Accumulated Depreciation, Amortization and Impairment Loss</b>							
Balance at beginning of year	62,366	249,090	173,050	175,274	27,334	94,693	—
Depreciation and amortization for the year (see Notes 30, 33 and 34)	77,264	10,781	12,473	10,769	15,422	25,215	—
Disposal	—	—	—	—	(17,790)	(10,026)	—
Balance at end of year	<b>139,630</b>	<b>259,871</b>	<b>185,523</b>	<b>186,043</b>	<b>24,966</b>	<b>109,882</b>	<b>—</b>
<b>Net Book Value</b>	<b>₱461,113</b>	<b>₱22,552</b>	<b>₱59,380</b>	<b>₱58,494</b>	<b>₱27,937</b>	<b>₱51,715</b>	<b>₱89,525</b>





2014								
	Lottery Equipment	Land and Leasehold Improvements	Machinery and Equipment	Condominium Units and Improvements	Transportation Equipment	Office Furniture, Fixtures and Equipment	Construction- in-progress	Total
<i>(In Thousands)</i>								
<b>Cost</b>								
Balance at beginning of year	P-	P252,248	P226,289	P243,769	P39,304	P78,998	P5,082	P845,690
Assets of subsidiary accounted under acquisition method (see Note 20)	292,583	21,055	-	-	24,025	46,790	-	384,453
Additions	31,097	2,775	13,014	18	19,852	37,779	-	104,535
Disposal	(202)	-	-	-	(16,714)	-	-	(16,916)
Reclassifications/adjustments	-	-	-	-	-	-	40,862	40,862
Balance at end of year	323,478	276,078	239,303	243,787	66,467	163,567	45,944	1,358,624
<b>Accumulated Depreciation, Amortization and Impairment Loss</b>								
Balance at beginning of year	-	240,393	161,403	165,120	32,879	69,881	-	669,676
Depreciation and amortization for the year (see Notes 30, 33 and 34)	62,447	8,697	10,996	10,807	11,169	24,810	-	128,926
Disposal	(81)	-	-	-	(16,714)	-	-	(16,795)
Reclassifications/adjustments	-	-	651	(653)	-	2	-	-
Balance at end of year	62,366	249,090	173,050	175,274	27,334	94,693	-	781,807
<b>Net Book Value</b>	<b>P261,112</b>	<b>P26,988</b>	<b>P66,253</b>	<b>P68,513</b>	<b>P39,133</b>	<b>P68,874</b>	<b>P45,944</b>	<b>P576,817</b>

Allowance for impairment loss on property and equipment amounted to P186.3 million as at December 31, 2015 and 2014.

The Company has disposed of certain property and equipment at a loss of P0.4 million in 2015, and at a gain of P0.5 million and P72.0 million in 2014 and 2013, respectively (see Note 36).

The cost of fully depreciated property and equipment which are still being used amounted to P378.9 million and P362.6 million as at December 31, 2015 and 2014, respectively. The Company has no idle assets as at December 31, 2015 and 2014.

## 19. Intangible Asset

Intangible asset pertains to the "License" granted by PAGCOR for which PLAI is a co-licensee to operate integrated resorts, including casinos. The License runs concurrent with PAGCOR's Congressional Franchise, set to expire in 2033 (see Note 41).

The rollforward analysis of this account follows:

	2015	2014
<i>(In Thousands)</i>		
Balance at beginning of year	P5,249,552	P5,260,916
Amortization during the year (Note 31)	(279,211)	(11,364)
Balance at end of year	P4,970,341	P5,249,552

The amortization of the intangible asset on the License started on December 14, 2014, the effectivity of the Notice to Commence Casino Operations granted by PAGCOR. For the year ended December 31, 2015 and 2014, amortization of intangible asset was presented under "Cost of gaming operations" in the 2015 and 2014 consolidated statements of comprehensive income (see Note 31).



## 20. Significant Acquisitions and Business Combinations

### Acquisition of Additional Interest in Pacific Online

The Company's total ownership in Pacific Online increased to 51.9% as at December 31, 2014, from 34.94% as at December 31, 2013, after a series of share purchases in the secondary market at the Philippine Stock Exchange (PSE) during 2014. As a result, the Company consolidates Pacific Online effective June 5, 2014. This transaction is a business combination achieved in stages and accounted using acquisition method. The primary reason for acquiring additional interest in Pacific Online was to expand the Company's share in the gaming business.

The computation for the gain on the remeasurement of the Company's previously held interest in Pacific Online is as follows:

	Amount
	<i>(In Thousands)</i>
Fair value of investment before obtaining control	₱2,464,016
Less total investment carrying value before obtaining control:	
Cost of investment before obtaining control	767,078
Accumulated equity in net earnings of Pacific Online before obtaining control	600,150
	1,367,228
<u>Gain on remeasurement of investment in Pacific Online</u>	<u>₱1,096,788</u>

The gain on remeasurement of investment is presented under "Gain on significant acquisitions - net" in the 2014 consolidated statement of comprehensive income.

The fair values of the identifiable assets and liabilities as at the date of the acquisition follow:

	Fair Values
	<i>(In Thousands)</i>
Cash and cash equivalents	₱153,993
Receivables	703,608
Investments held for trading (Note 10)	376,454
Other current assets	120,113
Property and equipment (Note 18)	384,453
Other noncurrent assets	59,717
<u>Total identifiable assets</u>	<u>1,798,338</u>
Less:	
Trade and other current liabilities	362,592
Other noncurrent liabilities	97,406
<u>Total identifiable liabilities</u>	<u>459,998</u>
<u>Total identifiable net assets at fair value</u>	<u>1,338,340</u>
<u>Goodwill arising from acquisition (see Note 21)</u>	<u>1,717,644</u>
	3,055,984
Non-controlling interest measured at proportionate share of the fair value	(665,879)
	<u>₱2,390,105</u>



	Amount
	<i>(In Thousands)</i>
Fair value of investment after remeasurement of previously held interest	₱2,464,016
Purchase cash consideration	255,694
Total consideration	2,719,710
Consideration allocated to treasury shares and non-controlling interest in PLC	(329,605)
Purchase consideration transferred	₱2,390,105

The goodwill of ₱1,717.6 million represents the value of expected synergies arising from the business combination.

The gross amount and the fair value of receivables amounted to ₱715.4 million and ₱703.6 million, respectively. The Company expects to collect an amount equal to the fair value of the Pacific Online's receivables at acquisition date.

The total consideration of ₱2,719.7 million included a consideration allocated to a pre-existing relationship with Pacific Online. Pacific Online held shares in the Parent Company and PLC at acquisition date. This was accounted for as acquisition of treasury shares, recorded under "Cost of Parent Company common and preferred shares held by subsidiaries" account, and non-controlling interest in PLC amounting to ₱328.1 million and ₱1.5 million, respectively.

Transaction costs amounting to ₱0.4 million were recognized under "General and administrative expenses" in 2014.

The Company's consolidated revenue and net income would have increased by ₱700.8 million and would have decreased by ₱193.0 million, respectively, for the year ended December 31, 2014 had the acquisition of additional interest in Pacific Online taken place on January 1, 2014. Total revenue and net income of Pacific Online included in the consolidated statement of comprehensive income for 2015 are ₱1,718.3 million and ₱346.1 million, respectively. Total revenue and net income of Pacific Online included in the consolidated statement of comprehensive income for 2014 are ₱1,030.3 million and ₱123.1 million, respectively.

The net cash outflow on the acquisition is as follows:

	Amount
	<i>(In Thousands)</i>
Purchase consideration	₱255,694
Transaction costs (presented under operating activities)	409
Cash and cash equivalents acquired from the subsidiary	(153,993)
	₱102,110

#### Acquisition of Falcon Resources Inc. ("FRI")

On June 16, 2014, TGTI, a subsidiary of Pacific Online, and the shareholders of Falcon Resources Inc. (FRI) entered into a Memorandum of Understanding (MOU) for the former's intention to acquire the latter's interest in FRI representing 100% ownership. As at December 11, 2014, the Deed of Sale for the transfer of shares of stock has been executed. FRI is a company engaged in consultancy services for TGTI and a sub-distributor for Pacific Online. FRI is a company incorporated in the Philippines.



The fair values of the identifiable assets and liabilities as at the date of the acquisition follow:

	Fair Values
	<i>(In Thousands)</i>
Cash and cash equivalents	₱38,685
Receivables	20,272
Other current assets	13,072
Other noncurrent assets	1,072
Total identifiable assets	73,101
Less accounts payable	51,475
Total identifiable net assets at fair value	21,626
Goodwill arising from acquisition (see Note 21)	110,934
Purchase consideration transferred	₱132,560
	Amount
	<i>(In Thousands)</i>
Total consideration	₱350,000
Consideration allocated to the cost of settlement of a pre-existing relationship	(217,440)
	₱132,560

The goodwill of ₱110.9 million represents the fair value of expected synergies arising from the acquisition of FRI by TGTI.

The gross amount and the fair value of receivables of FRI amounted to ₱22.0 million and ₱20.3 million, respectively, at acquisition date. The Company expects to collect an amount equal to the fair value of the Pacific Online's receivables at acquisition date.

The allocation of the consideration based on relative fair values of FRI's businesses is as follows:

	Fair Market Values	Allocation Rate	Consideration
	<i>(In Thousands)</i>		<i>(In Thousands)</i>
Business combination - distribution business	₱134,174	38%	₱132,560
Settlement of a pre-existing relationship - consultancy business	220,088	62%	217,440
	₱354,262		₱350,000

The total consideration of ₱350.0 million included a consideration allocated to a pre-existing relationship with FRI. TGTI and FRI effectively terminated their consultancy services agreement between as a result of the acquisition. Accordingly, ₱217.4 million loss was recognized and presented under "Gain on significant acquisitions - net" in the 2014 consolidated statement of comprehensive income.

The Company's consolidated revenue and net income would have increased by ₱13.0 million and ₱2.1 million, respectively, for the year ended December 31, 2014 had the acquisition of FRI taken place on January 1, 2014. Total revenue and net income of FRI included in the 2014 consolidated statement of comprehensive amounted to ₱1.1 million and ₱0.2 million, respectively.



The net cash outflow on the acquisition is as follows:

	Amount
	<i>(In Thousands)</i>
Settlement of a pre-existing relationship (presented under operating activities)	₱217,440
Purchase consideration	132,560
Cash and cash equivalents acquired from the subsidiary	(38,685)
	<u>₱311,315</u>

#### Acquisition of non-controlling interest in PLC

Parallax and SLW (wholly owned subsidiaries) acquired additional interest in PLC on April 23, 2013 for a total consideration of ₱340.0 million. The acquisition of additional shares by Parallax and SLW resulted to the Parent Company acquiring control over PLC with effective ownership interest of 58.1% as of April 2013 through December 31, 2013. The pooling of interest method was applied since Parallax, SLW and PLC are entities under common control. The excess of cost over PLC's net assets at the time of acquisition amounting to ₱252.0 million is recorded in equity as "Excess of cost over net asset value of an investment."

## **21. Goodwill**

Goodwill acquired from business combinations as at December 31, 2015 and 2014 consist of:

	Amount
	<i>(In Thousands)</i>
Acquisition of:	
Pacific Online (see Note 20)	₱1,717,644
FRI (see Note 20)	110,934
	<u>₱1,828,578</u>

The goodwill from the acquisition of Pacific Online and FRI have been subjected to the annual impairment review in 2015. The Company did not identify any impairment indicators relating to Pacific Online's and FRI's goodwill as at December 31, 2015 and 2014 as it expects to realize the synergies from the business combinations.

Goodwill is subject to annual impairment testing. The recoverable amounts of the operations of Pacific Online and FRI has been determined based on a value in use calculation using cash flow projections based on financial budgets approved by management.

#### 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:

#### Pacific Online

*Discount Rate.* Discount rate reflect management's estimate of the risks specific to the cash generating unit. The pre-tax discount rate of 7.56% was used in 2015 based on the weighted average cost of capital of Pacific Online.



*Terminal Values and Growth Rate.* Terminal values included in the value in use computations as at December 31, 2015 amounted to 7,753.0 million. The growth rate used to extrapolate cash flow projections beyond the period covered by the most recent budgets/forecasts is 0%.

## FRI

*Discount Rate.* Discount rate reflect management's estimate of the risks specific to the cash-generating unit by applying a suitable weighted average cost of capital. The pre-tax discount rate used for the cash-generating unit is 12.64%.

*Growth Rate.* 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 range of terminal growth rate applied was 8.55% to 8.59%.

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## 22. Other Noncurrent Assets

This account consists of:

	2015	2014
	<i>(In Thousands)</i>	
Deferred input VAT	<b>₱637,997</b>	₱711,779
Guarantee bonds (see Notes 24 and 41)	<b>45,000</b>	40,000
Refundable deposits and construction bond (see Note 38)	<b>18,236</b>	17,930
Others	<b>8,934</b>	8,375
	<b>₱710,167</b>	₱778,084

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## 23. Loans Payable

Loans payable represents peso-denominated loans obtained from local banks with interest of 4.3% in 2015 and ranging from 3.8% to 5.5% in 2014. Loans payable have historically been renewed or rolled-over.

The Parent Company availed unsecured loans amounting to ₱1,000.0 million and made principal payments amounting to ₱3,000.0 million in 2015. The carrying amount of outstanding loans payable amounted to ₱1,000.0 million and ₱3,000.0 million as at December 31, 2015 and 2014, respectively.

Interest expense on loans payable charged to operations amounted to ₱39.5 million, ₱75.1 million and ₱40.0 million in 2015, 2014 and 2013 respectively (see Note 35).

Interest expense on loans payable amounting to ₱49.8 million was capitalized as part of investment properties in 2014. No interest expense was capitalized in 2015 and 2013 (see Note 17).



## 24. Trade and Other Current Liabilities

This account consists of:

	2015	2014
	<i>(In Thousands)</i>	
Trade	<b>₱1,331,097</b>	<b>₱1,694,049</b>
Accrued expenses:		
Land transfer fees	<b>68,743</b>	57,132
Selling	<b>46,472</b>	68,806
Professional and management fees	<b>53,239</b>	51,499
Others	<b>195,286</b>	287,446
Deferred income	<b>223,795</b>	195,001
Payables pertaining to land acquisitions (see Note 12)	<b>131,024</b>	166,074
Advances from related parties (see Note 40)	<b>72,788</b>	75,267
Customers' deposits	<b>50,591</b>	22,473
Consultancy, software and license and management fees payable	<b>37,484</b>	17,088
Refundable deposit and others	<b>225,456</b>	295,505
	<b>₱2,435,975</b>	<b>₱2,930,340</b>

- Trade payables are non-interest bearing with an average term of 90 days.
- Accrued 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.
- Deferred income represents unamortized discount on refundable deposits related to lease transactions (see Notes 38 and 41).
- Payables pertaining to land acquisitions represent unpaid purchase price of land acquired from various land owners in Tagaytay City, Batangas and Cavite (see Note 12). These are noninterest-bearing and are due and demandable.
- Customers' deposits pertain to collections received from buyers for projects with pending recognition of sale.
- Consultancy, software and license fees, and management fees payable relate to the following agreements:

### a. Consultancy Agreements

Pacific Online 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. Consultancy fees amounted to ₱68.5 million in 2015 and ₱46.6 million in 2014 (see Note 30).



b. Scientific Games

On February 15, 2005, Pacific Online 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,” Scientific Games provided 900 online lottery terminals and terminal software necessary for Pacific Online’s leasing operations. In consideration, Pacific Online shall pay Scientific Games a pre-agreed percentage of its revenue from PCSO’s conduct of online lottery games using the computer hardware and operating system provided by Scientific Games. The Contract shall continue as long as Pacific Online’s Equipment Lease Agreement (ELA) with PCSO is in effect.

On October 2, 2012, Pacific Online and Scientific Games amended the lottery terminals and terminals software agreement dated February 5, 2005 wherein Scientific Games provided Pacific Online with a license extension for the terminal software for a 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, Pacific Online and Scientific Games further amended the CVMOLS, extending the term of the contract from September 1, 2015 until July 31, 2018 and for Scientific Games to supply 1,500 brand new terminals to the Parent Company. 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.

Software and license fees amounted to ₱59.7 million in 2015 and ₱36.2 million in 2014 (see Note 30).

c. Intralot

- i) On March 13, 2006, Pacific Online 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 “Contract for the Supply of the Visayas-Mindanao Online Lottery System,” Intralot provided Pacific Online the hardware, operating system software and terminals (collectively referred to as the “System”) and the training required to operate the System. In consideration, Pacific Online shall pay Intralot a pre-agreed percentage of the revenue generated by the terminals from PCSO’s conduct of online lottery games running on the System, including without limitation, the revenue from the ELA contract or a fixed amount of US\$110 per terminal per month, whichever is higher. The Contract shall continue as long as Pacific Online’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 Pacific Online, including all its rights and obligations arising from it.

On August 16, 2012, Pacific Online 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 Pacific Online to serve the requirements of PCSO in the 2012 Amended ELA. However, Pacific Online has the





option to order from Intralot brand new lotto terminals at a higher price per unit. Pacific Online 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, Pacific Online and Intralot further agreed to amend the supply agreement for the latter to provide for additional terminals to enable Pacific Online to expand its online lottery operations. Furthermore, effective April 1, 2013, Pacific Online and Intralot agreed to lower the percentage of revenues paid by the former to the latter.

As at the date of the auditor's report, the amendment to the contract is still under negotiation between Pacific Online and Intralot. In the meantime, the parties have provisionally agreed to use the old lease rate agreed upon on the amendment dated September 6, 2013.

Software and license fees amounted to ₱113.0 million in 2015 and ₱45.4 million in 2014 (see Note 30).

- ii) TGTI has a contract with Intralot for the supply of online lottery system (lottery equipment) accounted for as a finance lease. TGTI is being charged a certain percentage of equipment rental from the revenue from PCSO. On July 15, 2008, the Lease Contract between TGTI and Intralot was modified such that instead of receiving monthly remuneration calculated on a percentage basis of the gross receipts of TGTI from ELA, Intralot 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 Lease Contract between TGTI and Intralot was further modified to reduce the percentage charged by Intralot to TGTI and that TGTI undertakes a letter of guarantee amounting to ₱20.0 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 2014 consolidated statement of financial position (see Note 22).

d. Management Agreement

Pacific Online and its subsidiaries 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, Pacific Online shall pay a monthly fee of ₱0.1 million and an amount equivalent to ten percent (10%) of the annual earnings before interest, taxes, depreciation, and amortization (EBITDA). Management fees amounting to ₱22.9 million in 2015 and ₱28.1 million in 2014 were presented as part of "Management and professional fees" account under "General and administrative expenses" in the consolidated statements of comprehensive income (see Note 34).



## 25. Long-term Debt

This account consists of the following:

	2015	2014
	<i>(In Thousands)</i>	
Loans	<b>₱4,984,375</b>	₱1,750,000
Current portion of long-term debt	<b>(362,500)</b>	(12,500)
Noncurrent long-term debt	<b>₱4,621,875</b>	₱1,737,500

### *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: current ratio of 1.0x and debt to equity ratio of 2.0x. Amount of ₱750.0 million was drawn from the facility on December 11, 2015. Amounts of ₱150.0 million and ₱100.0 million were drawn from the facility on August 26, 2014 and September 22, 2014, respectively. Principal repayments made in 2015 amounted to ₱15.6 million.

### *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.

### *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. Amounts of ₱500.0 million and ₱500.0 million were drawn on February 23, 2015 and December 29, 2015, 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. 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.



*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, 2015 and 2014, 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:

	2015	2014
	<i>(In Thousands)</i>	
2015	<b>₱–</b>	<b>₱12,500</b>
2016	<b>362,500</b>	150,000
2017	<b>885,096</b>	150,000
2018	<b>933,013</b>	150,000
2019	<b>1,973,638</b>	1,250,000
2020	<b>830,128</b>	37,500
	<b>₱4,984,375</b>	<b>₱1,750,000</b>

Interest expense on loans from long-term debt amounting to ₱30.5 million and ₱111.0 million in 2014 and 2013, respectively, were capitalized as part of “Investment properties” account in the consolidated statements of financial position (see Note 17).

## **26. Nontrade Liability**

On May 20, 2013, Belle, PLAI, BGRHC, ABLGI and LRWC entered into a Memorandum of Agreement, 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 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. As at December 31, 2013, the settlement amounts of ₱283.5 million was presented as “ABLGI payments” pending finalization of the terms and repayment periods under the implementing agreement (see Note 34).

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 lease term using the EIR method.

The interest component of the ABLGI advance amounting to ₱651.7 million and ₱533.3 were recognized as “Accretion of nontrade liability” in the 2015 and 2014 consolidated statements of comprehensive income. Payments made to ABLGI amounted to ₱377.9 million and ₱292.1 million in 2015 and 2014, respectively.

The carrying value of nontrade liability amounted to ₱5,295.1 million and ₱4,241.3 million as at December 31, 2015 and 2014, respectively.



## 27. Equity

### Capital Stock

The composition of the Parent Company's common shares of stock follows:

	2015		2014	
	Number of Shares	Amount	Number of Shares	Amount
Authorized - ₱1 par value	14,000,000,000	₱14,000,000,000	14,000,000,000	₱14,000,000,000
Issued and outstanding	10,518,853,857	10,518,853,857	10,559,382,799	10,559,382,799

In 2015, the Parent Company issued additional 1,617,058 common shares at the offer price of ₱1.00 per share.

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)	0.01
June 18, 1991	—	3,381,840	0.01
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

(Forward)



Date of SEC Approval	Authorized Shares	Number of Shares Issued	Issue/ Offer Price
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 Securities and Exchange Commission (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. The total number of shareholders of the Parent Company is 1,832 and 1,855 as at December 31, 2015 and 2014, respectively.

#### Treasury Shares

During 2015, the Parent Company has repurchased a total of 42,146,000 Parent Company common shares at a total cost amounting to ₱134.4 million

#### Cost of Parent Company Shares Held by Subsidiaries/Associates

Details of this account as at December 31 follow:

	2015	2014
	<i>(In Thousands)</i>	
Cost of Parent Company Common and Preferred Held by Subsidiaries/Associates	<b>₱1,647,290</b>	₱1,502,486
Loss on Disposal of Parent Company Common Shares Held by Subsidiaries/Associates	<b>104,839</b>	104,839
	<b>₱1,752,129</b>	₱1,607,325

Parallax, SLW, PLC, Pacific Online and other subsidiaries collectively hold 353,271,183 and 314,415,819 common shares of the Parent Company as at December 31, 2015 and 2014, respectively. These are presented as “Cost of Parent Company common and preferred shares held by subsidiaries” in the consolidated statements of financial position.



### Non-controlling Interests

In 2015 and 2014, subsidiaries of the Parent Company acquired and sold interest in fellow subsidiaries. These were accounted for as equity transactions with a corresponding adjustment to non-controlling interest.

Acquisition of non-controlling interests related to these transactions amounted to ₱74.9 million and ₱231.7 million in 2015 and 2014, respectively. Disposals, on the other hand, of non-controlling interest, particularly in Pacific Online, amounted to ₱254.7 million in 2014.

### Retained Earnings

The Parent Company's retained earnings available for dividend declaration, computed based on the regulatory requirements of SEC amounted to ₱4,808.3 million and ₱6,378.5 million as at December 31, 2015 and 2014, respectively. The difference between the consolidated retained earnings and the Parent Company's retained earnings available for dividend declaration primarily consists of undistributed earnings of subsidiaries and equity in net earnings of associates. For purposes of dividend declaration, income arising from lease of buildings of City of Dreams Manila is accounted for under operating lease similar to treatment for income tax purposes (see Notes 37 and 38).

### Dividends

On January 27, 2015, the Parent Company's Board of Directors ("BOD") approved the declaration of a special dividend of Eighteen Centavos (₱0.18) per share, totaling ₱1,900.7 million, payable on March 9, 2015 to stockholders of record as of February 10, 2015. On July 31, 2015, the Parent Company's BOD approved the declaration of dividend of ₱0.095 per share, totaling ₱1,001.8 million, payable on August 28, 2015 to stockholders of record as of August 14, 2015. Total dividends above are inclusive of dividends paid to related party shareholders amounting to ₱89.8 million.

On April 28, 2014, the Parent Company's BOD approved the declaration of cash dividends of Two Centavos (₱0.02) per share, totaling ₱211.2 million, inclusive of dividends paid to related party shareholders amounting to ₱5.4 million. The record date to determine the shareholders entitled to receive the cash dividends was set to May 13, 2014 with the payment made on June 2, 2014. No dividends on common stock were declared in 2013.

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, approximately totaling ₱1,000.0 million. The record date to determine the shareholders entitled to receive the cash dividends was set to March 14, 2016 with the payment set on March 29, 2016.

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## 28. Gaming Revenue Share

PLAI started to recognize its gaming revenue share following the soft opening of the City of Dreams Manila integrated resort and casino operations on December 14, 2014. Gaming revenue share is determined as follows:

	2015	2014
	<i>(In Thousands)</i>	
Gaming revenue share - gross	<b>₱1,008,317</b>	₱45,674
Less PAGCOR license fee paid by MELCO	<b>(252,079)</b>	(6,865)
Gaming revenue share - net	<b>₱756,238</b>	₱38,809



As of December 31, 2015 and 2014, the uncollected gaming revenue share recognized under “Receivables - net” in the consolidated statements of financial position amounted to ₱136.3 million and ₱38.8 million respectively (see Note 11).

## 29. Other Revenue

This account consists of:

	2015	2014	2013
	<i>(In Thousands)</i>		
Commission and distribution income	<b>₱180,499</b>	₱81,578	₱1,489
Amortization of discount on trade receivables (see Note 11)	<b>56,768</b>	9,954	32,280
Income from forfeitures	<b>60,712</b>	39,978	10,800
Dividend income	<b>23,209</b>	22,443	—
Income from playing rights	<b>6,620</b>	2,143	3,304
Penalty	<b>2,593</b>	2,398	8,720
Others	<b>2,478</b>	3,230	3,027
	<b>₱332,879</b>	₱161,724	₱59,620

Commission and distribution income is recognized as a certain percentage of sales of PCSO lottery, sweepstakes and instant scratch tickets.

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.

Dividend income pertains to dividends received from SM Prime Holdings Inc., an AFS financial asset.

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 during the year.

## 30. Cost of Lottery Services

This account consists of:

	2015	2014
	<i>(In Thousands)</i>	
Software and license fees (see Note 24)	<b>₱172,672</b>	₱81,654
Operating supplies	<b>159,183</b>	45,339
Communication fees	<b>87,195</b>	63,780
Depreciation and amortization (see Note 18)	<b>73,128</b>	68,643
Consultancy fees (see Note 24)	<b>68,457</b>	46,605
Online Lottery System Expenses	<b>34,507</b>	—
	<b>₱595,142</b>	₱306,021



### 31. Cost of Gaming Operations

This account consists of:

	2015	2014
	<i>(In Thousands)</i>	
Amortization of intangible asset (Note 19)	<b>₱279,211</b>	₱11,634
Consultancy fees (Note 41)	<b>76,003</b>	7,075
Marketing expenses	<b>11,760</b>	—
Payroll-related expenses	<b>9,811</b>	—
Representation and entertainment	<b>2,628</b>	—
Transportation and travel	<b>2,610</b>	—
	<b>₱382,023</b>	₱18,709

### 32. Cost of Real Estate and Club Shares Sold

This account consists of:

	2015	2014	2013
	<i>(In Thousands)</i>		
Materials and labor	<b>₱100,466</b>	₱80,057	₱58,301
Land	<b>37,396</b>	29,799	21,701
Cost of club shares sold	—	—	23,735
Overhead and others	<b>20,080</b>	16,000	11,652
	<b>₱157,942</b>	₱125,856	₱115,389

### 33. Cost of Services for Property Management

This account consists of:

	2015	2014	2013
	<i>(In Thousands)</i>		
Water services	<b>₱51,224</b>	₱61,328	₱16,014
Power and maintenance	<b>28,984</b>	26,724	44,255
	<b>₱80,208</b>	₱88,052	₱60,269

The cost of services for property management includes depreciation and amortization amounting to ₱11.7 million in 2015 and ₱8.3 million in 2014. There was no depreciation and amortization recognized under “Cost of services for property management” in 2013.





### 34. General and Administrative Expenses

This account consists of:

	2015	2014	2013
	<i>(In Thousands)</i>		
Personnel costs (see Notes 39 and 40)	<b>₱306,547</b>	₱194,728	₱83,992
Management and professional fees (Notes 40 and 41)	<b>102,651</b>	66,272	22,546
Rentals and utilities (see Notes 38 and 40)	<b>92,596</b>	54,708	41,245
Transportation and travel	<b>89,910</b>	69,101	4,864
Taxes and licenses	<b>67,530</b>	98,071	30,339
Depreciation and amortization (see Note 18)	<b>67,102</b>	52,001	34,939
Representation and entertainment	<b>49,837</b>	25,017	4,636
Marketing and advertising (see Note 40)	<b>47,793</b>	84,078	60,240
Communication	<b>20,936</b>	1,839	1,380
Repairs and maintenance	<b>20,590</b>	13,440	20,280
Selling expenses	<b>20,042</b>	19,741	23,914
Security and janitorial	<b>19,813</b>	11,751	14,379
Registration fees	<b>9,615</b>	4,224	2,778
Insurance	<b>2,012</b>	985	840
ABLGI payments (see Note 26)	—	—	283,501
Others	<b>33,440</b>	35,552	8,966
	<b>₱950,414</b>	₱731,508	₱638,839

Others pertain to office supplies, insurance, seminar fees and association dues incurred during the year.

#### Personnel Costs

	2015	2014	2013
	<i>(In Thousands)</i>		
Salaries and wages	<b>₱267,484</b>	₱170,585	₱70,833
Pension costs (see Note 39)	<b>20,241</b>	8,913	5,318
Employee benefits and others	<b>18,822</b>	15,230	7,841
	<b>₱306,547</b>	₱194,728	₱83,992



### 35. Interest Income and Interest Expense

The sources of the Company's interest income follow:

	2015	2014	2013
		(In Thousands)	
Cash in banks (see Note 9)	<b>₱3,659</b>	₱9,869	₱2,024
Cash equivalents (see Note 9):			
With related banks (see Note 40)	<b>22,050</b>	6,666	10,569
With other banks	<b>7,501</b>	500	514
HTM investments (see Note 40)	—	12,944	38,725
Escrow fund (see Note 41)	—	—	4,112
Others	<b>1,260</b>	—	168
	<b>₱34,470</b>	₱29,979	₱56,112

The sources of the Company's interest expense follow:

	2015	2014	2013
		(In Thousands)	
Long-term debt (see Notes 25 and 40)	<b>₱218,493</b>	₱8,841	₱33,955
Loans payable (see Notes 23 and 40)	<b>39,549</b>	75,078	40,036
Finance lease obligation	<b>10,883</b>	8,923	—
Assignment of receivables	<b>774</b>	2,725	25,653
Others	<b>4,278</b>	3,156	4,208
	<b>₱273,977</b>	₱98,723	₱103,852

### 36. Other Income (Charges)

This account consists of:

	2015	2014	2013
		(In Thousands)	
Gain on sale of available-for-sale investments (see Note 16)	<b>₱90,342</b>	₱—	₱—
Unrealized mark-to-market gain on investments held for trading (see Note 10)	<b>(43,464)</b>	34,206	—
Bank service charges	<b>(42,388)</b>	(29,292)	(3,799)
Excess input VAT	<b>23,631</b>	10,997	—
Gain on sale of investments held for trading (see Note 10)	<b>7,439</b>	22,296	—
Reversal of (provision for) allowance:			
Probable loss on other assets - net (see Note 14)	<b>34,951</b>	(9,034)	(4,418)
Doubtful accounts on trade and other receivables (see Note 11)	<b>(32,437)</b>	(5,492)	(352)
Doubtful accounts on advances to associates (see Note 15)	—	(40)	—

(Forward)



	2015	2014	2013
	<i>(In Thousands)</i>		
Reversal of (provision for) allowance:			
Impairment on investment in associates (see Note 15)	<b>₱255</b>	<b>₱—</b>	<b>₱—</b>
Impairment on advances to related parties (see Note 40)	—	—	4,137
Gain on sale of other assets (see Note 14)	<b>1,850</b>	—	—
Gain (loss) on sale of property and equipment (see Note 18)	<b>(397)</b>	451	72,026
Gain on sale of held-to-maturity investments	—	31,353	—
Recycling of share in cumulative translation adjustments of AFS financial asset (see Note 41)	—	(58,319)	—
Proceeds from insurance claims	—	20,684	—
Others - net	<b>4,609</b>	<b>(3,063)</b>	13,458
	<b>₱44,391</b>	<b>₱14,747</b>	<b>₱81,052</b>

### 37. Income Taxes

The provision for current income tax consists of the following:

	2015	2014	2013
	<i>(In Thousands)</i>		
RCIT	<b>₱284,785</b>	₱134,470	₱303,870
MCIT	<b>21,511</b>	18,586	—
Capital gains tax (CGT)	—	26,887	1,707
	<b>₱306,296</b>	<b>₱179,943</b>	<b>₱305,577</b>

As at December 31, 2015, the Parent Company can claim the carryforward benefit of NOLCO amounting to ₱531.6 million incurred in 2014 as deduction against future taxable income until 2017. As at December 31, 2015, the Parent Company can claim the carryforward benefits of excess MCIT over RCIT amounting to ₱21.5 million incurred in 2015 and ₱18.6 million incurred in 2014 as deduction against future taxable income until 2018 and 2017, respectively. The carryforward benefit of excess MCIT over RCIT as at December 31, 2012 amounting to ₱17.8 million was claimed by the Parent Company as tax credit against regular income tax in 2013.

As at December 31, 2015, PLC can claim the carryforward benefits of NOLCO amounting to ₱0.1 million, ₱24.6 million and ₱0.1 million incurred in 2015, 2014 and 2013, respectively, as deduction against future taxable income until 2018, 2017 and 2016, respectively. As at December 31, 2015, PLC can claim the carryforward benefit of excess MCIT over RCIT amounting to ₱0.6 million incurred in 2015 against future taxable income until 2018.

For the year ended December 31, 2015 and 2014, PLAI elected to use Optional Standard Deduction in computing its taxable income.

As at December 31, 2015, LotoPac can claim the carryforward benefits of NOLCO amounting to ₱0.1 million, ₱0.2 million and ₱0.1 million incurred in 2015, 2014 and 2013, respectively, as deduction against future taxable income until 2018, 2017 and 2016, respectively.



The components of deferred tax assets of the subsidiaries are as follows:

	2015	2014
	<i>(In Thousands)</i>	
Accrued expenses	<b>₱29,759</b>	₱25,995
Unamortized past service costs	<b>2,288</b>	5,727
Pension liability	<b>9,240</b>	5,321
Allowance for impairment losses on trade and other receivables	<b>718</b>	1,811
Unrealized foreign exchange loss	<b>256</b>	651
Others	<b>–</b>	1,729
	<b>₱42,261</b>	₱41,234

The components of the net deferred tax liabilities of the Parent Company are as follows:

	2015	2014
	<i>(In Thousands)</i>	
Deferred tax assets:		
Construction cost	<b>₱3,211,999</b>	₱1,692,294
Estimated liability on construction costs	<b>767,051</b>	310,508
NOLCO	<b>159,473</b>	170,205
Nontrade liability	<b>154,517</b>	72,377
MCIT	<b>40,097</b>	18,586
Deferred lease income	<b>39,157</b>	30,519
Discount on trade receivables	<b>16,608</b>	16,979
Accrued selling expenses	<b>13,942</b>	18,057
Unrealized profit on sale of club shares to associates	<b>9,327</b>	9,327
Doubtful accounts	<b>7,140</b>	–
Pension liability	<b>1,332</b>	–
Unamortized past service costs	<b>1,324</b>	1,523
Accretion of refundable deposits	<b>997</b>	1,054
Accrued rent	<b>576</b>	739
Net unrealized foreign exchange loss and others	<b>–</b>	14,587
	<b>4,423,540</b>	2,356,755
Deferred tax liabilities:		
Finance lease receivable	<b>(5,143,576)</b>	(2,876,848)
Accumulated depreciation	<b>(205,480)</b>	(71,808)
Unrealized gain on sale of real estate	<b>(87,656)</b>	(38,555)
Accrued rent	<b>(71,099)</b>	(47,746)
Unaccreted discount on refundable deposits	<b>(41,204)</b>	(31,733)
Capitalized rent expense	<b>(25,501)</b>	(26,936)
Deferred lease expense	<b>(869)</b>	(946)
Deferred income on real estate sales	<b>(797)</b>	(797)
Capitalized interest expense	<b>–</b>	(57,393)
Unrealized gain on AFS financial asset	<b>–</b>	(9,735)
Pension asset	<b>–</b>	(331)
Unrealized foreign exchange gain - net	<b>(13,462)</b>	(156)
	<b>(5,589,644)</b>	(3,162,984)
Net deferred tax liability	<b>(₱1,166,104)</b>	(₱806,229)



The components of the Company's temporary differences as at December 31, 2015 and 2014 for which deferred tax assets were not recognized follows:

	2015	2014
	<i>(In Thousands)</i>	
Allowances for:		
Impairment of project development costs	<b>₱2,136,820</b>	₱2,136,820
Doubtful accounts	<b>607,527</b>	607,912
Impairment losses	<b>357,113</b>	362,543
Probable losses	<b>95,852</b>	95,852
NOLCO	<b>25,273</b>	43,637
Excess MCIT over RCIT	<b>601</b>	—
	<b>₱3,223,186</b>	₱3,246,764

The deferred tax assets of the above temporary differences amounting to ₱934.0 million and ₱942.5 million as at December 31, 2015 and 2014, 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 38).

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:

	2015	2014	2013
	<i>(In Thousands)</i>		
Income tax at statutory income tax rate of 30%	<b>₱628,153</b>	₱807,043	₱1,490,914
Income tax effects of:			
Nondeductible expenses and others	<b>49,319</b>	41,030	11,942
Nontaxable income	<b>(21,990)</b>	(744,753)	(223,256)
MCIT	<b>21,511</b>	18,586	—
Mark-to-market loss (gain) on securities	<b>13,039</b>	(9,912)	—
Income subjected to final tax	<b>(12,155)</b>	(7,018)	(16,781)
Change in unrecognized deferred tax assets	<b>(8,543)</b>	1,606	69,003
Income subjected to capital gains tax	—	26,887	1,707
	<b>₱669,334</b>	₱133,469	₱1,333,529

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 March 6, 2015, 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.

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### 38. Lease Commitments

#### Lease Agreement with MCE Leisure (Philippines) Corporation (MCE Leisure)

On October 25, 2012, the Parent Company, as a lessor, entered into a lease agreement with MCE Leisure 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 MCE Leisure which is effective on March 13, 2013 until the expiration of the License on July 11, 2033.

#### *Finance Lease*

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. Gain on finance lease was recognized for the excess of net investment over the construction cost of the building structures for phase 1 amounting to ₱2,324.4 million in 2013. 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 2014, MCE Leisure and the Parent Company agreed to modify the cash flows. This resulted to the recognition of an ₱812.8 million loss on finance lease recognized in the Company's 2014 consolidated statement of comprehensive income.

In 2015, the Company initially recognized a finance lease receivable amounting to ₱6,585.0 million for the building structures for phase 2.

As at December 31, 2015 and 2014, the nominal amount of minimum lease payments and the carrying value of finance lease receivable are as follows:

	2015	2014
	<i>(In Thousands)</i>	
Within one year	<b>₱1,503,473</b>	₱774,531
In more than one year and not more than five years	<b>7,543,652</b>	5,157,185
In more than five years	<b>37,910,938</b>	29,020,448
	<b>46,958,063</b>	34,952,164
Unearned finance income	<b>(29,812,809)</b>	(25,362,672)
Net investment (present value of the minimum lease payments)	<b>17,145,254</b>	9,589,492
Current portion of receivables under finance lease	<b>1,419,651</b>	722,745
Noncurrent portion of receivables under finance lease	<b>₱15,725,603</b>	₱8,866,747



Interest income on finance lease amounted to ₱1,917.4 million, ₱1,409.2 million and ₱1,177.6 million in 2015, 2014 and 2013, respectively.

#### *Operating Lease*

The Parent Company recognized lease income on the lease of land by MCE Leisure amounting to ₱182.6 million in 2015 and 2014, and ₱152.1 million in 2013, respectively.

As at December 31, 2015 and 2014, the minimum lease payments of the Parent Company on the lease on the land are as follows:

	2015	2014
	<i>(In Thousands)</i>	
Within one year	<b>₱112,056</b>	₱104,727
In more than one year and not more than five years	<b>572,080</b>	520,069
In more than five years	<b>2,763,017</b>	2,927,084
	<b>₱3,447,153</b>	<b>₱3,551,880</b>

The Company carried receivables relating to these leases of ₱357.1 million and ₱239.5 million under the "Receivables - net" account in the consolidated statements of financial position as at December 31, 2015 and 2014, respectively (see Note 11).

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.

#### Lease Agreements with PCSO

Pacific Online leases to PCSO its online lottery equipment and accessories for a period of 2 years and 4 months until July 31, 2015 as provided in the 2013 Amended ELA. Rental payment is based on certain 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 amounting to ₱937.1 million in 2015 and ₱574.7 million in 2014 is recorded under "Equipment rental and instant scratch ticket sales" in the 2015 and 2014 consolidated statements of comprehensive income, respectively. Future minimum rental income for the remaining lease term amounted to ₱369.6 million.

TGTI leases to PCSO online KENO games for a period of 10 years from the time the ELA will run in commercial operations. Rental payment is based on certain percentage of gross amount of Online KENO games from the operation of all PCSO's terminals or a fixed annual rental of ₱40,000 per terminal in commercial operation, whichever is higher. Rental income amounting to ₱522.2 million in 2015 and ₱254.0 million in 2014 is recorded under "Equipment rental and instant scratch ticket sales" in the 2015 and 2014 consolidated statements of comprehensive income, respectively. Future minimum rental income for the remaining lease terms are as follows:

	Amount
	<i>(In Thousands)</i>
Within one year	₱70,800
After one year but not more than five years	189,900



*Company as a Lessee*

Finance Lease

*Lottery Equipment.* The contracts for the supply of online lottery system entered into by Pacific Online 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 in the consolidated statements of financial position with carrying amount of ₱128.4 million and ₱123.3 million as at December 31, 2015 and 2014, respectively.

Future minimum lease payments under these finance leases together with the present value of the minimum lease payments are as follows:

	2015	2014
	<i>(In Thousands)</i>	
Within one year	<b>₱27,056</b>	₱16,356
After one year but not more than five years	<b>89,068</b>	76,494
More than five years	<b>12,766</b>	—
Total future minimum lease payments	<b>128,890</b>	92,850
Less amount representing interest	<b>10,335</b>	—
Present value of lease payments	<b>118,555</b>	92,850
Less current portion of obligations under finance lease	<b>25,028</b>	16,356
Noncurrent portion of obligations under finance lease	<b>₱93,527</b>	₱76,494

The contracts of Pacific Online remain effective until July 31, 2015, the expiration date of the ELA. Payment to Scientific Games is based on a pre-agreed percentage of Pacific Online’s revenue from PCSO’s conduct of online lottery games running under 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 games running on the System, including without limitation, the revenue from the ELA contract 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.

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 pre-agreed percentage of the revenue generated by the terminals from PCSO’s conduct of online lottery games running on the System.

Pacific Online 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.





*Transportation Equipment.* Pacific Online and LCC has finance leases covering its transportation equipment subject to a two-year term until April 2015. Future minimum lease payments under these finance leases together with the present value of the minimum lease payments are as follows:

	2015	2014
	<i>(In Thousands)</i>	
Within one year	<b>₱181</b>	₱928
After one year but not more than five years	–	198
Total future minimum lease payments	<b>181</b>	1,126
Less amount representing interest	<b>8</b>	–
Present value of lease payments	<b>173</b>	1,126
Less current portion of installment payable	<b>173</b>	928
Noncurrent portion of installment payable	<b>₱–</b>	₱198

#### 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 - others” in the consolidated statements of financial position (see Note 22). On April 15, 2012, the parties agreed to extend the lease term for an additional 15 years ending on April 22, 2035.

As at December 31, 2014 and 2013, the operating lease cost amounting to ₱29.1 million and ₱27.3 million were capitalized to leasehold improvements as the Company has started construction of the integrated resort.

The Company entered into an operating lease agreement with SM Land, Inc., a related party, covering its new office space (see Note 40). The lease shall be for a period of 5 years commencing on August 1, 2012. Rental payments are subject to annual escalation adjustments. Total rent expense charged to operations relating to this transaction amounted to ₱10.5 million in 2015, 2014 and 2012 (see Note 34). The Company also paid ₱2.4 million refundable deposit which is included as part of “Other noncurrent assets” account in the consolidated statements of financial position (see Note 22).

The Company also has several operating lease arrangements on parking lots, machineries, office and transportation equipment. Total rent expense charged to operations relating to these lease agreements amounted to ₱1.2 million each in 2015 and 2014, and ₱1.1 million in 2013, respectively (see Note 34).

The future minimum rental payments by the Company under the operating lease agreements are as follows:

	2015	2014
	<i>(In Thousands)</i>	
Within one year	<b>₱44,486</b>	₱41,780
After one year but not more than five years	<b>157,086</b>	161,232
After more than five years	<b>857,248</b>	897,588
	<b>₱1,058,820</b>	₱1,100,600



### 39. 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, 2015.

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.

#### Pension Costs (recognized in "General and Administrative Expenses")

	2015	2014	2013
	<i>(In Thousands)</i>		
Current service cost	<b>₱19,566</b>	₱11,114	₱5,578
Interest cost on defined benefit obligation	<b>7,151</b>	3,279	3,900
Interest income on plan assets	<b>(6,480)</b>	(5,535)	(4,166)
Interest on the effect of asset ceiling	<b>4</b>	55	6
	<b>₱20,241</b>	₱8,913	₱5,318

#### Remeasurement Loss (Gain) (recognized in "Other Comprehensive Income")

	2015	2014	2013
	<i>(In Thousands)</i>		
Remeasurement (gain) loss on defined benefit obligation	<b>(₱15,365)</b>	₱24,343	(₱4,455)
Remeasurement (gain) loss on plan assets	<b>5,378</b>	(50)	(2,439)
Remeasurement (gain) loss on changes in the effect of the asset ceiling	<b>941</b>	(1,115)	1,014
	<b>(₱9,046)</b>	₱23,178	(₱5,880)

#### Pension Asset

	2014
	<i>(In Thousands)</i>
Fair value of plan assets	₱75,845
Defined benefit obligation	(74,679)
Funded status - surplus	1,166
Effect of asset ceiling	(63)
	<b>₱1,103</b>



Pension Liability

	2015	2014
	<i>(In Thousands)</i>	
Defined benefit obligation	<b>₱136,581</b>	₱70,638
Fair value of plan assets	<b>(122,663)</b>	(51,851)
Effect of asset ceiling	<b>(1,572)</b>	—
	<b>₱12,346</b>	₱18,787

Changes in the present value of the defined benefit obligation are as follows:

	2015	2014
	<i>(In Thousands)</i>	
Balance at beginning of the year	<b>₱145,317</b>	₱62,270
Interest cost	<b>7,151</b>	3,279
Current service cost	<b>19,566</b>	11,114
Benefits paid from plan assets	<b>(21,135)</b>	(3,110)
Actuarial loss (gain) due to:		
Experience adjustments	<b>2,391</b>	9,778
Actuarial gain on changes in financial assumptions	<b>(18,052)</b>	14,872
Actuarial gain on changes in demographic assumptions	<b>296</b>	(307)
Acquisition of a subsidiary accounted under acquisition method	—	47,421
Other adjustments	<b>1,047</b>	—
Balance at end of the year	<b>₱136,581</b>	₱145,317

Changes in the fair value of plan assets are as follows:

	2015	2014
	<i>(In Thousands)</i>	
Balance at the beginning of the year	<b>₱127,696</b>	₱75,908
Acquisition of a subsidiary accounted under acquisition method	—	34,313
Interest income	<b>6,480</b>	5,535
Contributions	<b>15,000</b>	15,000
Benefits paid	<b>(21,135)</b>	(3,110)
Return on plan assets (excluding amounts included in net interest)	<b>(5,378)</b>	50
Balance at end of the year	<b>₱122,663</b>	₱127,696
Unfunded status - net	<b>(₱10,774)</b>	(₱17,621)
Pension liability	<b>12,346</b>	18,787
Funded status - surplus	<b>1,572</b>	1,166
Effect of asset ceiling	<b>(1,572)</b>	(63)
Pension asset	<b>₱—</b>	₱1,103



*Parent Company Retirement Plan*

The principal assumptions used in determining pension benefit obligations for the Parent Company's plan are shown below:

	2015	2014
Discount rates	6.23%	5.73%
Future salary increases	9.00%	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 the end of the reporting period, assuming all other assumptions were held constant:

	2015		2014	
	Increase (Decrease) in Basis Points	Amount	Increase (Decrease) in Basis Points	Amount
		(In Thousands)		(In Thousands)
Discount rate	100 (100)	(P1,172) 1,290	100 (100)	(P1,848) 2,031
Salary increase rate	100 (100)	880 (804)	100 (100)	1,484 (1,374)

As at December 31, 2015, the weighted average duration of the pension liability of Parent Company is 4.5 years.

The major categories of the plan assets of the Parent Company as a percentage of the fair value of total plan assets are as follows:

	2015	2014
Investments in fixed income securities	48%	43%
Investments in unit investment trust funds	18%	33%
Investments in mutual funds	8%	—
Others	26%	24%
	100%	100%

The Parent Company's retirement fund is in the form of a trust being maintained by a trustee bank.

The carrying value and fair value of the fund amounted to P64.3 million and P75.9 million as at December 31, 2015 and 2014, respectively. The fund's assets are comprised of: (i) cash in bank; and (ii) investment in treasury bonds of government securities, equity securities of private corporations, mutual funds and unit investment trust funds.

The fund has no investments in debt and equity securities of the Parent Company.



Shown below are the maturity analyses of the undiscounted benefit payments:

Year	Amount
	<i>(In Thousands)</i>
2016	₱14,939
2017	16,476
2018	2,549
2019	9,274
2020	14,414
2021-2025	19,962

The Parent Company does not expect to contribute to the retirement fund in the next financial year.

The tax exempt status of the plan was approved by the Bureau of Internal Revenue on September 29, 1998.

*Pacific Online and Subsidiaries Retirement Plans*

The principal assumptions used in determining pension benefit obligations for Pacific Online and its subsidiaries' plans are shown below:

	<b>2015</b>		
	<b>Pacific Online</b>	<b>LCC</b>	<b>TGTI</b>
Discount rates	<b>4.89%</b>	<b>4.89%</b>	<b>4.89%</b>
Future salary increases	<b>8.00%</b>	<b>5.00%</b>	<b>10.00%</b>
	<b>2014</b>		
	<b>Pacific Online</b>	<b>LCC</b>	<b>TGTI</b>
Discount rates	4.49%	4.61%	5.15%
Future salary increases	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 the end of the reporting period, assuming all other assumptions were held constant:

	<b>2015</b>	
	<b>1 Percent Increase</b>	<b>1 Percent Decrease</b>
	<i>(In Thousands)</i>	
Discount rate	<b>(₱8,625)</b>	<b>₱10,853</b>
Salary increase rate	<b>9,815</b>	<b>(8,048)</b>
	<b>2014</b>	
	<b>1 Percent Increase</b>	<b>1 Percent Decrease</b>
	<i>(In Thousands)</i>	
Discount rate	<b>(₱5,545)</b>	<b>₱8,186</b>
Salary increase rate	<b>6,685</b>	<b>(5,008)</b>



As at December 31, 2015, the weighted average duration of the pension liability of Pacific Online, LCC and TGTI is 16.1 years to 24.6 years.

Shown below are the maturity analyses of the undiscounted benefit payments:

Period	Expected Benefit Payments			Total
	Pacific Online	LCC	TGTI	
	<i>(In Thousands)</i>			
2016	₱698	₱2,278	₱1,713	₱4,689
2017	—	—	—	—
2018	1,022	—	1,078	2,100
2019	3,111	327	2,579	6,017
2020	6,824	—	758	7,582
2021-2025	10,320	221	322	10,863

Pacific Online and LCC expects to contribute ₱10.0 million to the defined benefit plan in 2016. TGTI on the other hand is still in the process of funding its defined benefit plan.

Assumptions for mortality rates are based on the 2001 CSO Table - Generational (Scale AA, Society of Actuaries). Assumptions for disability rates are based on the Disability Study, Period 2 Benefit 5 (Society of Actuaries).

Pacific Online and LCC have funded, noncontributory defined benefit plans covering substantially all of its regular employees. The defined benefit plan of TGTI is unfunded as at December 31, 2015. Annual cost is determined using the projected unit credit method. The Group's latest actuarial valuation date is December 31, 2015. Valuations are obtained on a periodic basis.

The retirement plans of LCC and TGTI provide a retirement benefit equal to 22.5 days pay for every year of credited service, while the plan of the Pacific Online provides a retirement benefit equal to one-half month salary for every year of credited service.

All of the Plans meet the minimum retirement benefit specified under Republic Act 7641.

Pacific Online and LCC are not required to pre-fund the future defined benefits payable under the retirement plans before they become due. For this reason, the amount and timing of contributions to the retirement fund are at the Companies' discretion. However, in the event a benefit claim arises and the retirement fund is insufficient to pay the claim, the shortfall will then be due and payable from Pacific Online to the retirement fund. TGTI does not have a formal retirement plan, thus benefit claims under the defined benefit plans are paid directly by TGTI when they become due.

The retirement plans of Pacific Online are administered by a trustee bank under the supervision of a Retirement Plan Trustee (Trustee), as appointed by the Companies in the Trust Agreement. The Trustee is responsible for the investment strategy of the retirement plans.



The major categories of the plan assets of Pacific Online as a percentage of the fair value of total plan assets are as follows:

	2015	2014
Investments in fixed income securities	40%	26%
Investments in unit investment trust funds	14%	48%
Others	46%	26%
	100%	100%

All debt instruments and unit investment trust funds have quoted prices in active markets.

The carrying amounts of plan assets approximate the fair values as at December 31, 2015 and 2014.

#### 40. 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 due and demandable. 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	2015 2014	₱142 62	₱79,772 3,754,630	Noninterest-bearing, due and demandable	Unsecured, partially provided amounting to ₱79,452 in 2015 and 2014
Belle Jai Alai	Associate	Advances to associate	2015 2014	— —	29,398 29,398	Noninterest-bearing, due and demandable	Unsecured, no allowance
WDC	Associate	Advances to associate	2015 2014	— —	54,334 54,334	Noninterest-bearing, due and demandable	Unsecured, fully provided in 2015 and 2014
Others	Associate	Advances to associates	2015 2014	2 —	11,604 11,486	Noninterest-bearing, due and demandable	Unsecured, partially provided amounting to ₱11,447 in 2015, fully provided in 2014

(Forward)



Related Party	Relationship	Transaction		Transaction Amounts	Outstanding Balance	Terms	Condition
				<i>(In Thousands)</i>			
Tagaytay Highlands	With common set of directors	Advances to other related parties	2015	<b>₱6</b>	<b>₱459</b>	Noninterest-bearing, due and demandable	Unsecured, no allowance
			2014	10,687	12,774		
Country Club	With common set of directors	Advances to other related parties	2015	<b>12,206</b>	<b>1,023</b>	Noninterest-bearing, due and demandable	Unsecured, no allowance
			2014	499	2,871		
Others	With common set of directors	Advances to other related parties	2015	<b>39,663</b>	<b>20,214</b>	Noninterest-bearing, due and demandable	Unsecured, partially provided amounting to ₱7,494 in 2015 and 2014
			2014	3,191	18,775		
TMGCI	With common set of directors	Advances from other related parties	2015	<b>19</b>	<b>(19)</b>	Noninterest-bearing, due and demandable	Unsecured
			2014	2,259	—		
Belle Jai-Alai	Associate	Advances from associate	2015	—	<b>(60,753)</b>	Noninterest-bearing, due and demandable	Unsecured
			2014	—	60,753		
Tagaytay Highlands	With common set of directors	Advances from other related parties	2015	—	<b>(10,849)</b>	Noninterest-bearing, due and demandable	Unsecured
			2014	13	(10,849)		
Others	Associates	Advances from other related parties	2015	<b>1,167</b>	<b>(1,167)</b>	Noninterest-bearing, due and demandable	Unsecured
			2014	—	—		
BDO	With common stockholders	Cash equivalents	2015	—	<b>100,407</b>	Interest-bearing	Unsecured, not impaired
			2014	1,219,727	2,429,914		
		Interest income on cash equivalents	2015	<b>12,101</b>	—	3.14% to 4.56%	Unsecured, not impaired
			2014	6,666	—	3.14% to 4.56%	
		(see Notes 9 and 35)	2013	10,569	—	3.14% to 4.56%	
		Interest income on escrow fund (see Notes 35 and 41)	2013	4,112	—	0.62%–0.75%	Unsecured, not impaired
		Interest expense on short-term loans, gross of capitalized interest (see Notes 24 and 35)	2014	19,156	—	2.85% to 3.25%	Secured
			2013	40,036	—	4.25% to 5.12%	
		Trade and other current liabilities	2014	61,523	(28,025)	Interest-bearing	Secured
		Long-term debt (see Note 25)	2014	535,800	—	Interest-bearing	Secured
		Interest expense on long-term debt (see Notes 18 and 35)	2014	10,210	—	3.75%–6.58%	Secured
			2013	25,653	—	3.75%–6.58%	
SM Land, Inc.	With common stockholders	Operating lease (see Note 38)	2015	<b>10,481</b>	<b>1,919</b>	5 years, renewable	Not applicable
			2014	10,482	2,463		
			2013	10,535	3,337		
		Service fee	2013	12,500	—	1 year, renewable	Not applicable
SM Arena Complex Corporation	With common stockholders	Sponsorship agreement (see Note 34)	2015	<b>7,044</b>	—	5 years	Not applicable
			2014	17,822	—		
			2013	20,073	—		
SMIC	Stockholder	HTM investments	2014	750,000	—	Interest-bearing, maturing in 7 and 10 years	Not applicable
		Interest income on HTM investments (see Notes 16 and 35)	2014	12,944	—	6.00%–6.94%	Not applicable
			2013	38,725	—		
SM Prime Holdings, Inc.	Management fee	Management and professional fees (see Note 34)	2015	<b>14,765</b>	—	1 year, renewable	Not applicable
			2014	12,500	—		
Belle shares Holdings, Inc.	Stockholders	Receivables	2014	31,891	—	Interest-free	Unsecured, interest-free
Directors and officers	Key management personnel	Receivables (see Note 11)	2015	—	—	Interest-free	Unsecured, interest-free, partially provided amounting to ₱688
			2014	—	1,138		
		Short-term employee benefits	2015	<b>59,049</b>	—	Not applicable	Not applicable
			2014	61,907	—		
			2013	37,221	—		
		Post-employment benefits	2015	<b>16,603</b>	—	Not applicable	Not applicable
			2014	5,478	—		
			2013	3,964	—		





The following table provides the summary of outstanding balances and transactions for the years ended December 31, 2015, 2014, and 2013 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

	2015	2014
Cash equivalents	<b>₱100,407</b>	₱1,219,727
Receivables	–	1,138
Advances to associates (see Note 15)	<b>175,108</b>	3,849,848
Advances to other related parties (see Note 11)	<b>21,696</b>	34,420
Advances from associates (see Note 24)	<b>60,753</b>	60,882
Advances from other related parties (see Note 24)	<b>12,035</b>	14,385
Operating lease payable	<b>1,919</b>	2,463
Assignment of receivables with recourse	–	28,026

Total Related Party Transactions

	2015	2014	2013
Commission income	<b>₱–</b>	₱891	<b>₱–</b>
Interest income on cash equivalents	<b>12,101</b>	6,666	10,569
Interest income on escrow fund	–	–	4,112
Interest income on HTM investments	–	12,944	38,725
Service fee	–	–	12,500
Interest expense on short-term loans	–	19,156	40,036
Interest expense on long-term debt	–	10,210	25,653
Short-term employee benefits	<b>61,907</b>	61,907	37,221
Post-employment benefits	<b>5,478</b>	5,478	3,964
Receivables Purchase Agreement	–	–	242,429
Sponsorship agreement	<b>7,044</b>	17,822	20,073
Management fee	<b>14,765</b>	12,500	–
Rent expense	<b>10,481</b>	10,482	10,535

Allowance provided on advances to associates charged to “Investments in and Advances to Associates” amounted to ₱145.3 million as at December 31, 2015 and 2014 (see Note 15).

Allowance for doubtful accounts of advances to related parties amounted to ₱7.5 million as at December 31, 2015 and 2014 (see Note 11). Provision for doubtful accounts on advances to related parties amounted to ₱4.1 million in 2013 (see Note 36).

Transactions with other related parties are as follows:

- The Parent Company entered into a renewable one-year service agreement with PLAI in 2014, wherein the Parent Company shall provide PLAI with end to end support with respect to the operation of its casino license from PAGCOR. Service fee charged by the Parent Company amounted to ₱18.0 million and ₱7.5 million in 2015 and 2014, respectively, and was eliminated in the 2015 and 2014 consolidated statements of comprehensive income. The fees are payable within 30 days upon the receipt of billing.



- On May 12, 2012, the Parent Company entered into an operating lease agreement with SM Land, Inc. covering its new office space (see Note 38). 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.
- The Parent Company 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.
- The Parent Company entered into a renewable one-year service agreement with PLAI in 2012, wherein PLAI shall provide technical advisory support services relating to the operation, direction, management and supervision of the City of Dreams Manila project. Project management fee charged by PLAI to the Parent Company amounted to ₱20.2 million, ₱7.5 million and ₱8.0 million in 2015, 2014 and 2013, respectively, and was eliminated in the consolidated statement of comprehensive income. The fees are payable within 30 days upon the receipt of billing.
- The Parent Company entered into a renewable one-year service agreement with SM Land, Inc. in 2013, wherein SM Land shall perform specific services relative to the operations and personnel of the Parent Company's land and buildings. Service fee charged by SM Land to the Parent Company amounted to ₱12.5 million recognized under "General and administrative expenses" as part of repairs and maintenance in the 2013 consolidated statement of comprehensive income. The fees are payable within 30 days upon the receipt of billing.
- 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 ₱14.8 million and ₱12.5 million recognized under "General and administrative expenses" in the 2014 and 2015 consolidated statements of comprehensive income, respectively. The fees are payable within 30 days upon the receipt of billing.

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#### 41. Significant Contracts

##### Investment Commitment with PAGCOR

In October 2012, the Company, together with PLAI (Phil. Parties) and MCE Leisure Philippines and its two other related companies (MCE Parties) have been granted the license to operate an integrated entertainment complex in Aseana Boulevard, Paranaque City which will now be known as "City of Dreams Manila". Under the Provisional License granted to the group, the parties are committed to invest a minimum of US \$1 billion ("Investment Commitment") into the Project. Under the PAGCOR Guidelines, of the US\$1.0 billion, 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 shall be composed of the value of the land and the development costs of the infrastructures and facilities within 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.

As at December 31, 2012, the Escrow Fund was being maintained with a balance of US\$50.3 million. Interest income earned on the Escrow Fund amounted to ₱4.1 million and ₱12.1 million in 2013 and 2012, respectively (see Note 3). In May 2013, the Escrow was terminated as MCE Leisure (Philippines) Corporation (“MCE Leisure”) deposited its own Escrow Fund to replace that of the Company. Thus, the balance of the Company’s Escrow Fund amounted to nil as of December 31, 2013 and 2014.

#### Cooperation Agreement with MELCO

On October 25, 2012, the Company together with PLAI (“Philippine Parties”), formally entered into a Cooperation Agreement with MELCO, a company listed in the Hong Kong Stock Exchange, 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 MCE Parties as co-licensees under the Project. This amount was recorded as termination income in the consolidated statement of comprehensive income for the year ended December 31, 2013.

#### Operating Agreement with MELCO

On March 13, 2013, the Company, together with Belle, entered into an Operating Agreement with MCE Holdings No. 2 (Philippines) Corporation, MCE Holdings (Philippines) 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.

#### Advisory Services by AB Leisure Global, Inc. (ABLGI)

ABLGI agreed to act in an advisory capacity to the Company and Belle subject to certain limitations for a consideration equivalent to percentage of the Company’s income from gaming revenue share.

Consultancy fees amounting to ₱76.0 million and ₱7.1 million in 2015 and 2014 was presented as part of “Cost of gaming operations” in the 2015 and 2014 consolidated statements of comprehensive income (see Note 31).



#### Share Swap Agreement

In 1997, PLC together with the Parent Company (then a 32% shareholder) entered into a Swap Agreement with Paxell Limited and Metroplex Berhad (both Malaysian companies, collectively referred to as “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, Sinophil, 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 Sinophil 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, the 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 the Company’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 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 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 the capital stock of the Parent Company. Petition was elevated to the Supreme Court (SC) after the CA sustained the SEC ruling. As at March 6, 2015, the SC has yet to resolve this petition. 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.

On June 30, 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.

The investments in LIR-HK of PLC were recorded under “Available-for-sale financial assets” and are fully impaired as at December 31, 2012 in PLC’s books. In 2013, the Parent Company started to consolidate PLC after the Parent Company acquired controlling interest in PLC. The acquisition was accounted for using the pooling of interest method and accordingly, the impaired value of the AFS financial asset has started to be carried in the Company’s consolidated accounts (see Notes 17 and 21). In 2014, the Company recognized reversal of a provision for impairment of its investment in Legend International Resorts (HK) Limited (“LIR”), net of costs of implementing the MOA rescinding the Swap Agreement and the cancellation of said Shares of ₱340.7 million, amounting to ₱1,219.1 million following the cancellation of the 1,000,000,000 Sinophil shares formerly held by Metroplex, thereby fulfilling the agreement entered into by and among Belle, PLC, Metroplex and LIR in rescinding the Swap Agreement, cancelling all obligations and reversing all transactions stated therein (the “Full LIR Unwinding”). The cancellation also resulted in the recognition of ₱58.3 million recycling of share in cumulative translation adjustments of AFS financial asset in profit or loss (see Note 36).

As a result of the cancellation of the PLC shares, the Company reduced the carrying amount of its non-controlling interest by ₱257.2 million with a corresponding adjustment to “Other reserves - Transactions with non-controlling interests” amounting to ₱962.0 million.



#### Agreements with PCSO

*Instant Scratch Tickets.* On March 25, 2009, Pacific Online 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 ₱20.0 million cash bond is recognized under “Other noncurrent assets” account in the consolidated statements of financial position (see Note 22).

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#### 42. Contingencies

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.

The 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 the capital stock of the Parent Company (see Note 2). The CA sustained the ruling of the SEC, thus Metroplex filed a petition for review with the SC. As at February 29, 2016, the Supreme Court has yet to resolve this petition.

However, as discussed in Note 41, the cancellation of the Swap Agreement was implemented following the Company’s filing to the SEC of a Notice of Withdrawal of the Memorandum of Appeal filed on June 20, 2013.

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#### 43. Basic/Diluted EPS

	2015	2014	2013
	<i>(In Thousands, Except EPS)</i>		
Earnings attributable to Equity holders of the Parent (a)	<b>₱1,186,460</b>	<b>₱2,202,253</b>	<b>₱3,639,853</b>
Weighted average number of issued common shares - basic, at beginning of year	<b>10,559,383</b>	10,559,383	10,559,383
Number of parent company common shares held by subsidiaries - basic, at beginning of year	<b>(314,416)</b>	(336,490)	(236,502)
Issued during the year	<b>389</b>	—	—
Treasury shares during the year	<b>(15,673)</b>		
Acquisition of entities holding parent common shares	<b>(22,462)</b>	(35,773)	(69,033)
Weighted average number of issued common shares - basic, at end of year (b)	<b>10,207,221</b>	10,187,120	10,253,848
Basic/diluted EPS (a/b)	<b>₱0.116</b>	<b>₱0.216</b>	<b>₱0.355</b>

There are no common stock equivalents that would have a dilutive effect on the basic EPS.



#### 44. Financial Assets and Financial Liabilities

##### Financial Risk Management Objectives and Policies

The Company's principal financial assets and financial liabilities are composed of cash and cash equivalents, receivables, investments held for trading, HTM investments, AFS financial assets, trade and other current liabilities, loans payables, long-term debt, nontrade liability, installment payable and obligations under finance lease. The main purpose of these financial assets and financial liabilities is to raise finances for the Company's operations. The Company has various other financial assets and financial liabilities such as receivables, advances to associates and other related parties and trade and other liabilities, which arise directly from its real estate operations.

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 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, 2015 and 2014, foreign currency-denominated financial asset and financial liability in US dollars, translated into Philippine peso at the closing rate:

	2015	2014
	<i>(In Thousands)</i>	
Cash and cash equivalents	<b>\$1,078</b>	\$295
Advances to contractors and suppliers*	<b>15,000</b>	–
Consultancy and software license fee payable**	<b>(2,385)</b>	(1,035)
Foreign currency-denominated financial assets (liabilities)	<b>\$13,693</b>	(\$740)

\*Presented under "Other current assets" account in the consolidated statements of financial position.

\*\*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 ₱47.06 to US\$1.0 and ₱44.72 to US\$1.0, as at December 31, 2015 and 2014, 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, 2015 and 2014. 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.

	2015		2014	
	Increase in US\$ Rate	Decrease in US\$ Rate	Increase in US\$ Rate	Decrease in US\$ Rate
<i>(In Thousands, Except Change in US\$ Rate)</i>				
Change in US\$ rate*	<b>0.64</b>	<b>(0.64)</b>	0.30	(0.30)
Effect on income before income tax	<b>₱8,818</b>	<b>(₱8,818)</b>	(₱219)	₱219

\*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 2015 and 2014 consolidated total comprehensive income before income tax:

Increase (Decrease) in Equity Price	2015	2014
<i>(In Thousands)</i>		
Impact in profit or loss		
5%	<b>₱11,337</b>	₱13,141
(5%)	<b>(11,337)</b>	(13,141)
Impact in other comprehensive income		
5%	<b>₱101,177</b>	₱93,987
(5%)	<b>(101,177)</b>	(93,987)

**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, receivables, finance lease receivables, advances to associates and other related parties and AFS financial assets, deposits and guarantee, 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.

	2015						Total
	Neither Past Due nor Impaired	Past Due but not Impaired				Impaired	
		Less than 30 Days	31 to 60 Days	61 to 90 Days	Over 90 Days		
(In Thousands)							
Cash and cash equivalents*	₱3,561,955	₱—	₱—	₱—	₱—	₱—	₱3,561,955
Investments held for trading	226,747	—	—	—	—	—	226,747
Receivables:							
Trade	1,327,533	14,275	5,178	298	53,211	31,479	1,431,974
Related parties	14,202	—	—	—	—	7,494	21,696
Others	184,910	—	—	—	—	116,062	300,972
Finance lease receivable	17,145,254	—	—	—	—	—	17,145,254
Advances to associates**	29,836	—	—	—	—	145,273	175,109
AFS financial assets	2,041,303	—	—	—	—	—	2,041,303
Deposits***	8,331	—	—	—	—	—	8,331
Guarantee bonds****	45,000	—	—	—	—	—	45,000
	₱24,585,071	₱14,275	₱5,178	₱298	₱53,211	₱300,308	₱24,958,341

\*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.

	Neither Past Due nor Impaired	2014				Impaired	Total
		Past Due but not Impaired					
		Less than 30 Days	31 to 60 Days	61 to 90 Days	Over 90 Days		
(In Thousands)							
Cash and cash equivalents*	₱6,319,136	₱—	₱—	₱—	₱—	₱—	₱6,319,136
Investments held for trading	262,815	—	—	—	—	—	262,815
Receivables:							
Trade	1,076,173	4,739	3,807	9,202	123,713	1,794	1,219,428
Related parties	26,926	—	—	—	—	7,494	34,420
Others	230,351	—	—	—	—	122,769	353,120
Finance lease receivable	9,589,492	—	—	—	—	—	9,589,492
Advances to associates- net of subscription payable**	174,849	—	—	—	—	145,273	320,122
AFS financial assets	1,887,379	—	—	—	—	—	1,887,379
Deposits***	8,615	—	—	—	—	—	8,615
Guarantee bonds****	40,000	—	—	—	—	—	40,000
	₱19,615,736	₱4,739	₱3,807	₱9,202	₱123,713	₱277,330	₱20,034,527

\*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.

2015				
	High Grade	Medium Grade	Unrated	Total
	(In Thousands)			
Cash and cash equivalents*	₱3,561,955	₱—	₱—	₱3,561,955
Investments held for trading	226,747	—	—	226,747
Receivables:				
Trade	1,259,948	66,460	1,125	1,327,533
Related parties	14,202	—	—	14,202
Others	184,910	—	—	184,910
Finance lease receivable	17,145,254	—	—	17,145,254
Advances to associates**	29,836	—	—	29,836
AFS financial assets	2,035,354	—	5,949	2,041,303
Deposits***	—	8,331	—	8,331
Guarantee bonds****	45,000	—	—	45,000
	₱24,503,206	₱74,791	₱7,074	₱24,585,071

\*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.

2014				
	High Grade	Medium Grade	Unrated	Total
	(In Thousands)			
Cash and cash equivalents*	₱6,319,136	₱—	₱—	₱6,319,136
Investments held for trading	262,815	—	—	262,815
Receivables:				
Trade	958,083	18,699	99,391	1,076,173
Related parties	26,926	—	—	26,926
Others	230,351	—	—	230,351
Finance lease receivable	9,589,492	—	—	9,589,492
Advances to associates - net of subscription payable**	174,849	—	—	174,849
AFS financial assets	1,879,730	—	7,649	1,887,379
Deposits***	—	8,615	—	8,615
Guarantee bonds****	40,000	—	—	40,000
	₱19,481,382	₱27,314	₱107,040	₱19,615,736

\*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.

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 AFS financial assets are unrated while quoted HTM investments and 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, 2015 and 2014 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.

2015						
	On Demand	< 6 Months	6 Months to 1 Year	1-3 Years	> 3 Years	Total
(In Thousands)						
<b>Financial Assets</b>						
Cash and cash equivalents	₱3,561,955	₱—	₱—	₱—	₱—	₱3,561,955
Investments held for trading	226,747	—	—	—	—	226,747
Receivables	1,296,263	149,147	149,147	317,871	9,641	1,922,069
Finance lease receivable****	—	756,147	747,326	3,422,705	42,031,885	46,958,063
Advances to associates*	129,181	—	—	—	—	129,181
AFS financial assets	2,041,303	—	—	—	—	2,041,303
Deposits**	8,331	—	—	—	—	8,331
Guarantee bonds***	45,000	—	—	—	—	45,000
	₱7,308,780	₱905,294	₱896,473	₱3,740,576	₱42,041,526	₱54,892,649
<b>Financial Liabilities</b>						
Loans payable****	₱—	₱21,250	₱1,031,875	₱—	₱—	₱1,053,125
Trade and other current liabilities*****	2,265,638	—	21,708	45,303	—	2,332,649
Long-term debt****	—	372,906	271,526	2,282,963	2,922,726	5,850,121
Nontrade liability****	—	242,967	239,838	1,108,318	13,861,466	15,452,589
Installment payable****	173	—	—	—	—	173
Obligations under finance lease****	—	12,514	12,514	25,028	68,499	118,555
	₱2,265,811	₱649,637	₱1,577,461	₱3,461,612	₱16,852,691	₱24,807,212

\*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.

\*\*\*\*Including future interest payments.

\*\*\*\*\*Excluding customers' deposits, statutory payables and other liabilities to the government.

2014						
	On Demand	< 6 Months	6 Months to 1 Year	1-3 Years	> 3 Years	Total
(In Thousands)						
<b>Financial Assets</b>						
Cash and cash equivalents	₱6,319,136	₱—	₱—	₱—	₱—	₱6,319,136
Investments held for trading	262,815	—	—	—	—	262,815
Receivables	891,725	129,717	129,717	254,908	41,434	1,447,501
Finance lease receivable****	—	375,266	399,265	3,678,149	30,499,484	34,952,164
Advances to associates - net of subscription payable*	174,849	—	—	—	—	174,849
AFS financial assets	1,887,379	—	—	—	—	1,887,379
Deposits**	8,615	—	—	—	—	8,615
Guarantee bonds***	40,000	—	—	—	—	40,000
	₱9,584,519	₱504,983	₱528,982	₱3,933,057	₱30,540,918	₱45,092,459



	2014					
	On Demand	< 6 Months	6 Months to 1 Year	1–3 Years	> 3 Years	Total
	<i>(In Thousands)</i>					
<b>Financial Liabilities</b>						
Loans payable****	P–	P2,966,760	P–	P–	P–	P2,966,760
Trade and other current liabilities*****	2,812,822	–	–	49,143	–	2,861,965
Long-term debt****	–	54,159	174,769	631,406	1,283,422	2,143,756
Nontrade liability****	–	141,855	149,919	1,362,802	12,295,179	13,949,755
Installment payable****	792	50	87	198	–	1,127
Obligations under finance lease****	4,089	4,089	8,178	24,534	51,960	92,850
Assignment of receivables with recourse	–	28,026	–	–	–	28,026
	P2,817,703	P3,194,939	P332,953	P2,068,083	P13,630,561	P22,044,239

\*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.

\*\*\*\*Including future interest payments.

\*\*\*\*\*Excluding customers' deposits, statutory payables 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 38) 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 2015 and 2014.

The Company considers the following as its capital:

	2015	2014
<i>(In Thousands)</i>		
Common stock	<b>P10,561,000</b>	P10,559,383
Additional paid-in capital	<b>5,503,731</b>	5,503,731
Treasury shares	<b>(134,442)</b>	–
Equity share in cost of Parent Company shares held by associates	<b>(2,501)</b>	(2,501)
Cost of Parent Company preferred and common shares held by subsidiaries	<b>(1,749,628)</b>	(1,604,824)
Retained earnings	<b>4,903,882</b>	6,530,078
	<b>P19,082,042</b>	<b>P20,985,867</b>



### 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:

			2015		
	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:					
Investments held for trading	₱226,747	₱226,747	₱226,747	₱—	₱—
AFS financial assets (quoted)	2,035,354	2,035,354	2,035,354	—	—
Assets for which fair value is disclosed:					
Loans and receivables:					
Receivables -					
Trade	663,522	749,441	—	749,441	—
Finance lease receivable	17,145,254	19,795,765	—	—	19,795,765
Liabilities					
Liabilities for which fair value is disclosed:					
Nontrade liability	5,295,058	6,986,299	—	—	6,986,299
Long-term debt	4,984,375	4,262,493	—	4,262,493	—
Installment payable	173	173	—	173	—
Obligations under finance lease	118,555	118,555	—	118,555	—
			2014		
	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:					
Investments held for trading	₱262,815	₱262,815	₱262,815	₱—	₱—
AFS financial assets (quoted)	1,879,730	1,879,730	1,879,730	—	—
Assets for which fair value is disclosed:					
Loans and receivables:					
Receivables -					
Trade	625,164	689,485	—	689,485	—
Finance lease receivable	9,589,492	14,183,939	—	—	14,183,939
Liabilities					
Liabilities for which fair value is disclosed:					
Nontrade liability	4,241,256	6,753,055	—	—	6,753,055
Long-term debt	1,750,000	1,408,364	—	1,408,364	—
Installment payable	1,126	1,126	—	1,126	—
Obligations under finance lease	92,850	92,850	—	92,850	—

The Company has no financial liabilities measured at fair value as at December 31, 2015 and 2014. There were no transfers between fair value measurements in 2015 and 2014.

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, Short-term Investments, Advances to Associates, Receivables, Loans Payable and Trade and Other Current Liabilities.* The carrying values of these financial assets approximate their fair values due to the relatively short-term maturities of these financial assets and financial liabilities.



*Trade Receivables.* The fair value of trade receivables from real estate sales, except for receivables assigned with recourse, is determined by discounting the estimated cash flows using prevailing interest rates as at reporting dates. The discount rates used ranged from 1.0% to 5.9% in 2015 and 2014.

The carrying amount of other trade receivables approximates their fair values due to their short-term nature.

*Finance Lease Receivables.* The fair value of finance lease receivable is determined by discounting the estimated cash flows using prevailing discount rates in 2015 and 2014.

*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.

*Nontrade Liability.* The fair value of nontrade liability is determined by discounting estimated cash flows using prevailing discount rates in 2015 and 2014.

*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 5.3% to 6.3% and 5.3% to 5.7% in 2015 and 2014, respectively.

*Installment Payable and Obligations under Finance Lease.* The fair value of installment payable and obligations under finance lease approximate their carrying amount since the Company does not anticipate that the effect of discounting using prevailing market is significant.

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#### 45. Supplemental Disclosure of Cash Flow Information and Others

The significant noncash transactions entered into by the Company in 2014 are as follows:

	Amount
	(In Thousands)
Acquisition on controlling interest - reduction in investment account	(₱2,464,016)
Cancellation of the share swap agreement between PLC and LIR	1,219,133

The Company has reclassified finance lease receivable and certain receivables aggregating to ₱1,413.5 million from noncurrent to current assets as well as certain other assets from current to noncurrent assets amounting to ₱403.7 million as at December 31, 2013 to properly reflect the classification of the assets. The reclassifications did not affect the total assets.





Building a better  
working world

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ey.com/ph

BOA/PRC Reg. No. 0001,  
December 14, 2015, valid until December 31, 2018  
SEC Accreditation No. 0012-FR-4 (Group A),  
November 10, 2015, valid until November 9, 2018

## INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors  
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, 2015 and 2014 and for each of the three years in the period ended December 31, 2015, included in this Form 17-A, and have issued our report thereon dated February 29, 2016. 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 the 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.

Ramon D. Dizon  
Partner  
CPA Certificate No. 46047  
SEC Accreditation No. 0077-AR-3 (Group A),  
February 21, 2013, valid until April 30, 2016  
Tax Identification No. 102-085-577  
BIR Accreditation No. 08-001998-17-2015,  
February 27, 2015, valid until February 26, 2018  
PTR No. 5321631, January 4, 2016, Makati City

February 29, 2016



**Belle Corporation and Subsidiaries**  
**Index to the Consolidated Financial Statements and Supplementary Schedules**  
**Form 17-A, Item 7**  
**As at December 31, 2015**

**Supplementary Schedules**

A. Financial Assets

B. Amounts of receivables from Directors, Officers, Employees and Principal Stockholders  
(other than related parties)

C. Amounts of Receivables from Related Parties which are Eliminated during the 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



**Belle Corporation and Subsidiaries**  
**Schedule A - Financial Assets**  
**As at December 31, 2015**  
*(Amounts in Thousands)*

	<b>Name of Issuing Entity and Association of each use</b>	<b>Amount shown in the Balance Sheet</b>	<b>Income received and accrued</b>
<b>Loans and Receivables</b>			
Cash and cash equivalents	N/A	3,570,065	5,151
Trade receivables	N/A	1,400,495	55,359
Related parties	N/A	14,202	
Accrued interest	N/A	5,151	
Advances to third parties and others	N/A	179,759	
Advances to associates	N/A	29,836	
Deposit and guarantee bonds	N/A	53,331	
Finance Lease Receivable	MCE Leisure	17,145,254	
		22,398,093	60,510
<b>AFS Financial Assets</b>			
Equity Investments	SM Prime Holdings	2,007,530	
Equity Investments	SM Investments Corporation	27,811	
Equity Investments	Tagaytay Highlands International Golf Clu	2,590	
Equity Investments	The Country Club at Tagaytay Highlands	1,620	
Equity Investments	Costa Del Hamilo	757	
Equity Investments	PLDT	13	
Equity Investments	Others	982	
		2,041,303	-
<b>Investments Held for Trading</b>			
Equity Investments	APC Group, Inc.	26,501	
Equity Investments	DFNN, Inc.	26,426	
Equity Investments	Leisure & Resorts World Corporation	105,364	
Equity Investments	Vantage Equities, Inc.	68,296	
Equity Investments	PLDT	160	
		226,747	-
<b>Total Financial Assets</b>			
		24,666,143	60,510

**As at December 31, 2015**  
*(Amounts in Thousands)*

<b>Name and Designation of the Debtor</b>	<b>Balance at the Beginning of the Year</b>	<b>Additions</b>	<b>Amounts Collected</b>	<b>Amounts Provided with Allowance</b>	<b>Amounts Written Off</b>	<b>Current</b>	<b>Not Current</b>	<b>Balance at the end of the period</b>
Principal stockholder	5	-	-	-	-	5	-	5
Employees	205	818	(516)	-	-	507	-	507
Officers	645	1	(645)	-	-	1	-	1
Directors	450	-	-	-	-	-	450	450
	1,305	819	(1,161)	-	-	513	450	963

<p style="text-align: center;"> <b>Belle Corporation and Subsidiaries</b>  <b>Schedule C. Amounts of Receivables from Related Parties</b>  <b>As at December 31, 2015</b>  <i>(Amounts in Thousands)</i> </p>
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[illegible]

**Belle Corporation and Subsidiaries**  
**Schedule D. Intangible Assets**  
**As at December 31, 2015**  
*(Amounts in Thousands)*

Description	Beginning Balance	Additions at Cost	Charged to cost and expenses	Charged to other Accounts	Other Changes and Additions	Ending Balance
License - Casino	5,249,552	-	(279,211)	-	-	4,970,341
Goodwill - Acquisition of Subsidiaries	1,828,578	-	-	-	-	1,828,578
	7,078,130	-	(279,211)	-	-	6,798,919

**Belle Corporation and Subsidiaries**  
**Schedule E. Long Term Debt**  
**As at December 31, 2015**  
*(Amounts in Thousands)*

Title of Issue and Type of Obligation	Amount Authorized by Indenture		Balance at December 31, 2015		Current Portion of Long Term Debt		Non Current Portion of Long Term Debt		Interest Rate	Amount and Number of Periodic Payments			Maturity Date
	(In Original Currency)	(In PhP)	(In Original Currency)	(In PhP)	(In Original Currency)	(In PhP)	(In Original Currency)	(In PhP)		(In Original Currency)	(Approx in PhP)	Periodic Payments	
<b>Term Loans:</b>													
Maybank Php1B	Php1,000,000	1,000,000	Php984,375	984,375	Php262,500	262,500	Php721,875	721,875	5.25%	Php65,625	65,625	20 quarterly installments	August 29, 2019
RCBC Php1.5B	Php1,500,000	1,500,000	Php1,500,000	1,500,000	Php100,000	100,000	Php1,400,000	1,400,000	5.51% - 5.71%	Php100,000	100,000	3 annual installments and the remaining amount on due date	June 30, 2019
UCPB Php1B	Php1,000,000	1,000,000	Php1,000,000	1,000,000	Php-	-	Php1,000,000	1,000,000	6.25%	Php80,129	80,129	20 quarterly installments	November 23, 2019; December 29, 2019
EWB Php1.5B	Php1,500,000	1,500,000	Php1,500,000	1,500,000	Php-	-	Php1,500,000	1,500,000	5.75%	Php250,000	250,000	3 annual installments and the remaining amount on due date	January 30, 2020

**Belle Corporation and Subsidiaries**  
**Schedule F. Indebtedness to Related Parties**  
**As at December 31, 2015**

Name of Related Parties	Balance at January 1, 2015	Additions	Amounts Paid	Current	Not current	Balance at December 31, 2015
NOT APPLICABLE						

**Belle Corporation and Subsidiaries**  
**Schedule G. Guarantees of Securities of Other Issuers**  
**As at December 31, 2015**  
*(Amounts in Thousands)*

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 the Statement is Filed	Nature of Guarantee
Not Applicable				

**Belle Corporation and Subsidiaries**  
**H. Capital Stock**  
**As at December 31, 2015**

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding	Number of Shares Subscribed	Number of Shares reserved for stock rights	Number of Shares Held by Related Parties	Number of Shares Held by Directors and Key Executive Officers	Others
Common Stocks	14,000,000,000	10,518,853,857	-	-	3,113,559,744	192,805,146	7,212,488,967
Percentage Held					29.60%	1.83%	68.57%
Preferred Shares	6,000,000,000	-	-	-	-	-	-
Percentage Held					-	-	-



Belle Corporation  
Reconciliation of Retained Earnings Available for Dividend Declaration  
As at December 31, 2015  
(Amounts in Thousands)

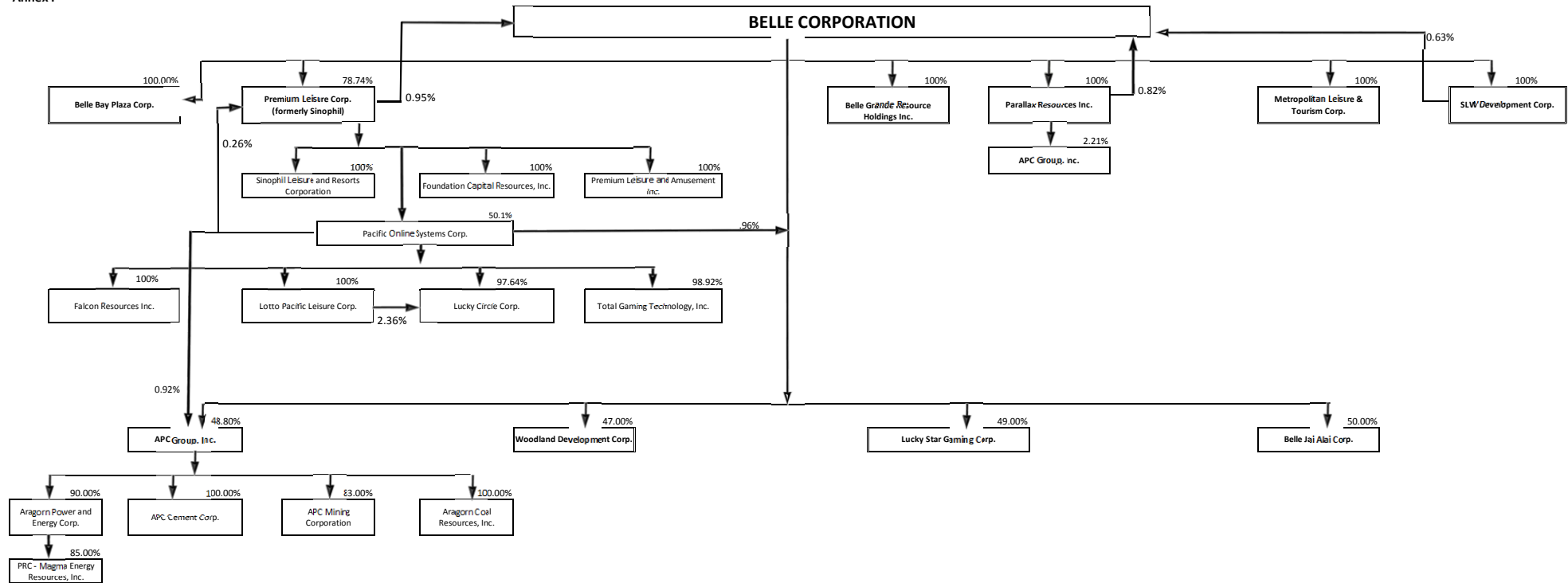
<b>Unappropriated Retained Earnings as at December 31, 2014</b>		<b>6,378,473</b>
<b>Net income based on the face of 2015 audited financial statements, as reported</b>		<b>2,666,572</b>
<b>Less: Non actual/unrealized income net of tax</b>		
Finance lease receivable adjustments:		
Interest income on finance lease receivable	(1,917,354)	
Actual cash receipts on finance lease	1,140,390	
Depreciation of investment property under finance lease	<u>(478,329)</u>	(1,255,293)
Deferred tax on finance lease adjustments		376,588
Reversal of provision for probable losses		(524,355)
Unrealized foreign exchange gain on short-term investments		(44,400)
<b>Add: Non-actual losses</b>		
Provision for probable losses		23,800
Deferred tax on provision for probable losses		(7,140)
Nontrade liability adjustments:		
Accretion of nontrade liability	651,684	
Payments of nontrade liability	<u>(338,599)</u>	313,085
Deferred tax on nontrade liability		(82,140)
		<u>(1,199,855)</u>
<b>Net income actually earned during the period, as adjusted</b>		<b>1,466,717</b>
<b>Dividend declarations during the year</b>		<b>(2,902,479)</b>
<b>Treasury shares acquired during the year</b>		<b>(134,442)</b>
<b>Unappropriated retained earnings as adjusted to available for dividend declaration, at end of year</b>		<b>4,808,269</b>

**Belle Corporation and Subsidiaries**  
**Schedule J. Key Financial Ratios**  
**As at December 31, 2015 and 2014**

		2015	2014
Asset-to-equity Ratio	Total assets over stockholders equity	<b>1.68 : 1.00</b>	1.51 : 1.00
Current or Liquidity Ratio	Current assets over current liabilities	<b>1.88 : 1.00</b>	1.99 : 1.00
Debt-to-equity Ratio	Interest-bearing debt over stockholders equity	<b>0.23 : 1.00</b>	0.17 : 1.00
Net debt-to-equity Ratio	Interest-bearing debt less cash and cash equivalents and HTM investments over stockholders equity	<b>0.10 : 1.00</b>	(0.06) : 1.00
Interest Rate Coverage Ratio	Earnings Before Interest and Taxes over interest expense	<b>9.80 : 1.00</b>	13.68 : 1.00
Return on Assets	Net income over average total assets during the period	<b>3.4%</b>	7.0%
Return on Equity	Net income over average equity during the period	<b>5.3%</b>	10.7%

SUBSIDIARIES

AFFILIATES



**BELLE CORPORATION AND SUBSIDIARIES**

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

**DECEMBER 31, 2015**

<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS</b> Effective as at December 31, 2015		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
<b>Framework for the Preparation and Presentation of Financial Statements</b> Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
<b>PFRSs Practice Statement Management Commentary</b>				✓
<b>Philippine Financial Reporting Standards</b>				
<b>PFRS 1 (Revised)</b>	First-time Adoption of Philippine Financial Reporting Standards			✓
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
	Amendments to PFRS 1: Borrowing Costs			✓
	Amendment to PFRS 1: Meaning of Effective PFRSs			✓
<b>PFRS 2</b>	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share- based Payment Transactions			✓
	Amendment to PFRS 2: Definition of Vesting Condition			✓
<b>PFRS 3 (Revised)</b>	Business Combinations	✓		
	Amendment to PFRS 3: Accounting for Contingent Consideration in a Business Combination	✓		
	Amendment to PFRS 3: Scope Exceptions for Joint Arrangements			✓
<b>PFRS 4</b>	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓

\* Standards or amendments which will become effective subsequent to December 31, 2014.

<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS</b> <b>Effective as at December 31, 2015</b>		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
<b>PFRS 5</b>	Non-current Assets Held for Sale and Discontinued Operations			✓
	Amendments to PFRS 5: Changes in Methods of Disposals*	Not Early Adopted		
<b>PFRS 6</b>	Exploration for and Evaluation of Mineral Resources			✓
<b>PFRS 7</b>	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*	Not Early Adopted		
	Amendments to PFRS 7: Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*	Not Early Adopted		
<b>PFRS 8</b>	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	✓		
<b>PFRS 9</b>	Financial Instruments *	Not Early Adopted		
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures*	Not Early Adopted		
	Amendments to PFRS 9: Hedge accounting and amendments to PFRS 9 and PAS 39 (2013 version)*	Not Early Adopted		
	Amendments to PFRS 9 (2014 version)*	Not Early Adopted		
<b>PFRS 10</b>	Consolidated Financial Statements	✓		
	Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities			✓
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Not Early Adopted		
	Amendments to PFRS 10 and PAS 28: Applying the Consolidation Exception*	Not Early Adopted		

<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS</b> Effective as at December 31, 2015		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
<b>PFRS 11</b>	Joint Arrangements	✓		
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations*	Not Early Adopted		
<b>PFRS 12</b>	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities			✓
<b>PFRS 13</b>	Fair Value Measurement	✓		
	Amendment to PFRS 13: Short-term Receivables and Payables	✓		
	Amendment to PFRS 13: Portfolio Exception	✓		
<b>PFRS 14</b>	Regulatory Deferral Accounts*	Not Early Adopted		
<b>Philippine Accounting Standards</b>				
<b>PAS 1 (Revised)</b>	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*	Not Early Adopted		
<b>PAS 2</b>	Inventories	✓		
<b>PAS 7</b>	Statement of Cash Flows	✓		
<b>PAS 8</b>	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
<b>PAS 10</b>	Events after the Reporting Period	✓		
<b>PAS 11</b>	Construction Contracts	✓		
<b>PAS 12</b>	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets			✓

<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS</b> <b>Effective as at December 31, 2015</b>		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
<b>PAS 16</b>	Property, Plant and Equipment	✓		
	Amendments to PAS 16: Classification of servicing equipment	✓		
	Amendment to PAS 16 and PAS 38: Revaluation Method - Proportionate Restatement of Accumulated Depreciation/Amortization			✓
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization*	Not Early Adopted		
	Amendments to PAS 16 and PAS 41: Bearer Plants*	Not Early Adopted		
<b>PAS 17</b>	Leases	✓		
<b>PAS 18</b>	Revenue	✓		
<b>PAS 19</b>	Employee Benefits	✓		
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures			✓
<b>PAS 19 (Amended)</b>	Employee Benefits	✓		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contribution			✓
	Amendments to PAS 19: Regional Market Issue Regarding Discount Rate*	Not Early Adopted		
<b>PAS 20</b>	Accounting for Government Grants and Disclosure of Government Assistance			✓
<b>PAS 21</b>	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation	✓		
<b>PAS 23 (Revised)</b>	Borrowing Costs	✓		
<b>PAS 24 (Revised)</b>	Related Party Disclosures	✓		
	Amendments to PAS 24: Key Management Personnel	✓		
<b>PAS 26</b>	Accounting and Reporting by Retirement Benefit Plans			✓
<b>PAS 27</b>	Consolidated and Separate Financial Statements	✓		
<b>PAS 27 (Amended)</b>	Separate Financial Statements	✓		
	Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities			✓
	Amendments to PAS 27: Equity Method in Separate Financial Statements*	Not Early Adopted		
<b>PAS 28</b>	Investments in Associates	✓		
	Investments in Associates and Joint Ventures	✓		

<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS</b> <b>Effective as at December 31, 2015</b>		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
<b>PAS 28 (Amended)</b>	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Not Early Adopted		
	Amendments to PFRS 10 and PAS 28: Applying the Consolidation Exception*	Not Early Adopted		
<b>PAS 29</b>	Financial Reporting in Hyperinflationary Economies			✓
<b>PAS 31</b>	Interests in Joint Ventures	✓		
<b>PAS 32</b>	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	✓		
<b>PAS 33</b>	Earnings per Share	✓		
<b>PAS 34</b>	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'*	Not Early Adopted		
<b>PAS 36</b>	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	✓		
<b>PAS 37</b>	Provisions, Contingent Liabilities and Contingent Assets	✓		
<b>PAS 38</b>	Intangible Assets	✓		
	Amendments to PAS 16 and PAS 38: Revaluation Method - Proportionate Restatement of Accumulated Amortization			✓
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization*	Not Early Adopted		
<b>PAS 39</b>	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions	✓		
	Amendments to PAS 39: The Fair Value Option	✓		



<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS</b> Effective as at December 31, 2015		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
	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	✓		
<b>PAS 40</b>	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	✓		
<b>PAS 41</b>	Agriculture			✓
	Amendments to PAS 16 and PAS 41: Bearer Plants*	Not Early Adopted		
<b>Philippine Interpretations</b>				
<b>IFRIC 1</b>	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
<b>IFRIC 2</b>	Members' Share in Co-operative Entities and Similar Instruments			✓
<b>IFRIC 4</b>	Determining Whether an Arrangement Contains a Lease	✓		
<b>IFRIC 5</b>	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
<b>IFRIC 6</b>	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
<b>IFRIC 7</b>	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
<b>IFRIC 8</b>	Scope of PFRS 2			✓
<b>IFRIC 9</b>	Reassessment of Embedded Derivatives	✓		
	Amendments to Philippine Interpretation IFRIC - 9 and PAS 39: Embedded Derivatives	✓		
<b>IFRIC 10</b>	Interim Financial Reporting and Impairment	✓		
<b>IFRIC 11</b>	PFRS 2- Group and Treasury Share Transactions			✓
<b>IFRIC 12</b>	Service Concession Arrangements			✓
<b>IFRIC 13</b>	Customer Loyalty Programmes	✓		
<b>IFRIC 14</b>	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	✓		

<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS</b> <b>Effective as at December 31, 2015</b>		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
	Amendments to Philippine Interpretations IFRIC - 14, Prepayments of a Minimum Funding Requirement	✓		
<b>IFRIC 15</b>	Agreements for the Construction of Real Estate*	Not Early Adopted		
<b>IFRIC 16</b>	Hedges of a Net Investment in a Foreign Operation			✓
<b>IFRIC 17</b>	Distributions of Non-cash Assets to Owners			✓
<b>IFRIC 18</b>	Transfers of Assets from Customers			✓
<b>IFRIC 19</b>	Extinguishing Financial Liabilities with Equity Instruments			✓
<b>IFRIC 20</b>	Stripping Costs in the Production Phase of a Surface Mine			✓
<b>IFRIC 21</b>	Levies	✓		
<b>SIC-7</b>	Introduction of the Euro			✓
<b>SIC-10</b>	Government Assistance - No Specific Relation to Operating Activities			✓
<b>SIC-12</b>	Consolidation - Special Purpose Entities			✓
	Amendment to SIC - 12: Scope of SIC 12			✓
<b>SIC-13</b>	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
<b>SIC-15</b>	Operating Leases – Incentives	✓		
<b>SIC-25</b>	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
<b>SIC-27</b>	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
<b>SIC-29</b>	Service Concession Arrangements: Disclosures			✓
<b>SIC-31</b>	Revenue - Barter Transactions Involving Advertising Services			✓
<b>SIC-32</b>	Intangible Assets - Web Site Costs			✓

\* Standards and interpretations which will become effective subsequent to December 31, 2015

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, 2015.