

COVER SHEET

1 3 1 7 4

SEC Registration Number

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

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

(Company's Full Name)

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

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

P a s i g C i t y

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

Ms. Lucy Dong

(Contract Person)

+632 8637-5291 to 93

(Company Telephone Number)

1 2 3 1

Month Day (Fiscal Year)

1 7 - Q

(Form Type)

Month Day

(Annual Meeting)

Not Applicable

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Dept. Requiring this Doc.

Not Applicable

Amended Articles Number/section

Total No. of Stockholders

Total No. of Stockholders

Total Amount of Borrowings

Domestic

Domestic

Foreign

Foreign

To be accomplished by SEC Personnel concerned

File Number

File Number

LCU

LCU

Document ID

Document ID

Cashier

Cashier

STAMPS

STAMPS

Remarks: Please use BLACK ink for scanning purposes.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION  
CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended **June 30, 2020**
2. Commission identification number **13174**
3. BIR tax identification number **000-108-278-000**

**LEISURE & RESORTS WORLD CORPORATION**

4. Exact name of issuer as specified in its charter
5. Province, country or other jurisdiction of incorporation or organization  
**PASIG CITY, METRO MANILA, PHILIPPINES**
6. Industry Classification Code: \_\_\_\_\_ (SEC use only)

**26F, WEST TOWER, PSE CENTER, EXCHANGE ROAD, ORTIGAS CENTER, PASIG CITY**

7. Address of registrant's principal office
8. Issuer's telephone number, including area code  
**+632 8637-5291 to 93**

NOT APPLICABLE

9. Former name, former address and former fiscal year, if changed since last report
10. Securities registered pursuant to Section 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of each class	Number of shares of common stock outstanding and amount of debt outstanding
Common	2,417,500,000/NA
Preferred	0 / N/A
Warrants	82,500,000/ N/A

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

Yes  No

12. Indicate by check mark whether the registrant:

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

Yes  No

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

Yes  No

## PART I – FINANCIAL INFORMATION

### Item 1. Financial Statements

Please see attached.

### Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

#### OVERVIEW

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

On January 11, 2019, the shareholders approved the issuance of up to 1,300,147,488 common shares from the unissued capital stock through a private placement. In March and April 2019, 1,217,647,488 common shares were subscribed at ₱3.60 per share by virtue of the subscription agreements entered into by the Parent Company with its investors. The proceeds of the issuance will be used to refinance some loans, finance working capital and support expansion.

In May 2019, the new shares were issued to the new investors.

#### PIKI

PIKI was registered with Philippine Securities and Exchange Commission (SEC) on November 9, 2012 and started its commercial operations on July 26, 2013. Its primary purpose is to engage in the business of gaming, recreation, leisure and lease of property. Together with Philippine Amusement and Gaming Corporation (PAGCOR), PIKI executed a Junket Agreement to jointly conduct junket gaming operations within PAGCOR's Casino Filipino-Midas located at Midas Hotel and Casino in Roxas Boulevard, Pasay City.

#### BCGLC and GCLWC

On April 27, 2011, LRWC acquired 70% of BCGLC's outstanding capital stock. BCGLC operates Slot Arcades at the King's Royale Hotel and Leisure Park, Olongapo-Gapan Road, Macabacle, Bacolor, Pampanga under a license issued by the PAGCOR. On July 24, 2015, BCGLC incorporated a subsidiary, GCLWC. GCLWC was incorporated to comply with Section 18, Chapter III of the Implementing Rules and Regulations of Republic Act No. 7227. GCLWC obtained its Certificate of Registration in Subic Bay Metropolitan Authority on August 2, 2016. On December 1, 2015, LRWC acquired the remaining 30% of BCGLC bringing its total ownership to 100%.

On December 17, 2015, BCGLC received a letter from PAGCOR, informing that PAGCOR's Board of Directors (BOD) approved and confirmed the assignment in favor of BCGLC of the Contracts of Lease over four (4) PAGCOR VIP Clubs at (1) Venezia at Subic Bay Freeport Zone, Subic Zambales with Palmgold International Limited; (2) Pan Pacific, Malate Manila with Pacific Palm Corporation; (3) Paseo Premier Hotel, Sta. Rosa Laguna with Pacific Palm Corporation; and (4) Apo View Hotel, Davao City with Pacific Palm Corporation.

On January 18, 2016, BCGLC assigned the VIP Club at Venezia at Subic Bay Freeport Zone to its subsidiary, GCLWC.

On January 28, 2016, the Amended Contracts of Lease of three (3) VIP Clubs, namely Pan Pacific, Paseo Premier Hotel and Apo View Hotel were executed under the name of BCGLC, while the other VIP Club, Venezia at Subic Bay Freeport Zone was under the name of GCLWC.

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

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

#### FCLRC

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

In the local scene, recent developments significantly affected FCLRC's business and operations due to the issuance on September 1, 2016 by the PAGCOR of the "Rules and Regulations for Philippine Offshore Gaming Corporations". The said PAGCOR Regulations was adopted to regulate the issuance of licenses which provide and participate in offshore gaming services or online games of chance via the Internet.

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

FCLRC owns 60% of the outstanding capital stock of FCCDCI.

#### LRDCSI

On May 20, 2016, LRDCSI was registered and incorporated with SEC. LRDCSI is a technology company engaged in aggregating data and telecommunication services. LRDCSI's revenue model involves acquiring services from local and foreign technology and telecommunication companies at wholesale rates, bundling said services and then reselling the services at retail rates.

The premium for such activity is warranted given the bespoke and higher level of customer engagement provided by LRDCSI. LRDCSI's portfolio includes solutions related to data center co-location, Internet, private leased lines, mobile and video platforms, cybersecurity, content delivery networks, e-commerce, and network and website optimization. LRDCSI aims to provide these services to customers and clients in the industry sectors including land based and online gaming operators. LRWC owns 80% of the outstanding capital of LRDCSI while one of the incorporators owns the remaining 20%.

LRDCSI owns 20% of the outstanding capital stock of FCCDCI effective January 1, 2017.

LRDCSI commenced its commercial operations on October 1, 2017.

#### FCCDCI

FCLRC and IP Converge Data Center Corporation (IPCDCC), a wholly owned subsidiary of listed firm IPVG Corp., formed a joint venture corporation with the name First Cagayan Converge Data Center Inc. which was incorporated on November 14, 2007. The joint venture corporation was formed to engage in the business of information technology such as IP communication, co-location, bandwidth, disaster recovery services, software development, internet merchant payment processing and payment solution, premium dial up access, voice over internet protocol, IP-wide area network services and other value-added services. Presently, FCCDCI provides a range of services to Internet Gaming Operators at the CSEZFP for a fee.

FCCDCI commenced its commercial operations on January 1, 2008. IPVG Corp. acquired IPCDCC's interest in FCCDCI and entered into a Deed of Subscription of Rights with IP E-Games Ventures, Inc. (IP E-Games), whereby IPVG Corp. assigned 9,999,998 shares of stock in FCCDCI with a par and issue value of ₱1. The assignment was made effective January 1, 2009. However, on April 13, 2011, the Board of Directors of both IP E-Games and IPCDCC jointly approved the sale of IP E-Games' 40% equity stake in FCCDCI for a total consideration of ₱120.0 million.

On May 15, 2012, IPCDCC entered into a Deed of Assignment of Subscription of Rights with IP Ventures, Inc. (IPVI), a third-party company, whereby IPCDCC assigned all rights and interests and participation to its 9,999,998 shares of stock in FCCDCI with a par and issue value of ₱1 to IPVI.

On January 1, 2017, IPVI entered into a Deed of Absolute Sale of Share of Stock with LRDCSI, whereby IPVI assigned its rights, interest and participation to its 5,000,000 shares of stock or 20% ownership in FCCDCI with a par and issue value of ₱1 for a total consideration of ₱16.4 million to LRDCSI.

By virtue of the Deed of Absolute Sale of Share of Stock entered into by IPVI and LRDCSI, LRWC obtained a 57.808% effective interest and control in FCCDCI through its direct subsidiaries FCLRC and LRDCSI at 60% and 20% equity stake in FCCDCI, respectively. Thus, due to the effect of the 20% additional equity interest, FCCDCI is consolidated into the Group effective January 1, 2017.

#### ABLE

ABLE (popularly known as Bingo Bonanza Corporation), is the pioneer in professional bingo gaming in the Philippines. PAGCOR granted ABLE and its subsidiaries the authority to operate bingo games pursuant to P.D. 1869. Since then, bingo outlets of ABLE and its subsidiaries have become community and entertainment centers, a source of revenue for the government, and a sponsor for fund-raising activities relating to social and educational programs.

#### *Site Count and Site Acquisitions*

In 2017, ABLE through its subsidiaries, opened additional nine (9) sites, of which three (3) sites were built in the following locations: (1) Il Centro Sta. Lucia; (2) Imall Camarin Caloocan; and (3) Robinsons Las Pinas. The remaining six (6) sites were acquired by ABLE through its subsidiaries in the following areas: (4) St. Thomas Square, Matalino Quezon City; (5) Tanjuatco Building, Tanay; (6) FRC Mall Bacoor, Cavite; (7) Northwalk San Fernando, Pampanga; (8) Puregold Novaliches; and (9) ATI Building Don Domingo Centro 2 Tuguegarao. This resulted in goodwill amounting to P48.7 million.

In September 2018, ABLE opened two (2) new sites in the following locations: (1) GD Plaza Guiguinto Bulacan and (2) Mactan Marina Mall.

ABLE permanently closed four (4) sites in 2017 and two (2) sites in 2018.

In 2019, ABLE opened three (3) new sites in the following locations: (1) Plazuela De Iloilo Mall, Madurriao, (2) Metro Town Center, Las Pinas and (3) Robinsons General Santos.

As of June 30, 2020, ABLE has a total of 154 sites nationwide.

#### *Corporate Income Tax*

On April 17, 2013, the applicability of RMC No. 33-2013 was clarified by PAGCOR in a Memorandum dated 09 July 2013 stating: "Pursuant to RMC No. 33-2013, PAGCOR's contractees and licensees, which include bingo grantees, are subject to income tax, under the National Internal Revenue Code (NIRC), as amended, and no longer subject to the 5% franchise tax. In view thereof, please be advised that effective the third quarter of this year, bingo grantees should no longer remit the 5% franchise tax. However, you ("bingo grantees") are now subject to income tax."

Hence, starting the second quarter of 2013, ABLE has stopped paying the 5% Franchise Tax to PAGCOR and began recognizing provisions for income tax instead.

On April 6, 2018, PAGCOR issued a Memorandum, through its Assistant Vice President, GLDD, stating that on April 4, 2018, PAGCOR's BOD approved the reversion to 5% Franchise tax on income from bingo game operations and bingo sites. The implementation of the 5% Franchise tax on bingo game offerings shall take effect on January 1, 2018. By the virtue of the memorandum issued, ABLE no longer recognized provision for income tax starting January 1, 2018. In the same memorandum, PAGCOR effectively passed on the payment of the prize tax on winnings to either the player or the operator at its option.

#### TGXI

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

#### *Site Count*

Due to the expiration of IPLMA license of Philweb last August 10, 2016, TGXI closed three (3) of its sites as well as 1,494 terminals in its 51 other sites.

The following month, TGXI received notices from PAGCOR informing that the PAGCOR's BOD issued an order to immediately cease the operations of its Electronic Games at its 17 sites due to non-compliance with the distance restriction guidelines under Section 2 of Regulation 3 of the Gaming Site Regulatory Manual (GSRM) for Bingo Games version 2.0. In response to this, LRWC sent a letter of reconsideration to PAGCOR.

From October to November 2016, PAGCOR allowed the re-opening of three (3) sites.

In February 2017, PAGCOR further allowed another site to be re-opened, while management decided to permanently close 12 sites.

In 2018, management decided to permanently close four (4) sites and open one (1) site.

As of June 30, 2020, TGXI has 36 operational sites.

## ABLGI

On January 14, 2011, LRWC and ABLGI entered into several agreements (the "ABLGI Agreements") with Belle Corporation (Belle) and Premium Leisure and Amusement, Inc. (PLAI) for the leasing, fit out, and operation of an integrated casino development project to be located at Aseana Business Park, Paranaque City (the "Project"). PLAI is a member of a consortium composed of SM Investments Corporation, SM Land, Inc., SM Hotels Corporation, SM Development Corporation, SM Commercial Properties, Inc., and PLAI, which was granted a Provisional License by PAGCOR to establish and operate a casino to be located within the Manila Bay Reclamation Area.

On March 20, 2013, ABLGI, LRWC, Belle, Belle Grande Resource Holdings, Inc. ("BGRHC"), and PLAI entered into a Memorandum of Agreement ("ABLGI MOA") effectively terminating its ABLGI Agreements. In consideration for the waiver of the Company's rights under the ABLGI Agreements, Belle and PLAI have agreed to pay the Company, among others, an amount equivalent to the 30% interest in the net lease income of the Project and the 30% share in the gaming revenue derived therefrom. These are to be paid to ABLGI upon actual receipt by Belle and PLAI of the lease income and gaming revenue from the Project.

ABLGI began recognizing share in gaming revenue in December 2014 when gaming operations began.

In December 2014, the ABLGI MOA was amended to operationalize the terms and conditions of ABLGI's advances to BGRHC as funding to the project and provided that such shall be treated as a loan payable in annual installments commencing on the fifth anniversary of the transfer date. As such, the difference between the 30% share in the net lease income of the Project and the principal and interest payments on the ABLGI advance will be considered as the annual compensation fee.

On 04 November 2016, Belle and PLAI ("Belle Group") signed a Termination agreement with LRWC and ABLGI ("LRWC Group"), which would enable the latter to realize its interests under its existing agreements with the Belle Group. Under the agreement, Belle Group will pay the LRWC Group a total of ₱5,090.0 million, with ₱1,018.0 million paid upon signing and the balance at the end of March 2017. Until the finalization of the transaction, ABLGI will continue to share in the net lease income and gaming revenue of Belle Group.

The Termination agreement was finalized on March 31, 2017. ABLGI received ₱4,072.0 million, which comprised of: (1) payment for an outstanding loan of Belle Group to ABLGI amounting to ₱3,762.0 million, and (2) ₱310.0 million, of which ₱110.5 million was treated as a repayment of advances to Belle while the remaining ₱199.5 million was recorded under "Other Income" in the Unaudited Consolidated Statements of Profit or Loss and Other Comprehensive Income, representing assignment of rights in relation to the Advisory services rendered to the Philippine Consortium in favor of Belle. Effective March 31, 2017, ABLGI shall be deemed to have divested its economic interest in the City of Dreams-Manila Integrated Resort and Casino.

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

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

In October 2017, LRWC signed an Omnibus Loan and Security Agreement (OLSA) for Two Billion Five Hundred Million Pesos (Php 2,500,000,000.00) with BDO Unibank, Inc. - Trust and Investment Group as Security Trustee and the Company, LRWC as Surety, for the acquisition,

through its subsidiary, of 23 hectares of land property in Boracay for future project. The land properties were acquired the same year.

#### LRLDI

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

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

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

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

On November 4, 2019, LRLDI sold the 50% interest of TPI shares for the selling price of P1,750,000,000 of which P1,000,000,000 was paid in cash while the remaining balance of P750,000,000 is payable in 10 years.



## RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED JUNE 30, 2020 AS AGAINST JUNE 30, 2019

### GROSS PROFIT

Breakdown of gross gaming revenues and its related direct costs are as follows:

	For the three months ended June 30			
	2020	2019	Change	% Change
<b>CASINO</b>				
Casino gaming revenues	₱2,331,393	₱457,090,380	(₱454,758,987)	(99.49%)
Income from junket operations	(9,579,029)	581,678,775	(591,257,804)	(101.65%)
	(7,247,636)	1,038,769,155	(1,046,016,791)	(100.70%)
<b>ONLINE</b>				
Service and hosting fees	129,535,762	147,450,264	(17,914,502)	(12.15%)
Bandwidth and co-location	130,140,533	148,985,635	(18,845,102)	(12.65%)
	259,676,295	296,435,899	(36,759,604)	(12.40%)
<b>RETAIL</b>				
Electronic bingo	1,370,333	1,688,348,129	(1,686,977,796)	(99.92%)
Traditional bingo	-	556,033,445	(556,033,445)	(100.00%)
Electronic games	6,279	249,787,544	(249,781,265)	(100.00%)
Rapid bingo	-	64,397,700	(64,397,700)	(100.00%)
Pull tabs	3,140	4,681,360	(4,678,220)	(99.93%)
	1,379,752	2,563,248,178	(2,561,868,426)	(99.95%)
<b>PROPERTY</b>				
Rent income	14,199,721	6,927,243	7,272,478	104.98%
Total gross gaming revenues	268,008,132	3,905,380,475	(3,637,372,343)	(93.14%)
Partner's share	-	899,828,738	(899,828,738)	(100.00%)
Franchise fees and taxes	55,806,215	1,153,560,019	(1,097,753,804)	(95.16%)
Payout	62,542	456,620,885	(456,558,343)	(99.99%)
Vendor share	286,400	354,455,238	(354,168,838)	(99.92%)
Costs of bandwidth and co-location	118,827,369	115,347,025	3,480,344	3.02%
Other direct costs	383,543	5,371,412	(4,987,869)	-92.86%
Total direct costs	175,366,069	2,985,183,316	(2,809,817,247)	(94.13%)
Gross profit	₱92,642,063	₱920,197,159	(₱827,555,096)	(89.93%)

### Consolidated Gross Profit

For the three months of Q2, consolidated Gross Profit decreased by P827.6 million or 89.9% as compared to previous year's Q2 results mainly due to the decline of gross gaming revenue growth from all segments. Operations was affected by the strict community quarantine protocols implemented by the Philippine government which started on the second half of March 2020, in relation to the COVID-19 pandemic. All casino and retail sites were closed in mid March but some sites have been gradually opening starting mid of June 2020.

### **Casino**

PIKI (Income from junket operations) recorded a decline of 101.7% in gross gaming revenue mainly due to no operations in Q2 which actually started in mid- March following government's protocols. Until to date, the PIKI operations has not opened yet. The figures recorded in Q2 is mainly adjustment from the previous quarter.

BCGLC and GCLWC (Casino gaming revenues) registered a decline of 99.5% as compared to last year mainly due to closure of operations brought by strict community quarantine which started on 2<sup>nd</sup> half of March 2020. Out of the 6 sites, only 3 sites opened by mid of June 2020 with limited operating hours from 8am to 10pm only.

### Online

FCLRC generated ₱129.5 million gross revenues during the second quarter of 2020, a decrease of P17.9 million or 12.1% from last year's second quarter of ₱147.5 million. The decline can be attributed to non-renewal of CEZA Licensees and lower revenues reported by existing licensees.

FCCDCI and LRDCSI's combined gross revenue from bandwidth and co-location in 2020 Q2 amounted ₱130.1 million, a decline of ₱18.8 million or 12.7% as compared to same period of 2019. The decline is primarily due to repricing of data services and terminations or downgrades of services from several customers.

### **Retail**

ABLE and its subsidiaries generated total gross gaming revenues of only P 1.4 million for the second quarter of 2020, a decrease of ₱2.6 billion or almost 100% as compared with the same period last year mainly due to closure of all sites which started mid of March 2020. It is only by the end of June 2020, that we were able to resume operations of 10 ABLE sites at only 50% occupancy.

TGXI sites remained closed in Q2 of Y2020 following the government's strict community quarantine protocols that started mid of March 2020. The team is preparing the sites for re-opening in Q3.

In preparation for the re-opening of sites, Retail group prepared and submitted strategic return-to-work guidelines. Sites were disinfected, physical distancing markers were set-up, safety materials and reminder posters were procured and installed in the branches, and employees were trained on the new SOPs aimed to reduce COVID-19 transmission.

### **Property**

Since the effectivity of the Termination Agreement with Belle Group on March 31, 2017, ABLGI's sole source of revenue was the rent income from the lease of Binondo Suites. Rent income generated amounted to ₱2.1 million for the quarter.

LRLDI generated rent income from its lease of Cyberpark Buildings 1 and 2 and Techhub Makati. Rent income for the second quarter of 2020 amounted to P11.1 million with income of P4M from Q1.

## **OPERATING EXPENSES**

Breakdown of operating expenses are as follows:

	<b>For the three months ended June 30</b>			
	<b>2020</b>	<b>2019</b>	<b>Change</b>	<b>% Change</b>
People expenses	<b>94,599,142</b>	277,354,382	(182,755,240)	-65.9%
Rentals and utilities	<b>121,795,174</b>	262,441,587	(140,646,413)	-53.6%
Depreciation and amortization	<b>93,646,303</b>	101,763,754	(8,117,451)	-8.0%
Advertising and promotion	<b>39,742,579</b>	80,567,470	(40,824,891)	-50.7%
Taxes and licenses	<b>25,499,595</b>	47,288,269	(21,788,674)	-46.1%
Professional and directors' fees	<b>6,688,023</b>	23,982,293	(17,294,270)	-72.1%
Repairs and maintenance	<b>5,885,516</b>	28,998,079	(23,112,563)	-79.7%
Travel and transportation	<b>1,446,643</b>	17,016,222	(15,569,579)	-91.5%
Interest expense - net	<b>74,596,689</b>	139,539,285	(64,942,596)	-46.5%
Supplies	<b>893,160</b>	18,456,082	(17,562,922)	-95.2%
Income tax expense (benefit)	<b>3,362,698</b>	(74,701,700)	78,064,398	104.5%
Others	<b>10,358,358</b>	145,194,962	(134,836,604)	-92.9%
	<b>₱478,513,880</b>	<b>₱1,067,900,685</b>	<b>(₱589,386,805)</b>	<b>-55.2%</b>

Overall operating expenses decreased by P589.4 million or 55.2% mainly due to the closure of sites in Q2 wherein only few sites re-opened in mid and end of June. The following were the notable reduction in expenses: a) People expenses by 65.9%; (b) Rentals and Utilities by 53.6% due to negotiated rates during ECQ (c) Advertising & Promotions by 50.7% (d) Professional fees by 72.1% (e) Repairs and maintenance by 79.7%; (f) Travel and Transportation by 91.5% and (g) Supplies by 95.2%. Cost reduction and cost saving measures are continuously implemented during this pandemic to lessen the impact of foregone revenues.

## CONSOLIDATED NET LOSS

Net loss details as follows:

	For the three months ended June 30			
	2020	2019	Change	% Change
Gross gaming revenues	268,008,132	3,905,380,475	(3,637,372,343)	-93.1%
Direct costs	(175,366,069)	(2,985,183,316)	2,809,817,247	-94.1%
	92,642,063	920,197,159	(827,555,096)	-89.9%
Operating expenses	(478,513,880)	(1,067,900,685)	589,386,805	-55.2%
<b>Net Operating Income</b>	<b>(385,871,817)</b>	<b>(147,703,526)</b>	<b>(238,168,291)</b>	<b>161.2%</b>
Equity share in net income of a joint venture	-	13,031,886	(13,031,886)	-100.0%
Equity share in net income of an associate	-	19,693,217	(19,693,217)	-100.0%
Other income - net	(223,872)	5,420,445	(5,644,317)	-104.1%
<b>Net income after tax</b>	<b>(386,095,689)</b>	<b>(109,557,978)</b>	<b>(276,537,711)</b>	<b>-252.4%</b>
Minority interest	(6,851,879)	(20,826,141)	13,974,262	-67.1%
Net income attributable to Parent Company	<b>(P392,947,568)</b>	<b>(P130,384,119)</b>	<b>(P262,563,449)</b>	<b>-251.5%</b>

The Group posted a consolidated net loss (net of minority share) during the second quarter of 2020 amounting to P392.9 million or a decline by P262.6 million or 251.5% from last year's second quarter consolidated net loss of P130.4 million. The decline was mainly due to non operation of Casino and Retail sites from middle of March up to present. Only 10 sites from Retail has opened at 50% occupancy in mid of June and 3 sites from Blue Chip opened by end of June 2020.

## RESULTS OF OPERATIONS FOR THE SIX MONTHS ENDED JUNE 30, 2020 AS AGAINST JUNE 30, 2019

### GROSS PROFIT

Breakdown of gross gaming revenues and its related direct costs are as follows:

	For the six months ended June 30			
	2020	2019	Change	% Change
<b>CASINO</b>				
Casino gaming revenues	<b>₱432,301,812</b>	₱927,077,032	(₱494,775,220)	(53.37%)
Income from junket operations	<b>349,398,646</b>	1,376,663,050	(1,027,264,404)	(74.62%)
	<b>781,700,458</b>	<b>2,303,740,082</b>	<b>(1,027,264,404)</b>	<b>(66.07%)</b>
<b>ONLINE</b>				
Service and hosting fees	<b>209,352,884</b>	259,963,103	(50,610,219)	(19.47%)
Bandwidth and co-location	<b>265,828,005</b>	301,623,833	(35,795,828)	(11.87%)
	<b>475,180,889</b>	<b>561,586,936</b>	<b>(86,406,047)</b>	<b>(15.39%)</b>
<b>RETAIL</b>				
Electronic bingo	<b>1,387,396,423</b>	3,270,704,039	(1,883,307,616)	(57.58%)
Traditional bingo	<b>423,795,592</b>	1,131,803,625	(708,008,033)	(62.56%)
Electronic games	<b>77,317,165</b>	482,482,293	(405,165,128)	(83.98%)
Rapid bingo	<b>60,685,560</b>	132,452,925	(71,767,365)	(54.18%)
Pull tabs	<b>4,433,680</b>	8,884,070	(4,450,390)	(50.09%)
	<b>1,953,628,420</b>	<b>5,026,326,952</b>	<b>(3,072,698,532)</b>	<b>-61.13%</b>
<b>PROPERTY</b>				
Rent income	<b>19,821,024</b>	13,307,586	6,513,438	48.95%
<b>Total gross gaming revenues</b>	<b>3,230,330,791</b>	<b>7,904,961,556</b>	<b>(4,674,630,765)</b>	<b>(59.14%)</b>
Partner's share	<b>523,068,629</b>	1,950,905,714	(1,427,837,085)	(73.19%)
Franchise fees and taxes	<b>989,565,219</b>	2,308,397,286	(1,318,832,067)	(57.13%)
Payout	<b>344,555,490</b>	867,665,968	(523,110,478)	(60.29%)
Vendor share	<b>291,288,544</b>	696,873,823	(405,585,279)	(58.20%)
Costs of bandwidth and co-location	<b>238,956,407</b>	239,841,597	(885,190)	(0.37%)
Other direct costs	<b>8,456,092</b>	11,175,028	(2,718,936)	(24.33%)
<b>Total direct costs</b>	<b>2,395,890,381</b>	<b>6,074,859,416</b>	<b>(3,678,969,035)</b>	<b>(60.56%)</b>
<b>Gross profit</b>	<b>₱834,440,410</b>	<b>₱1,830,102,140</b>	<b>(₱995,661,730)</b>	<b>(54.40%)</b>

### Consolidated Gross Profit

For the six months period ending June 30, 2020, the consolidated Gross Profit decreased by ₱995.7 million or 54.4% mainly due to the reduction of gaming revenue from all segments. The effect of Enhanced Community Quarantine started in mid of March 2020 where strict government protocols were followed. All casino and retail sites were closed from mid of March 2020. After submission of strategic return to work guidelines and safety operation measures, we were able to open 10 Retail sites with 50% occupancy by the end of June and open 3 sites of Blue Chip by the middle of June.

### Casino

Gross revenues from the Casino business registered a decline of ₱1.0 billion or 66.1%. PIKI's income from junket operations decreased by ₱1.0 billion or 74.6% mainly due to no operations in Q2 as casino closed from middle of March 2020 due to strict government protocols during the Enhanced Community Quarantine.

BCGLC and GCLWC also posted a decrease in revenue during the 1<sup>st</sup> half of the year by P494.8 million or by 53.2% mainly due to closure of its sites from middle of March 2020. Only 3 sites were able to open by mid of June 2020.

### Online

Online division registered an overall decline in revenue by ₱86.4 million or 15.4% from ₱561.6 million in 2019 to ₱475.2 million in 2020.

FCLRC generated ₱209.4 million gross revenues for the six months ended June 30, 2020, a decrease of ₱50.6 million or 19.5% from last year's first half of ₱259.9 million. The decline can be attributed to non-renewal of CEZA Licensees and lower revenues reported by existing licensees.

FCCDCI and LRDCSI implemented lower rates on its products starting 2018 to compete with local telecommunication companies. For the first half of Y2020, it generated P265.8M which is lower by 11.9% as compared to same time last year of P301.6M. The decline is primarily due to repricing of data services and terminations or downgrades of services from several customers.

### **Retail**

ABLE and its subsidiaries generated total year to date gross gaming revenues of P1,953.6 million, a decrease of ₱3,072.7 million or 61.1% from ₱5,026.3million of the same period last year. The decrease was mainly due to the effect of closure of all sites starting mid of March 2020 and only 10 sites opened towards the end of June. The decrease was attributable to: (1) Electronic bingo by ₱1,883.3 million or 57.6%; (2) Traditional bingo by ₱708.0 million or 62.6%; (3) Electronic Games by P405.2 million or 83.9% and (4) Rapid Bingo by ₱71.8 million or 54.2%.

To mitigate the impact of foregone revenues during quarantine, Retail group strived to negotiate for free or lower rental charges. Cost containment continues to be one of the company's strategies amid this time of pandemic and market instability.

### **Property**

ABLGI's rent income from the lease of Binondo Suites amounted to ₱4.2 million for the period ended June 30, 2020. While LRLDI derived a year to date rent income from the lease of Cyberpark Buildings 1 and 2 and Techhub Makati amounting to P15.6 million.

## **OPERATING EXPENSES**

Breakdown of operating expenses are as follows:

	<b>For the six months ended June 30</b>			
	<b>2020</b>	<b>2019</b>	<b>Change</b>	<b>% Change</b>
People expenses	<b>345,358,435</b>	550,857,776	(205,499,341)	-37.3%
Rentals and utilities	<b>376,434,226</b>	516,273,545	(139,839,319)	-27.1%
Depreciation and amortization	<b>180,284,256</b>	208,247,468	(27,963,212)	-13.4%
Advertising and promotion	<b>96,303,938</b>	152,954,178	(56,650,240)	-37.0%
Taxes and licenses	<b>71,981,689</b>	74,518,594	(2,536,905)	-3.4%
Professional and directors' fees	<b>14,641,339</b>	40,694,963	(26,053,624)	-64.0%
Repairs and maintenance	<b>14,668,194</b>	48,644,402	(33,976,208)	-69.8%
Travel and transportation	<b>8,438,596</b>	26,366,246	(17,927,650)	-68.0%
Interest expense - net	<b>143,040,410</b>	251,250,394	(108,209,984)	-43.1%
Supplies	<b>2,965,014</b>	33,194,390	(30,229,376)	-91.1%
Income tax expense (benefit)	<b>6,135,478</b>	(138,637,005)	154,114,958	111.2%
Others	<b>84,357,613</b>	154,003,825	(69,646,212)	-45.2%
	<b>₱1,344,609,188</b>	<b>₱1,918,368,776</b>	<b>₱(573,759,588)</b>	<b>-29.9%</b>

Overall operating expenses decreased by ₱573.8 million or 29.9%. The decrease was mainly due to non-operations of sites from mid of March 2020. Significant decreases were as follows: (1) People Expenses by ₱205.5 million or 37.3% due to reduce manpower costs brought by closure of sites; (2) Rentals and utilities by ₱139.8 million due to rental reduction during community quarantine as well as reduction of utilities due to non-operation; (3) Repairs & Maintenance by ₱33.9 million due to closure of sites; and (4) Supplies by P30.2M due to non-operation of sites.

## CONSOLIDATED NET LOSS

Net loss details as follows:

	For the six months ended June 30			
	2020	2019	Change	% Change
Gross gaming revenues	3,230,330,791	7,904,961,556	(4,674,630,765)	-59.1%
Direct costs	(2,395,890,381)	(6,074,859,416)	(3,678,969,035)	-60.6%
	<b>834,440,410</b>	1,830,102,140	(995,661,730)	-54.4%
Operating expenses	(1,344,609,188)	(1,918,368,776)	573,759,588	-29.9%
<b>Net Operating Income</b>	<b>(510,168,778)</b>	(88,266,636)	(431,244,617)	488.6%
Equity share in net income of a joint venture	19,521,971	42,121,506	(22,599,535)	-53.7%
Equity share in net income of an associate	-	32,046,742	(32,046,742)	100.00%
Other income - net	1,152,681	11,471,598	(10,318,917)	-90.0%
<b>Net income after tax</b>	<b>(489,494,126)</b>	(2,626,790)	(486,867,336)	18535%
Minority interest	(11,435,647)	(42,774,296)	31,338,649	-73.3%
Net income attributable to Parent Company	<b>(P500,929,773)</b>	<b>(P45,401,086)</b>	<b>(P455,528,687)</b>	<b>-251.5%</b>

The Group posted a consolidated net loss (net of minority share) for the period ended June 30, 2020 amounting to P500.9 million or a 251.5% decline from 2019's first half consolidated net loss of P45.4 million. The decline of P455.5 million is mainly due to the significant decline in gross gaming revenue brought about by the closure of sites following the strict government protocols of the government during the pandemic which started in middle of March 2020.

### Financial Condition - June 30, 2020 vs. December 31, 2019

On a consolidated basis, the financial position of LRWC and its subsidiaries - PIKI, BCGLC, FCLRC, LRDCSI, FCCDCI, ABLE, TGXI, ABLGI, and LRLDI – despite the pandemic crisis, continue to be on solid ground. Total assets as of June 30, 2020 amounted to P19.5 billion, a decrease of P1.9 billion or 9.0% as compared to last year's balance of P21.4 billion.

### Cash Flows - Six Months Ended June 30, 2020 vs. June 30, 2019

Cash balance as of June 30, 2020 amounted to P617.9 million, a decrease from December 31, 2019 by P1.9 billion or 75.9% mainly due to the redemption of preferred shares in January 2020.

### Discussion and Analysis of Material Events and Uncertainties Known to Management

The Management of LRWC and Subsidiaries is not aware of any material events/and uncertainties that would address the past and would have impact on future operations of the following:

1. Any trends, demands, commitments, events or uncertainties that will have a material impact on LRWC's liquidity;
2. Any events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation;
3. Any material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships with unconsolidated entities or other persons created during the reporting period;
4. Any material commitments for capital expenditures, the general purpose of such commitments and the expected sources of funds for such expenditures;
5. Any known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable impact on net sales/revenues/income from continuing operations;
6. Any significant elements of income or loss that did not arise from LRWC continuing operations;

7. Any seasonal aspects that had a material effect on the financial condition and results of operations.

## **PLANS FOR 2020**

### **RETAIL**

In 2019, the Retail Group realized its goal of expanding its market reach and providing additional gaming capacity by opening six (6) new venues, renovating its existing sites, and offering multiple gaming products.

Before the year 2019 ended, the Group underwent an organizational re-structuring and personnel retirement program, which successfully resulted in an integrated ABLE's and TGXI's organizational structure. This helped improve the efficiency of roles and maximize manpower output, resulting in faster response to changing business trends as well as substantial cost reductions. Despite such major internal changes and cash challenges, growth was still achieved in 2019.

For 2020, our strategies continue to be growth-oriented, deeply anchored in profitability and cost management. In particular, we plan to become the "top-of-mind" gaming venue by making all products available in select sites making such sites a "one-stop shop", capitalizing on our membership card as a marketing tool, continuing site build-outs and/or acquisitions to further strengthen our site network, refreshing and standardizing the look of existing sites for an upgraded player experience, improving or personalizing customer service for increased visits and extended stay, introducing product innovations (e.g., all-link traditional bingo program with higher payouts which shall attract more players, hence more revenues), as well as pursuing backward integrations to boost revenues and/or increase gross profit.

Due to the COVID-19 pandemic, some of these plans may have to be pushed back, but still remain in the pipeline. We shall ramp up our efforts on restating our business while ensuring strict compliance with the rules and regulations set by the government, particularly PAGCOR and the local government units (LGUs) where our venues are located. Our resilience will help us quickly adapt to disruptions and changing business trends while maintaining business operations and safeguarding our people, patrons, assets, and overall brand equity.

### **CASINO**

#### *Product Improvement*

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

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

#### *Marketing and Promotion*

BCGLC marketing plan in 2020 will be based on the following: (1) Product - increase the game mix; (2) Price - various denomination games installed in each club to attract all level of players; and (3) Promotion - intense marketing activities will be held on a weekly, monthly and quarterly basis.

#### *Club Enhancement*

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

## **ONLINE/PROPERTY**

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

### *Accessibility*

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

In 2018, a chartered airline servicing one of the locators in Santa Ana successfully launched its maiden flight between Macau and Lal-lo. The chartered airline now flies two round trips a week from Lal-lo to Macau. Also, in 2018, consultants were engaged to assist Cagayan Premium to obtain the authorization from the CAAP for CNIA to operate as a commercial airport. It is expected that with the appointment of trained airport personnel, planned upgrade of the passenger terminal, procurement of ground handling equipment and installation of navigational systems by the 4th quarter of 2020, CNIA will finally be able to operate as a fully-functional commercial airport.

### *Master-planned Business Park*

Initially focusing on its leased 10-hectare property in Santa Ana (Cyberpark) for development, FCLRC is expanding its plans to cover a significantly larger area beyond Cyberpark. In doing so, FCLRC can properly envision and execute a master-planned development that incorporates office, residential and retail commercial buildings as well as recreational areas into a self-contained community catering to online gaming and financial technology companies. FCLRC expects actual master-planning work to commence late in the second quarter or early in the third quarter of 2020. Horizontal land development preparatory work should begin shortly after.

### *Licenses*

To provide the appropriate regulatory environment to its infrastructural development plans, FCLRC successfully renewed its master licensor from CEZA in 2017. In addition, FCLRC was also awarded by CEZA the first land-based casino license in CSEZFP in late 2018. For 2020, FCLRC is angling to obtain a principal financial technology license and explore opportunities involving blockchain technology and cryptocurrency.

FCCDCI has built a robust network data network infrastructure in Cagayan that has direct access to Hong Kong and Manila. The data infrastructure provides low latency bandwidth that's integral to online gaming operations. The same data infrastructure is connected to multiple nodes across Asia, thereby allowing online enterprises to efficiently reach their target markets.

For 2020, additional capital expenditures are programmed to improve facilities in both Cagayan and Manila as follows:



In Cagayan:

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

In Manila:

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

## PART II – OTHER INFORMATION

There is no significant information that needs to be reported under this section not previously reported in a report on SEC Form 17-C.

### SIGNATURES

Pursuant to the requirements of the Revised Securities Act, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Registrant: **LEISURE & RESORTS WORLD CORPORATION**



Signature and Title : **ENG HUN CHUAH**, President  
Date: 29 July 2020



Signature and Title: **LUCY DONG**, Deputy Chief Financial Officer  
Date: 29 July 2020

**LEISURE & RESORTS WORLD CORPORATION AND SUBSIDIARIES**  
**UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	<i>Note</i>	June 30, 2020	December 31, 2019
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash	4	P617,877,284	P2,558,645,280
Receivables	5	1,240,524,159	1,164,022,164
Lease receivables - current		9,383,968	9,383,968
Due from related parties	14	155,000,000	155,000,000
Prepaid expenses and other current assets	6	208,803,856	169,906,156
Total Current Assets		2,231,589,267	4,056,957,568
<b>Noncurrent Assets</b>			
Property and equipment – net	7	1,790,289,734	1,964,516,238
Investment properties	8	9,773,744,215	9,773,653,000
Investments and advances	9	2,567,845,675	2,507,626,755
Financial assets at fair value through other comprehensive income (FVOCI)	9	106,725,824	106,725,824
Receivables - net of current portion		508,149,507	508,149,507
Lease receivables - net of current portion		20,419,558	20,419,557
Deferred tax assets		20,476	20,476
Goodwill	13	1,493,884,695	1,493,884,695
Other noncurrent assets – net	10	1,001,754,154	999,041,168
Total Noncurrent Assets		17,262,833,837	17,374,037,220
		<b>P19,494,423,105</b>	<b>P21,430,994,788</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Trade and other payables	12	P1,982,700,548	P1,979,892,257
Short-term loans payable	11	913,512,500	893,892,480
Current portion of:			
Long-term loans payable	11	267,820,298	319,169,278
Lease liabilities		187,984,408	201,485,706
Income tax payable		8,903,842	5,484,615
Total Current Liabilities		3,360,921,596	3,399,924,336
<b>Noncurrent Liabilities</b>			
Long-term loans payable - net of current portion	11	2,918,957,424	2,676,788,687
Lease liabilities - net of current portion		580,290,821	580,290,821
Retirement benefits liability		180,338,178	180,338,178
Deposits		97,807,175	97,807,175
Deferred tax liabilities		1,384,574,886	1,384,574,886
Total Noncurrent Liabilities		5,161,968,484	4,919,799,747
		<b>8,522,890,080</b>	<b>8,319,724,082</b>

(Forward)

	<i>Note</i>	June 30, 2020	December 31, 2019
<b>Equity</b>			
<b>Equity Attributable to the Parent Company</b>			
Capital stock	1	<b>₱4,067,500,000</b>	₱4,067,500,000
Additional paid-in capital - common	1	<b>4,263,308,184</b>	4,263,308,184
Treasury shares		<b>(1,740,411,278)</b>	(90,411,278)
Retirement benefits reserve		<b>(9,736,500)</b>	(9,492,947)
Fair value reserve		<b>598,233</b>	598,233
Foreign currency translation reserve		<b>(2,099,981)</b>	(2,099,981)
Other reserve		<b>(19,488,495)</b>	(19,488,495)
Retained earnings		<b>3,965,731,959</b>	4,466,661,733
		<b>10,525,402,122</b>	12,676,575,449
<b>Non-controlling Interests</b>		<b>446,130,903</b>	434,695,256
Total Equity		<b>10,971,533,025</b>	13,111,270,705
		<b>₱19,494,423,105</b>	₱21,430,994,788

**LEISURE & RESORTS WORLD CORPORATION AND SUBSIDIARIES**  
**UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE**  
**INCOME**

	For the Six Months Ended June 30		For the Three Months Ended June 30	
	2020	2019	2020	2019
<b>REVENUES</b>				
Electronic bingo	₱1,096,107,879	₱2,573,830,216	₱1,083,933	₱1,333,987,816
Traditional bingo	423,795,592	1,131,803,625	-	556,033,445
Bandwidth and co-location	265,828,005	301,623,833	130,140,533	148,985,636
Service and hosting fees	208,372,037	259,963,104	128,554,915	147,450,265
Rent income	166,896,082	326,447,177	16,525,914	159,960,373
Income from junket operations	111,551,571	357,932,393	(9,579,029)	151,236,481
Commission income	77,317,165	164,244,677	6,279	85,174,988
Rapid bingo	60,685,560	132,452,925	-	64,397,700
Pull tabs	5,419,728	8,884,070	989,188	3,869,796
	<b>2,415,973,619</b>	<b>5,257,182,020</b>	<b>267,721,733</b>	<b>2,651,096,500</b>
<b>COSTS AND OPERATING EXPENSES</b>				
Franchise fees and taxes	989,565,219	2,308,397,285	55,806,215	1,153,560,018
Payouts - traditional bingo	344,555,490	867,665,968	62,542	456,620,885
Rent	268,812,550	342,124,319	91,774,581	172,233,923
Bandwidth and co-location costs	238,956,407	239,841,597	118,827,369	115,347,025
Contracted services	182,049,838	301,090,980	22,817,915	156,168,648
Depreciation and amortization	180,284,256	208,247,468	93,646,303	101,763,754
Salaries and other benefits	163,308,597	249,766,796	71,781,227	121,185,734
Communications and utilities	107,621,676	174,149,226	30,020,593	90,207,664
Advertising and promotion	96,303,938	152,954,178	39,742,579	80,567,470
Taxes and licenses	71,981,689	74,518,594	25,499,595	47,288,269
Repairs and maintenance	14,668,194	48,644,402	5,885,516	28,998,079
Professional and directors' fees	14,641,339	40,694,963	6,688,023	23,982,293
Transportation and travel	8,438,596	26,366,246	1,446,643	17,016,222
Playing cards	2,965,014	33,194,390	893,160	18,456,082
Others	92,813,705	165,178,853	10,741,901	150,566,374
	<b>2,776,966,508</b>	<b>5,232,835,265</b>	<b>575,634,162</b>	<b>2,733,962,440</b>
<b>OPERATING INCOME</b>	<b>(₱360,992,889)</b>	<b>₱24,346,755</b>	<b>(₱307,912,429)</b>	<b>(₱82,865,940)</b>

(Forward)

	For the Six Months Ended June 30		For the Three Months Ended June 30	
	2020	2019	2020	2019
<b>OTHER INCOME (EXPENSES) –</b>				
Net				
Finance expense	(P143,586,250)	(P251,375,941)	(P75,047,150)	(P139,649,071)
Equity in net earnings of associates	-	32,046,742	-	19,693,217
Equity in net earnings of joint ventures	19,521,971	42,121,506	-	13,031,886
Finance income	545,840	125,547	450,461	109,786
Other income – net	1,152,681	11,471,598	(223,872)	5,420,445
	<b>(122,365,758)</b>	<b>(165,610,548)</b>	<b>(74,820,561)</b>	<b>(101,393,737)</b>
<b>INCOME (LOSS) BEFORE INCOME TAX</b>	<b>(483,358,647)</b>	<b>(141,263,793)</b>	<b>(382,732,990)</b>	<b>(184,259,677)</b>
<b>PROVISION FOR INCOME TAX (BENEFIT)</b>	<b>6,135,478</b>	<b>(138,637,005)</b>	<b>3,362,698</b>	<b>(74,701,700)</b>
<b>NET INCOME (LOSS)</b>	<b>(P489,494,125)</b>	<b>(P2,626,788)</b>	<b>(P386,095,688)</b>	<b>(P109,557,977)</b>
Equity Holders of the Parent Company	(P500,929,772)	(P45,401,084)	(P392,947,567)	(P130,384,118)
Non-controlling interest	11,435,647	42,774,296	6,851,879	20,826,141
	<b>(P489,494,125)</b>	<b>(P2,626,788)</b>	<b>(P386,095,688)</b>	<b>(P109,557,977)</b>
<b>Basic Earnings Per Share</b>	<b>(P0.2099)</b>	<b>(P0.0210)</b>	<b>(P0.1625)</b>	<b>(P0.0632)</b>
<b>Diluted Earnings Per Share</b>	<b>(P0.2099)</b>	<b>(P0.0202)</b>	<b>(P0.1652)</b>	<b>(P0.0608)</b>

See Notes to the Consolidated Financial Statements.

Basic earnings per share is computed as follows:

	<b>For the Six Months Ended June 30</b>	
	<b>2020</b>	<b>2019</b>
Net Income (Loss) attributable to Parent Company	<b>(P500,929,772)</b>	(P45,401,084)
Effect of AFS - preferred shares held by ABLE	-	3,102,500
Income (Loss) attributable to ordinary stockholders of the Parent Company (a)	<b>(500,929,772)</b>	(42,298,584)
Adjusted weighted average number of shares outstanding (b)	<b>2,417,500,000</b>	2,011,617,504
Basic earnings per share (a/b)	<b>(P0.2072)</b>	(P0.0210)

  

	<b>For the Three Months Ended June 30</b>	
	<b>2020</b>	<b>2019</b>
Net Income (Loss) attributable to Parent Company	<b>(P392,732,990)</b>	(P130,384,118)
Effect of AFS - preferred shares held by ABLE	-	3,102,500
Income (Loss) attributable to ordinary stockholders of the Parent Company (a)	<b>(392,732,990)</b>	(127,281,618)
Adjusted weighted average number of shares outstanding (b)	<b>2,417,500,000</b>	2,011,617,504
Basic earnings per share (a/b)	<b>(P0.1625)</b>	(P0.0632)

Diluted earnings per share is computed as follows:

	<b>For the Six Months Ended June 30</b>	
	<b>2020</b>	<b>2019</b>
Income (Loss) attributable to ordinary stockholders of the Parent Company (a)	<b>(P500,929,772)</b>	(P42,298,584)
Adjusted weighted average number of shares outstanding (b)	<b>2,417,500,000</b>	2,011,617,504
Effect of dilutive potential common shares* (c)	-	80,675,000
Adjusted weighted average number of shares outstanding (d=b+c)	<b>2,417,500,000</b>	2,092,292,504
Diluted earnings per share (a/d)	<b>(P0.2072)</b>	(P0.0202)

\*Adjusted for the convertible preferred shares.

	<b>For the Three Months Ended June 30</b>	
	<b>2020</b>	<b>2019</b>
Income (Loss) attributable to ordinary stockholders of the Parent Company (a)	<b>(P392,732,990)</b>	(P127,281,618)
Adjusted weighted average number of shares outstanding (b)	<b>2,417,500,000</b>	2,011,617,504
Effect of dilutive potential common shares* (c)	-	80,675,000
Adjusted weighted average number of shares outstanding (d=b+c)	<b>2,417,500,000</b>	2,092,292,504
Diluted earnings per share (a/d)	<b>(P0.1625)</b>	(P0.0608)

\*Adjusted for the convertible preferred shares.

**LEISURE & RESORTS WORLD CORPORATION AND SUBSIDIARIES**  
**UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

	Attributable to Owners of the Parent Company													Non-controlling Interests	Total Equity
	Capital Stock		Additional Paid-in Capital - Common	Treasury Shares	Retirement Benefits Reserve	Revaluation Surplus	Fair Value Reserve	Foreign Currency Translation Reserve	Other Reserve	Retained Earnings	Total				
<b>Balance at January 1, 2020</b>	<b>P2,417,500,000</b>	<b>P1,650,000,000</b>	<b>P4,263,308,184</b>	<b>(P90,411,278)</b>	<b>(P9,492,946)</b>	<b>-</b>	<b>P598,233</b>	<b>(P2,099,981)</b>	<b>(P19,488,495)</b>	<b>P4,466,661,732</b>	<b>P12,676,575,449</b>	<b>P434,695,256</b>	<b>P13,111,270,705</b>		
Net income (loss) for the year	-	-	-	-	-	-	-	-	-	(500,929,772)	(500,929,772)	11,435,647	(489,494,125)		
Redemption of treasury shares	-	-	-	(1,650,000,000)	-	-	-	-	-	-	(1,650,000,000)	-	(1,650,000,000)		
Other comprehensive income (loss) for the year	-	-	-	-	(243,554)	-	-	-	-	-	(243,554)	-	(243,554)		
<b>Total comprehensive income (loss) for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,650,000,000)</b>	<b>(243,554)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(500,929,772)</b>	<b>(2,151,173,326)</b>	<b>11,435,647</b>	<b>(2,139,737,679)</b>		
<b>Balance at June 30, 2020</b>	<b>P2,417,500,000</b>	<b>P1,650,000,000</b>	<b>P4,263,308,184</b>	<b>(P1,740,411,278)</b>	<b>(P9,736,500)</b>	<b>-</b>	<b>P598,233</b>	<b>(P2,099,981)</b>	<b>(P19,488,495)</b>	<b>P3,965,731,959</b>	<b>P10,525,402,122</b>	<b>P446,130,903</b>	<b>P10,971,533,025</b>		
For the Six Months Ended June 30, 2020															
	Attributable to Owners of the Parent Company													Non-controlling Interests	Total Equity
	Capital Stock		Additional Paid-in Capital - Common	Treasury Shares	Retirement Benefits Reserve	Revaluation Surplus	Fair Value Reserve	Foreign Currency Translation Reserve	Other Reserve	Retained Earnings	Total				
<b>Balance at January 1, 2019</b>	<b>P1,199,852,512</b>	<b>P1,650,000,000</b>	<b>P1,114,028,555</b>	<b>(P90,411,278)</b>	<b>(P35,673,952)</b>	<b>-</b>	<b>P62,053,063</b>	<b>(P2,099,981)</b>	<b>(P19,488,495)</b>	<b>P4,788,629,877</b>	<b>P8,666,890,301</b>	<b>P423,492,782</b>	<b>P9,090,383,083</b>		
Net income (loss) for the year	-	-	-	-	-	-	-	-	-	(45,401,084)	(45,401,084)	42,774,296	(2,626,789)		
Other comprehensive income (loss) for the year	-	-	-	-	-	-	-	-	-	-	-	-	-		
Total comprehensive income (loss) for the year	-	-	-	-	-	-	-	-	-	(45,401,084)	(45,401,084)	42,774,296	(2,626,789)		
Issuance of capital stock	1,217,647,488	-	3,165,883,472	-	-	-	-	-	-	(45,401,084)	4,383,530,960	-	4,383,530,960		
<b>Balance at June 30, 2019</b>	<b>P2,417,500,000</b>	<b>P1,650,000,000</b>	<b>P4,279,912,027</b>	<b>(P90,411,278)</b>	<b>(P35,673,952)</b>	<b>-</b>	<b>P62,053,063</b>	<b>(P2,099,981)</b>	<b>(P19,488,495)</b>	<b>P4,743,228,793</b>	<b>P13,005,020,177</b>	<b>P466,267,078</b>	<b>P13,471,287,255</b>		
For the Six Months Ended June 30, 2019															



**LEISURE & RESORTS WORLD CORPORATION AND SUBSIDIARIES**  
**UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Period Ended June 30	
	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income (loss) before income tax	(₱474,016,172)	(₱141,263,793)
Adjustments for:		
Depreciation and amortization	180,284,256	208,247,468
Finance expense	143,586,250	251,375,941
Equity in net earnings of associates	(19,521,971)	(32,046,742)
Equity in net earnings of joint ventures	-	(42,121,506)
Finance income	(545,840)	(125,547)
Operating income before working capital changes	(170,213,477)	244,065,821
Increase in:		
Receivables	(76,501,995)	(201,784,419)
Prepaid expenses and other current assets	(38,897,700)	(87,573,126)
Increase in:		
Trade and other payables	78,714,738	208,492,432
Deposits	-	5,592,156
Cash generated (used) from operations	(206,898,434)	168,792,864
Income taxes paid	(12,058,726)	(14,677,404)
Interest received	545,840	125,547
Net cash provided by (used in) operating activities	(218,411,320)	154,241,007
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Additions to:		
Investments and advances	(40,696,949)	(57,644,418)
Property and equipment	(6,057,752)	(71,785,096)
Other noncurrent assets	(2,712,986)	(156,746,841)
Investment properties	(91,218)	(5,095,004)
Cash given up from acquisition of sites	-	(10,571,057)
Net cash used in investing activities	(49,558,905)	(301,842,416)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from loans payable	525,562,500	136,700,000
Payments of loans payable	(315,122,724)	(1,528,321,126)
Payments of lease liabilities	(13,501,298)	-
Dividends paid	(76,150,000)	(100,000,000)
Interest paid	(143,586,250)	(251,375,941)
Payments for acquisition of treasury shares	(1,650,000,000)	-
Proceeds from issuance of capital stock - net of transaction costs	-	4,383,530,960
Net cash generated (used) in financing activities	(1,672,797,771)	2,640,533,893
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>(1,940,767,996)</b>	<b>2,492,932,484</b>
<b>CASH AT BEGINNING OF YEAR</b>	<b>2,558,645,280</b>	<b>442,130,215</b>
<b>CASH AT END OF PERIOD</b>	<b>₱617,877,284</b>	<b>₱2,935,062,699</b>

---

**LEISURE & RESORTS WORLD CORPORATION AND SUBSIDIARIES**  
**NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

---

**1. Reporting Entity**

Leisure & Resorts World Corporation (“LRWC” or the “Parent Company”) was registered with the Philippine Securities and Exchange Commission (SEC) on October 10, 1957. On November 6, 2006, SEC approved the extension of the Parent Company’s corporate life until December 31, 2055. The accompanying consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries (collectively referred to as the “Group” and individually as “Group entities”) and the Group’s interest in joint ventures and associates.

The Parent Company is a public company under Section 17.2 of the Securities Regulation Code (SRC) and its shares are listed on the Philippine Stock Exchange, Inc. (PSE).

The Group’s primary purpose is to engage in leisure business which includes management and operation of the activities conducted therein pertaining to general amusement and recreation enterprise, hotel and gaming facilities, including but not limited to bingo parlors.

The Parent Company’s registered office address is located at 26<sup>th</sup> Floor, West Tower, PSE Center, Exchange Road, Ortigas Center, Pasig City.

---

**2. Basis of Preparation and Summary of Significant Accounting Policies**

Basis of Preparation

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

The consolidated financial statements have been prepared on a historical cost basis, except for the following items, which are measured on an alternative basis on each reporting date.

<u>Items</u>	<u>Measurement bases</u>
Financial assets at fair value through other comprehensive income	Fair value
Investment properties	Fair value
Retirement benefits liability	Present value of the defined benefits obligation

The consolidated financial statements are presented in Philippine peso, the Group’s functional and presentation currency. All values are rounded to the nearest peso, except when otherwise indicated.

### Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except that the Group has adopted the following new accounting pronouncements starting January 1, 2020:

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

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

These amendments will apply on future business combinations of the Group.

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

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

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

### Standards issued but not yet effective

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

#### *Effective beginning on or after January 1, 2023*

- PFRS 17, *Insurance Contracts*

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

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

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

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

### *Deferred effectivity*

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

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

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

The amendments are not applicable to the Group.

### Current versus Noncurrent Classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current/noncurrent classification.

An asset is current when:

- it is expected to be realized or intended to be sold or consumed in the normal operating cycle;
- it is held primarily for the purpose of trading;
- it is expected to be realized within twelve months after the financial reporting date; or
- it is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the financial reporting date.

All other assets are classified as noncurrent.

A liability is current when:

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

All other liabilities are classified as noncurrent.

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

### Financial Instruments – Initial Recognition and Subsequent Measurement

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

#### a. Financial Assets

*Initial Recognition and Measurement.* Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, FVOCI and FVPL.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them.

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

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

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

The Group has cash, receivables, due from related parties, rental deposits and cash performance bonds classified as financial asset at amortized cost. It also has investment in equity securities classified as financial asset at FVOCI. The Group has no financial asset designated as FVPL.

*Subsequent Measurement.* For purposes of subsequent measurement, financial assets are classified in four categories:

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

*Financial Assets at Amortized Cost (Debt Instruments).* The Group measures financial assets at amortized cost if both of the following conditions are met:

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

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

*Financial assets designated at FVOCI (equity instruments).* Upon initial recognition on January 1, 2018, the Group can elect to classify irrevocably its equity investments as equity instruments designated at FVOCI when they meet the definition of equity under PAS 32, *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

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

The Group elected to classify irrevocably its listed equity investment under this category.

*Derecognition.* A financial asset (or, where applicable, a part of a financial asset or part of a Group of similar financial assets) is primarily derecognized (i.e., removed from the Group's balance sheet) when:

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

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

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

*Impairment of financial assets.* The Group recognized an allowance from ECLs for all debt instruments not held at FVPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original EIR. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

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

For cash in bank, the Group applies a general approach in calculating ECLs. The Group recognizes a loss allowance based on either 12-month ECL or lifetime ECL, depending on whether there has been a significant increase in credit risk on its cash in bank since initial recognition.

The Group considers a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

- PFRS 15, *Revenue from Contracts with Customers* – PFRS 15 supersedes PAS 11, *Construction Contracts*, PAS 18, *Revenue*, and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. PFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to customers.

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

The Group adopted PFRS 15 using the modified retrospective method of adoption with the date of initial application of January 1, 2018. The adoption of PFRS 15 did not have a significant impact on the Group's financial position and performance. The Group applied PFRS 15 to contracts that are not completed as of initial application date.

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

The amendments to PFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. Entities are required to apply the amendments to: (1) share-based payment transactions that are unvested or vested but unexercised as of January 1, 2018, (2) share-based payment transactions granted on or after January 1, 2018 and to (3) modifications of share-based payments that occurred on or after January 1, 2018. Retrospective application is permitted if elected for all three amendments and if it is possible to do so without hindsight.

The amendments are not applicable to the Group.

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

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

The amendments are not applicable to the Group since there are no activities that are predominantly connected with insurance or issue insurance contracts.

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

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

The amendments have no impact on the Group's consolidated financial statements.

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

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. Retrospective application of the amendments is not required and is only permitted if this is possible without the use of hindsight.

Since the Group's current practice is in line with the clarifications issued, the Group does not expect any effect on its consolidated financial statements upon adoption of these amendments.

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

The interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine the date of the transaction for each payment or receipt of advance consideration. Retrospective application of this interpretation is not required.

Since the Group's current practice is in line with the clarifications issued, the Group does not expect any effect on its financial statements upon adoption of this interpretation.

#### Classification of Financial Instruments between Debt and Equity

A financial instrument is classified as debt if it provides for a contractual obligation to:

- deliver cash or another financial asset to another entity;
- 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 Group 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.

A financial instrument is an equity instrument only if: (a) the instrument includes no contractual obligation to deliver cash or another financial asset to another entity; and (b) if the instrument will or may be settled in the issuer's own equity instruments, it is either:

- a non-derivative that includes no contractual obligation for the issuer to deliver a variable number of its own equity instruments; or
- a derivative that will be settled only by the issuer exchanging a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole or in part, the amount separately determined as the fair value of the liability component on the date of issue.

#### Offsetting Financial Instruments

Financial assets and liabilities are offset and the net amount is reported in the Group consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset



and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented at gross in the Group statements of financial position.

#### Determination of Fair Value

The Group measures a number of financial and non-financial assets and liabilities 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, or
- In the most advantageous market for the asset or liability.

The principal or most advantageous market must be accessible to the Group.

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

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

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

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorization at the end of each reporting period.

For purposes of the fair value disclosure, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

#### Prepaid Expenses and Other Current Assets

Prepaid expenses represent expenses not yet incurred but already paid in cash. These are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are recognized in profit or loss as they are consumed in operations or expire with the passage of time. These typically comprise prepayments for commissions, taxes and licenses and rental.

Prepaid expenses are classified in the consolidated statements of financial position as current assets when the cost of goods or goods related to the prepaid expenses are expected to be incurred within one year. Otherwise, prepaid expenses are classified as noncurrent assets.

Other current assets represent resources that are expected to be used up within one year after the reporting date. These typically comprise advances to contractors and suppliers, input value-added tax (VAT), playing cards, etc.

### Investments and Advances

An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture of the Group. Significant influence is the power to participate in the financial and operating policies of the investee, but is not control or joint control over those policies.

A joint venture is an entity over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions, and over which the parties have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control is similar to those necessary to determine control over subsidiaries.

The Group's investments in associates and joint ventures are accounted for using the equity method in the consolidated financial statements. Under the equity method, investments in associates and joint ventures are carried in the consolidated statements of financial position at cost plus post-acquisition changes in the share of net assets, less any impairment in value. When the Group's share of losses exceeds the cost of the investments in associates and joint ventures, the carrying amount of that interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associates and the joint ventures. The carrying amount of the investments are adjusted to recognize the changes in the Group's share of net assets of the associates or joint ventures since the acquisition date. Goodwill relating to the associates or joint ventures is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The Group's share in profit or loss of associates or joint ventures are recognized as "Equity in net earnings of associates" and "Equity in net earnings of joint ventures" accounts, respectively, in the profit or loss. Unrealized gains and losses resulting from transactions between the Group and the associates or joint ventures are eliminated to the extent of the interest in the associates or joint ventures.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss with respect to the Group's net investment in the shares of stock of associates or joint ventures. At each reporting date, the Group determines whether there is objective evidence that the investments in associates or joint ventures are impaired. If there is such evidence, the Group recalculates the amount of impairment as the difference between the recoverable amount and carrying amount of the investment in shares of stock of associates or joint ventures. Such impairment loss is recognized as part "Equity in net earnings of associates" and "Equity in net earnings of joint ventures" accounts in the consolidated statement of comprehensive income.

Upon loss of significant influence over the associates or joint control over the joint ventures, the Group measures and recognizes any retained investment at fair value. Any difference between the carrying amount of the investment in shares of stock of associates or joint ventures upon loss of significant influence or joint control, and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

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

The Group normally contributes cash or other resources to the associates and joint ventures. These contributions are included in the accounting records of the Group and recognized in its consolidated financial statements as part of its investments in associates and a joint venture.

Investments and advances also include advances to companies in which the Group has positive intention of taking over these companies or having ownership interest in the future.

#### Property and Equipment

Property and equipment, except land, is carried at cost less accumulated depreciation and impairment losses, if any. Land is stated at cost less any impairment in value.

Initially, an item of property and equipment is measured at its cost, which comprises its purchase price and any directly attributable costs of bringing it to working condition and location for its intended use. Subsequent expenditures that can be measured reliably are added to the carrying amount of the asset when it is probable that future economic benefits associated with the asset, in excess of the originally assessed standard of performance, will flow to the Group. All other subsequent expenditures are recognized as an expense in the period in which they are incurred.

Construction in progress represents structures under construction and is stated at cost. This includes the costs of construction and equipment and other direct costs. Borrowing costs that are directly attributed to the construction are capitalized during the construction period. Construction in progress is not depreciated until such time that the relevant assets are ready for use.

Effective January 1, 2019, it is the Group's policy to classify right-of-use assets as part of property and equipment. Prior to that date, all of the Group's leases are accounted for as operating leases in accordance with PAS 17, hence, not recorded on the statement of financial position. The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are initially measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The initial cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, lease payments made at or before the commencement date less any lease incentives received and estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of their estimated useful life and lease term. Right-of-use assets are subject to impairment.

Depreciation is computed using the straight-line method over the estimated useful life (EUL) of the property and equipment over the following estimated useful lives:

	Number of Years
Leasehold improvements	5 years or related lease term whichever is shorter
Aircraft and transportation equipment	5 - 15
Gaming equipment	5
Office furniture and fixtures and equipment	5
Network equipment	10
Condominium unit	25
Airstrip improvements*	10
Right-of-use asset	1 - 25

*\*Recorded under "Other noncurrent assets" account*

There are no changes in estimated useful lives in 2020 and 2019.

The Group estimates the useful life of its airstrip improvement based on the period over which the asset is expected to be available for use. The Group initially assessed that benefit may be derived from this asset over five (5) to fifteen (15) years.

The EUL and depreciation method are reviewed periodically to ensure that the period and method

of depreciation are consistent with the expected pattern of economic benefits from those assets.

When it is disposed of, or is permanently withdrawn from use and no future economic benefits are expected from its disposal, the cost and accumulated depreciation and impairment losses, if any, are removed from the accounts and any resulting gain or loss arising from the retirement or disposal is reflected in the Group statement of comprehensive income.

#### Investment Properties

Investment properties consist of land, land improvements, building, or part of a building or both held to earn long-term rental yields or for capital appreciation or both, and is not occupied by the Group or held for sale in the ordinary course of business.

The Group adopted the fair value model for accounting for its investment properties. Under this method, investment properties are initially measured at cost but are subsequently remeasured at fair value, which reflects market conditions at the reporting date. The fair value of investment properties is determined by independent real estate valuation experts using cost approach and sales comparison approach. Gains or losses arising from changes in the fair values of investment property are included in profit or loss in the period in which they arise.

Investment properties are derecognized when either those have been disposed of or when the investment properties are permanently withdrawn from use and no future benefit is expected from their disposal. Any gain and loss on derecognition of investment properties is recognized in profit or loss in the year of derecognition.

Transfers are made to investment properties 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 properties when, and only when, there is a change in use, evidenced by commencement of the owner occupation or commencement of development with a view to sell.

For a transfer from investment properties to owner-occupied properties, the deemed cost of property for subsequent accounting is its fair value at the date of change in use. If owner-occupied properties become investment properties, the Group accounts for such properties in accordance with the policy stated under property and equipment up to the date of change in use. When investment property that was previously classified as property and equipment is sold, any related amount included in the revaluation is transferred to retained earnings.

#### Lease Rights

The Group's lease rights pertain to acquired rights and interests in the sublease agreement entered upon by the Group. Lease rights are accounted under Other noncurrent assets - "Others" and stated at cost less accumulated amortization and impairment in value, if any and is. Lease rights are amortized on a straight-line basis over the lease term.

#### Business Combination

Business combinations are accounted for using the acquisition method as at the acquisition date. 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 interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included as part of "Costs and operating expenses" account in the consolidated statement of comprehensive income.

When the Group acquires a business, it assesses the financial assets and financial liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured at the acquisition date fair value and any resulting gain or loss is recognized in the profit or loss.

The Group measures goodwill at the acquisition date as: a) the fair value of the consideration transferred; plus b) the recognized amount of any non-controlling interests in the acquiree; plus c) if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less d) the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed. When the excess is negative, a bargain purchase gain is recognized immediately in the consolidated statements of income. Subsequently, goodwill is measured at cost less any accumulated impairment in value. Goodwill is reviewed for impairment, annually or more frequently, if events or changes in circumstances indicate that the carrying amount may be impaired.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in the consolidated statement of comprehensive income. Costs related to the acquisition, other than those associated with the issuance of debt or equity securities that the Group incurs in connection with a business combination, are expensed as incurred. Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognized in the consolidated statement of comprehensive income.

#### Goodwill

Goodwill acquired is initially measured as the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the resulting amount is negative (bargain purchase gain), it is recognized immediately in profit or loss. Following initial recognition, goodwill is measured at cost less accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently, if events or changes in circumstances indicate that the carrying amount may be impaired.

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 is less than the carrying amount, an impairment loss is recognized.

Bargain purchase gain, which is the excess of the net fair values of acquired identifiable nonmonetary assets of subsidiaries and associates over the cost of acquisition, recognized directly to profit or loss.

When subsidiaries are sold, the difference between the selling price and the subsidiary's net asset plus goodwill associated with the investment are recognized in consolidated statement of comprehensive income.

#### Impairment of Nonfinancial Assets

The carrying amounts of the Group's nonfinancial assets such as property and equipment and investments and advances and other noncurrent assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognized in profit or loss whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount.

The recoverable amount of a nonfinancial asset is the greater of the asset's fair value less costs to sell and its value in use. The fair value less costs to sell is the amount obtainable from the sale of the asset in an arm's length transaction less costs to sell while value in use is the present value of estimated future cash flows expected to be generated from its disposal at the end of its useful life. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash flows largely

independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs. A cash-generating unit is the smallest group of assets that includes the asset and generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized. Reversals of impairment are recognized in the Group statement of comprehensive income.

#### Capital Stock and Additional Paid-in Capital

Common and preferred shares are classified as equity. Incremental costs directly attributable to the issuance of common and preferred shares are recognized as a deduction from relevant additional paid-in capital, and if none or insufficient, to be deducted from retained earnings, net of any tax effects. Proceeds and/or fair value of consideration received in excess of par value are recognized as additional paid-in capital.

#### Treasury Shares

When share capital is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognized as a deduction from equity. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus on the transaction is transferred to additional paid-in capital, while the resulting deficit is applied against additional paid-in capital and retained earnings, for any excess of deficit over the additional paid-in capital arising from treasury shares transactions.

#### Revaluation Surplus

Revaluation surplus pertains to accumulated gains and losses to revaluation of LRLDI and FCLRC's land.

#### Fair Value Reserve

Fair value reserve represents cumulative net change in the fair value of FVOCI, net of tax effect, as at reporting date.

#### Foreign Currency Translation Reserve

The assets and liabilities of the subsidiary with transactions denominated in currencies other than Philippine peso are translated using the applicable closing exchange rates on the reporting date. The income and expenses of the subsidiary with transactions denominated in currencies other than Philippine peso are translated using the exchange rates at the date of transactions. Foreign currency differences are recognized in other comprehensive income and accumulated in the "Foreign currency translation reserve" account in the consolidated statements of financial position.

#### Retained Earnings

Retained earnings represents the cumulative balance of periodic profit/loss, dividend distributions, prior period adjustments and effect of changes in accounting policy and capital adjustments.

Dividend distribution to the Group's shareholder is recognized as a liability in the consolidated financial statements in the period in which the dividends are approved and declared by the Group's Board of Directors.

#### Revenue Recognition

*Effective beginning January 1, 2018*

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding amounts collected on behalf of third parties. The Group has generally concluded that it is the principal in its revenue arrangements

because it typically controls the goods or services before transferring them to the customer except for some entities of the Group which act as agent in certain commission revenue arrangements.

The following specific recognition criteria must also be met before revenue is recognized:

*Electronic Bingo.* Revenue from these bingo games are satisfied at a point in time and are recognized upon conclusion of each game cycle. The revenues is net of payments and share of machine vendors.

*Traditional Bingo, Rapid Bingo and Pull Tabs.* Revenue from these bingo games are satisfied at a point in time and are recognized upon sale of bingo cards.

*Service and Hosting Fees.* Revenue from bandwidth and co-location services are satisfied over time and are recognized as the services are performed. Service fees are satisfied at a point in time and are recognized upon processing of locators' application for a franchise. Hosting fees are satisfied over time and are recognized upon accrual of the gaming levy to locators based on their reported revenue as defined in the license agreement.

*One time set-up charges.* The one time set-up charge is recognized over the term of the contract.

*Commission Income.* Commission income is satisfied over time and is recognized when the related services are rendered based on a percentage of each PeGs' casino winnings. and gross gaming revenue of the junket.

*Other income.* Other income comprises miscellaneous income from operations and recognized at a point in time.

The following revenue streams are outside the scope of PFRS 15:

*Rent Income.* Income is recognized based on the percentage of the net wins (gross wins less payouts).

*Interest Income.* Interest Income is recognized as it accrues in profit or loss using the effective interest rate method.

*Effective prior to January 1, 2018*

Revenue is recognized to the extent that it is probable that the economic benefits associated with the transaction will flow to the Group and the amount of revenue can be reliably measured, regardless of when the payment is made. The amount of revenue is not considered to be reliably measured until all contingencies relating to the sale have been resolved. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements.

Had the Group continued to apply PAS 18 in 2018, the revenue that would have been recognized is equal to the revenue recognized under PFRS 15.

The following specific recognition criteria must also be met before revenue is recognized:

*Electronic Bingo.* Revenue is recognized upon conclusion of the game. The revenue is net of payouts and share of machine owners.

*Traditional Bingo.* Revenue is recognized upon sale of bingo cards.

*Rapid Bingo.* Revenue is recognized upon sale of rapid bingo cards. The revenue is net of share of machine owners.

*Pull Tabs.* Pull tabs receipts are recognized upon the sale of the cards.

*Service and Hosting Fees.* Service fees are recognized upon processing of locators' application for a franchise. Revenue from bandwidth and co-location services are recognized as the services are performed. Hosting fees are recognized upon accrual of the gaming levy to locators based on their reported revenue as defined in the license agreement.

*Commission Income.* Income is recognized based on a percentage of each PeGs' casino winnings. Commission income is recognized when the related services are rendered and income from junket operations is recognized upon conclusion of the game.

*Rent Income.* Income from slot machines is recognized based on a percentage of the net win (gross wins less payouts).

*Interest Income.* Interest Income is recognized as it accrues in profit or loss using the effective interest rate method.

#### Costs and Expenses Recognition

Costs and expenses are decrease in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Costs and expenses are recognized in profit or loss when they are incurred and are reported in the financial statements in the periods to which they relate.

Payouts represent payments to winners of traditional bingo games. This is recognized as expense upon conclusion of the game.

#### Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

#### *Operating Leases*

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. 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 that term of the renewal or extension was initially included in the lease term;
- c. There is a change in determination of whether fulfillment is dependent on a specified asset; or
- d. There is a substantial change to the asset.

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) above, and at the date of renewal or extension period for scenario (b).

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 recognized as expense in profit or loss on a straight-line basis over the lease term.

#### Employee Benefits

##### *Short-term Benefits*

The Group recognizes a liability, net of amounts already paid, and an expense for services rendered by employees during the accounting period. Short-term benefits given by the Group to its employees include salaries and wages, social security contributions, and other short-term benefits.



### *Retirement Benefits Liability*

The Group's net obligation in respect of its retirement plan is calculated separately by estimating the amount of future benefits that employees have earned in return for their services in the current and prior periods and the benefits are discounted to determine its present value. The discount rate is the yield at the reporting date of long-term government bonds that have maturity dates approximating the terms of the Group's liabilities. The calculation is performed by a qualified actuary using the projected unit credit method.

When the calculation results in a potential asset for the Group, the recognized asset is limited to the present value of economic benefits available in the form of reductions in future contributions to the plan.

Remeasurements of the net defined benefit obligation or asset, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (excluding interest), if any, are recognized immediately in other comprehensive income. The Group determines the net interest expense or income on the net defined benefit obligation or asset for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit obligation or asset, taking into account any changes in the net defined benefit obligation or asset during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed, or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Group recognizes gains and losses on the settlement of a defined benefit retirement plan when the settlement occurs.

Actuarial valuations are made with sufficient regularity so that the amounts recognized in the consolidated financial statements do not differ materially from the amounts that would be determined at reporting date.

### Income Taxes

Income tax expense comprises of current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income, in which case it is recognized directly in equity or other comprehensive income.

*Current Tax.* Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted by the end of reporting date, and any adjustment to tax payable in respect of previous years.

*Deferred Tax.* Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, and the carry forward tax benefits of the net operating loss carry-over (NOLCO) and minimum corporate income tax (MCIT). Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting date.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets against current tax liabilities, and the deferred taxes relate to the same taxable entity and the same taxation authority.

### Foreign Currency

#### *Foreign Currency Translations*

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at the reporting date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortized cost in foreign currency translated at the exchange rate at the reporting date.

Nonmonetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Nonmonetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognized in profit or loss, except for differences arising on retranslation of AFS financial assets, a financial liability designated as a hedge of the net investment in a foreign operation that is effective, or qualifying cash flow hedges, which are recognized in other comprehensive income.

#### *Foreign Operations*

The assets and liabilities of foreign operations are translated to Philippine peso at exchange rates at the reporting date.

Foreign currency difference is recognized in other comprehensive income, and presented in the foreign currency translation gain (“Foreign currency translation reserve”) in equity. However, if the operation is not a wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in other comprehensive income related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, relevant proportion of the cumulative amount is reattributed to non-controlling interests.

When settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognized in other comprehensive income, and presented in “Foreign currency translation reserve” in equity.

#### Segment Reporting

For purposes of management reporting, the Group is organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit. Such business segments are the bases upon which the Group reports its primary segment information.

Financial information on business segments is presented in Note 23 to the consolidated financial statements. The Group has one geographical segment and derives substantially of its revenues from domestic operations.

#### Earnings Per Share (EPS)

Basic EPS is computed by dividing net income by the weighted average number of common shares outstanding during the year, after giving retroactive effect to any stock dividends declared during the year.

Diluted EPS is consistent with the computation of the basic earnings per share while giving effect to all dilutive potential common shares that were outstanding during the period. Net income attributable to common shareholders and the weighted average number of shares outstanding are adjusted for the effects of all dilutive potential common shares.

#### Provisions

Provisions are recognized when the Group has a present legal or constructive obligation 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. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. Where the Group expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the receipt of the reimbursement is virtually certain. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

#### Contingencies

Contingent liabilities are not recognized in the consolidated financial statements but 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 the 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 Group's position at the reporting date (adjusting events) are reflected in the consolidated financial statements when material. Post year-end events that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

---

### **3. Significant Accounting Judgments, Estimates and Assumptions**

#### Use of Estimates and Judgement

The preparation of the Group's consolidated financial statements in accordance with PFRSs requires management to make estimates, judgments and assumptions that affect the application of accounting policies and the amounts reported in the consolidated financial statements. However, uncertainty about these estimates, judgments and assumptions could result in an outcome that could require a material adjustment to the carrying amount of the affected asset or liability in the future. Actual results may differ from these estimates, judgments and assumptions.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions are recognized in the period in which the estimates and judgments are revised and in any future periods affected.

Information about critical judgments and estimates in applying accounting policies that have the most significant effects on the amounts recognized in the Group financial statements is as follows:

#### Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the consolidated financial statements.

*Fair Value Measurement.* A number of the Group's accounting policies and disclosures require the measurement of fair values for both financial and non-financial assets and liabilities.

The Group has an established control framework with respect to the measurement of fair values. The Chief Financial Officer (CFO) has the overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values. The CFO regularly reviews significant unobservable inputs and valuation adjustments. If third party information is used to measure fair values, then the CFO assesses the evidence obtained to support the conclusion that such

valuations meet the requirements of PFRSs, including the level in the fair value hierarchy in which such valuations should be classified.

#### *Fair Value of Investment Properties*

The Group carries its investment properties at fair value, with changes in fair value being recognized in profit or loss. The Group engages independent valuation specialists to determine the fair value. For the investment properties, the appraisers used a valuation technique based on comparable market data available for such property.

The fair values of the investment properties were arrived at using the Sales comparison approach for land and Cost Approach for buildings and land improvements.

*Distinction Between Investment Property and Property and Equipment.* The Group determines whether a property qualifies as an investment property. In making its judgment, the Group considers whether the property generates cash flows largely independent of the other assets held by the Group. Property and equipment generate cash flows that are attributable not only to property but also to the other assets used for administrative purposes and rendition of services.

If the portion cannot be sold separately, the property is accounted for as an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as an investment property. The Group considers each property separately in making its judgment. The Group has determined that the land, land improvements and building are investment properties.

*The Group as Lessee.* The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. 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 that term of the renewal or extension was initially included in the lease term;
- c. There is a change in determination of whether fulfillment is dependent on a specified asset; or
- d. There is a substantial change to the asset.

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) above, and at the date of renewal or extension period for scenario (b).

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 recognized as expense in the Group statement of comprehensive income on a straight-line basis over the lease term

*Acquisition Accounting.* The Group accounts for acquired businesses using the acquisition method of accounting which requires that the assets acquired and the liabilities assumed are recognized at the date of acquisition based on their respective fair values.

The application of the acquisition method requires certain estimates and assumptions concerning the determination of the fair values of acquired intangible assets and property and equipment, as well as liabilities assumed at the acquisition date. Moreover, the useful lives of the acquired intangible assets and property and equipment have to be determined. Accordingly, for significant acquisitions, the Group obtains assistance from valuation specialists. The valuations are based on information available at the acquisition date.

*Determination of Lease Term of Contracts with Renewal and Termination Options – Group as a Lessee (Upon Adoption of PFRS 16).* The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization to the leased asset).

The Group did not include any renewal and termination options in determining the lease term as these are not reasonably certain to be exercised.

*Operating Lease Commitments (Applicable prior to adoption of PFRS 16).* The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. 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 that term of the renewal or extension was initially included in the lease term;
  - c. There is a change in determination of whether fulfillment is dependent on a specified asset;
- or
- d. There is a substantial change to the asset.

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) above, and at the date of renewal or extension period for scenario (b).

## Estimates

### *Definition of Default and Credit-Impaired Financial Assets*

Upon adoption of PFRS 9, the Group defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

- *Quantitative Criteria.* The borrower is more than 90 days past due on its contractual payments, which is consistent with the Group's definition of default.
- *Qualitative Criteria.* The borrower meets unlikelihood to pay criteria, which indicates the borrower is in significant financial difficulty. These are instances where: a. The borrower is experiencing financial difficulty or is insolvent; b. The borrower is in breach of financial covenant(s); c. Concessions have been granted by the Group, for economic or contractual reasons relating to the borrower's financial difficulty; or d. It is becoming probable that the borrower will enter bankruptcy or other financial reorganization.

The criteria above have been applied to all financial instruments held by the Group and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the PD, LGD and EAD throughout the Group's ECL calculation.

### *Simplified Approach for Trade Receivables and Due from Related Parties*

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various patron segments that have similar loss patterns. The provision matrix is initially based on the Group's historical observed default rates. The Group calibrates the matrix to adjust the historical credit loss experience with forward-looking information. At every financial reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

*Grouping of instruments for losses measured on collective basis*

For expected credit loss provisions modelled on a collective basis, a grouping of exposures is performed on the basis of shared risk characteristics, such that risk exposures within a group are homogeneous. The characteristics and any supplementary data used to determine groupings are outlined below.

*Trade receivables and Due from Related Parties - Groupings for collective measurement*

- a) Currency
- b) Type of patron

*Macro-economic Forecasts and Forward-looking Information*

Macro-economic forecasts is determined by evaluating a range of possible outcomes and using reasonable and supportable information that is available without undue cost and effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The Group takes into consideration using different macro-economic variables to ensure linear relationship between internal rates and outside factors. Regression analysis was used to objectively determine which variables to use.

Predicted relationship between the key indicators and default and loss rates on various portfolios of financial assets have been developed based on analyzing historical data over the past 3 years. The methodologies and assumptions including any forecasts of future economic conditions are reviewed regularly.

*Estimating Useful Lives of Property and Equipment and Airstrip Improvements.* The Group annually reviews the estimated useful lives of property and equipment and airstrip improvements based on the period over which the assets are expected to be available for use and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets.

In addition, estimation of the useful lives of property and equipment and airstrip improvements is based on collective assessment of industry practice, internal technical evaluation and experience with similar asset. It is possible however, that future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned above. A reduction in the estimated useful lives of property and equipment and airstrip improvements would increase the recorded depreciation and amortization expenses and decrease noncurrent assets.

*Impairment Losses of Nonfinancial Assets Other than Goodwill*

The Group assesses impairment on nonfinancial assets such as property and equipment, investments and advances, airstrip improvements and lease rights when events or changes in circumstances indicate that the carrying amount may not be recoverable.

The factors that the Group considers important which could trigger an impairment review include the following:

- significant underperformance relative to the expected historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- significant negative industry or economic trends.

Determining the net recoverable amount of assets requires the estimation of cash flows expected to be generated from the continued use and ultimate disposition of such assets. While it is believed that the assumptions used in the estimation of fair values reflected in the consolidated financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable amounts and any resulting impairment losses could have a material adverse impact on the results of operations.

There are no indicators of impairment on the Group's property and equipment, non-financial investments and advances, airstrip improvements and lease rights for the period ended March 31, 2020 and December 31, 2019.

*Estimating Retirement Benefits Liability.* The cost of defined benefit pension plans and other post-employment 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, mortality rates and future pension increases. 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 financial reporting date.

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.

The mortality rate is based on publicly available mortality tables for the specific country and is modified accordingly with estimates of mortality improvements. Future salary increases and pension increases are based on expected future inflation rates for the specific country.

*Estimating Realizability of Deferred Tax Assets.* The Group reviews the carrying amount of deferred tax assets at each reporting date and reduces deferred tax assets 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. The Group also reviews the expected timing and tax rates upon reversal of the temporary differences and adjusts the impact of deferred tax accordingly. The Group's assessment on the recognition of deferred tax assets is based on the forecasted taxable income of the subsequent reporting periods. This forecast is based on the Group's past results and future expectations on revenues and expenses.

*Estimating Provisions and Contingencies.* The Group, in the ordinary course of business, sets up appropriate provisions for its present legal or constructive obligations, if any, in accordance with its policies on provisions and contingencies. In recognizing and measuring provisions, management takes risk and uncertainties into account.

The Group has several tax cases at the Supreme Court and Court of Tax Appeals. The Group's estimates of the probable costs for the resolution of these cases have been developed in consultation with outside legal counsel handling the prosecution and defense of these matters and are based on an analysis of potential results. The Group currently does not believe that the cases will have a material adverse effect on its consolidated financial statements. It is possible, however, that the future consolidated financial statements could be materially affected by changes in the estimates or in the effectiveness of strategies relating to its proceeding. As such, the Group has not recognized any provision as at March 31, 2020 and December 31, 2019.

*Estimating Allowance for Creditable Withholding Taxes (CWT).* The Group assesses its CWT for impairment at each reporting date. The Group considers the CWT as impaired whenever there are indicators that it would not be recoverable from the tax authority or it may not be creditable against future income tax dues.

---

#### 4. Cash

	June 30, 2020	December 31, 2019
Cash on hand and payout fund	<b>₱208,291,337</b>	₱88,532,255
Cash in banks	<b>409,585,947</b>	2,470,113,025
	<b>₱617,877,284</b>	<b>₱2,558,645,280</b>

---





## 5. Receivables

	June 30, 2020	December 31, 2019
Trade receivables	<b>₱1,108,351,274</b>	₱1,031,849,278
Advances to third parties	<b>165,968,773</b>	165,968,773
Marketing support fund	<b>77,000,000</b>	77,000,000
Advances to stockholders	<b>54,599,862</b>	53,232,344
Receivables from concessionaires	<b>7,597,140</b>	7,597,140
Others	<b>75,415,518</b>	75,415,519
	<b>1,488,932,567</b>	1,412,430,572
Less allowance for impairment losses	<b>248,408,408</b>	248,408,408
	<b>₱1,240,524,159</b>	₱1,164,022,164

As at June 30, 2020 and December 31, 2019, the Group has recognized the following allowance for ECL/doubtful accounts:

	2020	2019
Trade receivables	<b>₱105,180,218</b>	₱105,180,218
Advances to third parties	<b>121,886,548</b>	121,886,548
Other receivables	<b>21,341,642</b>	21,341,642
	<b>₱248,408,408</b>	₱248,408,408

Trade receivables are unsecured, noninterest-bearing and collectible within 30 days.

### Advances to Third Parties

Advances to third parties consist mainly of funds provided for a future project reimbursable from the project partner. These advances are noninterest-bearing, unsecured and collectible on demand.

### Marketing Support Fund

Marketing support fund pertains to the reimbursable advances made by the Group for the promotional activities relating to e-bingo machine and e-games platform provider.

### Advances to Officers and Employees

The Group grants noninterest-bearing advances to its officers and employees. These advances are collectible in cash upon demand and/or through salary deductions.

### Other Receivables

Other receivables represent cash advances made to companies which are engaged in similar gaming and amusement activities as the Group. Receivables from these companies represent noninterest-bearing and unsecured advances for working capital purposes that are due within one year.

---

**6. Prepaid Expenses and Other Current Assets**

	<b>June 30, 2020</b>	December 31, 2019
Input value-added tax (VAT)	P <b>228,377,549</b>	P204,737,480
Prepaid expenses	<b>68,437,536</b>	73,164,047
Advances to contractors and suppliers	<b>25,464,681</b>	25,251,951
Playing cards	<b>368,028</b>	122,487
Creditable withholding tax (CWT)	<b>17,079,845</b>	16,357,496
Advances to officers and employees	<b>55,732,817</b>	38,324,531
Others	<b>14,884,355</b>	13,489,119
	<b>410,344,811</b>	371,447,111
Allowance for non-recoverable input VAT	<b>(201,540,955)</b>	(201,540,955)
	<b>P208,803,856</b>	P169,906,156

Prepaid expenses consist of prepaid rent, prepaid insurance on property and equipment, health care benefits of employees and advances for consultancy and professional services.

Advances to contractors and suppliers are down payment to vendors that will be applied against future deliveries of goods and performance of services.

## 7. Property and Equipment

The movements in this account are as follows:

Cost	Office										Total
	Land	Leasehold Improvements	Aircraft and Transportation Equipment	Gaming Equipment	Furniture, Fixtures and Equipment	Network equipment	Condominium Unit	Right-to-use Asset			
December 31, 2018	₱814,000	₱1,372,329,475	₱527,953,626	₱998,531,929	₱682,363,493	₱348,746,971	₱7,146,816	₱-	₱3,937,886,310		
Effect of adoption of PFRS 16	-	-	-	-	-	-	-	-	-	871,712,762	871,712,762
December 31, 2018, as restated	814,000	1,372,329,475	527,953,626	998,531,929	682,363,493	348,746,971	7,146,816	871,712,762	4,809,599,072		
Additions	-	39,968,638	-	84,659,710	42,257,743	203,882	-	-	167,089,973		
Retirement/ reclassification	-	-	(10,006,004)	-	-	-	-	-	(10,006,004)		
December 31, 2019	814,000	1,412,298,113	517,947,622	1,083,191,639	724,621,236	348,950,853	7,146,816	871,712,762	4,966,683,042		
Additions	5,157,715	6,912,542	1,765	672,388	4,773,403	-	-	-	17,517,812		
June 30, 2020	₱5,971,715	₱1,419,210,655	₱517,949,387	₱1,083,864,027	₱729,394,639	₱348,950,853	₱7,146,816	₱871,712,762	₱4,984,200,854		
<b>Accumulated Depreciation and Amortization</b>											
December 31, 2018	₱-	₱943,290,626	₱206,939,204	₱304,928,920	₱549,814,289	₱169,033,111	₱5,696,019	₱-	₱2,179,702,169		
Effect of adoption of PFRS 16	-	161,185,520	-	-	-	-	-	-	161,185,520		
December 31, 2018, as restated	-	1,104,476,146	206,939,204	304,928,920	549,814,289	169,033,111	5,696,019	-	-		
Depreciation and amortization	-	154,476,178	42,252,212	103,549,146	98,639,690	29,323,230	201,727	237,530,992	665,973,174		
Retirement/reclassification	-	-	(4,694,060)	-	-	-	-	-	(4,694,060)		
December 31, 2019	-	1,258,952,324	244,497,356	408,478,066	648,453,979	198,356,341	5,897,746	237,530,992	3,002,166,804		
Depreciation and amortization	-	52,777,464	22,708,238	50,668,039	22,196,308	16,287,395	100,863	15,545,949	180,284,256		
June 30, 2020	-	1,311,729,788	267,205,594	459,146,105	682,110,348	214,643,736	5,998,609	253,076,941	3,193,911,120		
<b>Carrying Amount</b>											
December 31, 2019	814,000	153,345,788	273,450,267	674,713,573	76,167,257	150,594,512	1,249,070	634,181,770	1,964,516,238		
June 30, 2020	₱5,971,715	₱1,07,480,866	₱250,743,794	₱624,717,922	₱47,284,291	₱134,307,117	₱1,148,207	₱634,181,770	₱1,790,289,734		

## 8. Investment Properties

This account consists of:

	Land	Land Improvements	Building	Right-of-use Asset	Total
January 1, 2019, as restated	₱7,051,496,205	₱16,345,000	₱238,847,222	₱125,628,015	₱7,432,316,442
Additions	17,442,217	98,000	–	–	17,540,217
Amortization of right-of-use assets	–	–	–	(1,709,517)	(1,709,517)
Derecognition	–	–	–	(123,918,498)	(123,918,498)
Unrealized gains on changes in fair values of investment properties	2,458,731,793	(346,000)	(8,870,222)	–	2,449,515,571
<b>December 31, 2019/June 30, 2020</b>	<b>₱9,527,670,215</b>	<b>₱16,097,000</b>	<b>₱229,977,000</b>	<b>₱–</b>	<b>₱9,773,744,215</b>

## 9. Investments and Advances and Fair Value through Other Comprehensive Income

	Percentage of Ownership	June 30, 2020	Percentage of Ownership	December 31, 2019
<b>Investments</b>				
Associates:				
Binondo Leisure Resources, Inc. (BLRI)				
Preferred shares		<b>₱20,000,000</b>		<b>₱20,000,000</b>
Common shares	<b>30%</b>	<b>1,200,000</b>	30%	1,200,000
Insular Gaming Corp. (Insular)				
Common shares	<b>40%</b>	<b>199,800</b>	40%	199,800
		<b>21,399,800</b>		21,399,800
Accumulated equity in net earnings:				
Balance at beginning of year		<b>948,502</b>		1,958,976,426
Share in net income from Techzone		–		91,601,846
Insular		–		–
Sale of investment in TechZone		–		(2,049,629,770)
		<b>948,502</b>		948,502
<b>Balance at end of period</b>		<b>948,502</b>		22,348,302
<b>Joint ventures:</b>				
HEPI	<b>51%</b>	<b>750,938,000</b>	51%	750,938,000
Accumulated equity in net income:				
Balance at beginning of year		<b>449,115,085</b>		300,107,396
Share in net income from HEPI		<b>19,521,971</b>		149,007,689
		<b>468,637,056</b>		449,115,085
<b>Balance at end of period</b>		<b>₱1,219,575,056</b>		<b>₱1,200,053,085</b>
<i>Forward</i>				

	Percentage of Ownership	2020	Percentage of Ownership	2019
Advances:				
Cagayan Premium Ventures Development Corporation (CPVDC) and Cagayan Land Property Development Corporation (CLPDC)		₱1,017,390,583		₱1,017,390,583
BLRI		124,371,498		124,371,498
Pacific Visionary Land Owners		94,139,697		94,139,697
AB Fiber Corp.		35,570,338		35,570,338
Eco Leisure		31,696,665		31,696,665
HEPI		26,136,049		26,136,049
Others		-		-
		<b>221,279,101</b>		180,582,152
		<b>1,550,583,931</b>		1,509,886,982
Allowance for impairment losses		<b>(225,218,314)</b>		(225,218,314)
		<b>1,325,365,617</b>		1,284,668,668
<b>Balance at end of period</b>		<b>2,567,288,975</b>		2,507,070,055
Other investments - at cost		556,700		556,700
		<b>₱2,567,845,675</b>		<b>₱2,507,626,755</b>

#### Financial Assets through Fair Value through Other Comprehensive Income (FVOCI)

	2020	2019
Balance at beginning of period	₱153,309,029	₱153,309,029
Unrealized gain (loss) during the period	(61,454,830)	(61,454,830)
Balance at end of period	<b>₱106,725,824</b>	₱106,725,824

#### **10. Other Noncurrent Assets**

	June 30, 2020	December 31, 2019
Rental deposits	₱436,395,601	₱432,823,436
Cash performance bonds	300,450,000	298,950,000
Cash in bank – restricted	69,092,789	69,092,789
Input VAT and CWT	20,101,466	20,100,774
Performance cash deposits and betting credit funds	32,450,000	32,450,000
Premium on group pension plan	42,336,018	42,336,018
Airstrip improvements - net	30,227,264	31,000,512
Lease rights	18,998,422	18,998,422
Utility and construction bond	4,154,294	4,153,613
Others	47,548,300	49,135,604
	<b>₱1,001,754,154</b>	<b>₱999,041,168</b>

## 11. Loans Payable

Short-term Loans Payable	Interest rates	Maturity	2020
Local banks	6.5% - 7.0%	December 2019 - September 2020*	<b>₱913,512,500</b>
<i>*subject to renewal</i>			
Long-term Loans Payable	Interest rates	Maturity	2020
<b>Current Portion</b>			
Local banks	6.0% - 6.6%	February 2018 - January 2022	<b>₱267,820,298</b>
<b>Noncurrent Portion</b>			
Local banks	6.0% - 6.6%	February 2018 - January 2022	<b>2,414,007,424</b>
Promissory notes	10%		<b>504,950,000</b>
			<b>₱3,186,777,722</b>

The Group is required to comply with affirmative financial ratios such as debt-to-equity and debt service coverage ratio which the Group has complied with as at June 30, 2020 and December 31, 2019.

## 12. Trade and Other Payables

	June 30, 2020	December 31, 2019
Payable to:		
Suppliers	<b>₱350,685,822</b>	₱322,759,346
PAGCOR	<b>90,851,001</b>	151,475,976
Government agencies	<b>60,938,507</b>	138,630,807
CEZA	<b>148,400,525</b>	73,171,343
Rent payable	<b>161,394,894</b>	49,215,887
Output VAT	<b>3,686,021</b>	3,191,249
Unearned revenues	–	1,558,244
Accrued expenses and other payables:		
Payable to machine owners	<b>486,712,685</b>	558,062,495
Dividends payable	<b>172,294,725</b>	248,444,725
Contracted services	<b>165,461,292</b>	173,257,984
Payable to site owner	<b>60,064,319</b>	70,245,027
Salaries, wages and benefits	<b>143,761,071</b>	52,640,305
Interest payable	<b>6,565,318</b>	46,763,344
Customer deposit	<b>11,235,392</b>	11,235,392
Utilities	<b>28,513,899</b>	7,701,372
Professional fees	<b>6,041,795</b>	7,354,828
Others	<b>86,093,282</b>	64,183,933
<b>₱1,982,700,548</b>		<b>₱1,979,892,257</b>

---

**13. Business Combination and Goodwill**

	2020	2019
<b>Cost</b>		
Balance at beginning of year	<b>₱1,502,067,704</b>	₱1,502,067,704
Additions	-	-
Balance at end of year	<b>1,502,067,704</b>	1,502,067,704
<b>Accumulated Impairment Losses</b>	<b>(8,183,009)</b>	(8,183,009)
<b>Carrying Amount</b>	<b>₱1,493,884,695</b>	₱1,493,884,695

#### 14. Related Party Disclosures

Categories	Nature of Transaction	Year	Amount of Transactions for the Year	Outstanding Balance		Terms	Conditions
				Due from Related Parties	Due to a Related Party		
Individual stockholder	Cash advances	2020	-	5,000,000	-	Demandable; non-interest bearing	Unsecured; no impairment
		2019	-	5,000,000	-		
Advances to affiliates	Cash advances	2020	-	150,000,000	-	Demandable; non-interest bearing	Unsecured; no impairment
		2019	-	150,000,000	-		
<b>Total</b>		<b>2020</b>		<b>P155,000,000</b>	<b>P-</b>		
<b>Total</b>		<b>2019</b>		<b>P155,000,000</b>	<b>P-</b>		



---

## 15. Segment Information

The Group operates in four (4) reportable business segments namely: the online group, casino group, retail group and investment group, and only one (1) reportable geographical segment which is the Philippines. The description of the reportable segments are as follows:

### Casino

The casino group is involved in hotel operation and casino marketing, junket operations, and arcade leasing.

### Online

The online segment's primary activity is licensing of operators engaged in interactive gaming, as well as the establishment and setup of all the gaming infrastructures required in connection with the development, operation and conduct of internet server, telecommunication network, gaming enterprises, and other systems facilities.

### Retail

The retail segment consists largely of venues providing amusements and recreation to the public in such forms as, but not limited to, traditional, electronic and rapid bingo games. And with the acquisition of TGXI in July 2014, this business segment now currently includes PEGS offering online casino games. Multiple sites include Bingo Halls located in large popular malls, while Bingo Boutiques and eGames Stations are situated in strategic commercial establishments across the country.

### Property

The property segment consists of an economic interest in one of the integrated resort operators in the Entertainment City and an investment in a joint venture property development project engaged in building a world-class Business Process Outsourcing center with offices for various locators.

Analysis of financial information by business segment as of June 30 follows:

	Casino Group	Online Group	Retail Group	Property Group	Others	Eliminations	Consolidated
<b>Net Revenues</b>							
External revenue	₱258,631,829	₱35,402,323	₱1,662,339,876	₱18,021,024	₱ -	₱ -	₱1,974,395,052
<b>Results</b>	(73,733,364)	51,809,034	(241,961,473)	(6,906,978)	(86,084,185)	-	(356,876,966)
<b>Results from Operating Activities</b>							
Finance income	56,439	83,691	238,102	105,094	62,514	-	545,840
Finance expense	(10,039,702)	(1,001,176)	(44,930,595)	(82,840,926)	(4,773,851)	-	(143,586,250)
Other income (expense)	-	-	1,152,683	-	-	-	1,152,683
Foreign exchange gain (loss)	(1,208,292)	-	-	-	-	-	(1,208,292)
Equity in net earnings of a joint venture	-	-	-	-	19,521,971	-	19,521,971
Income taxes	-	(15,477,953)	-	-	-	-	(15,477,953)
<b>Total Comprehensive Income</b>	(84,924,919)	35,413,596	(285,523,755)	(89,642,810)	(71,273,551)	-	(₱495,951,439)
<b>Other Information</b>							
Segment assets	₱1,699,551,717	₱3,356,203,872	₱2,754,594,587	₱12,082,888,525	₱10,543,271,290	(₱10,942,180,973)	₱19,494,329,018
<b>Total Assets</b>							₱19,494,329,018
Segment liabilities	₱1,716,311,262	₱1,879,735,095	₱2,657,979,270	₱6,953,313,341	₱3,587,571,869	(₱8,349,822,665)	₱8,445,088,173
<b>Total Liabilities</b>							₱8,445,088,173
Capital expenditures	₱966,006	₱-	₱10,957,589	₱5,158,215	₱436,003	₱-	₱17,517,812
Depreciation and amortization	₱51,424,402	₱24,658,486	₱95,406,844	₱1,861,678	₱6,932,847	₱-	₱180,284,257

Unallocated corporate expenses consist of net operating expenses of the Parent Company. Assets of the individual segments mainly comprise investments and advances, due from related parties, property and equipment, and trade receivables. Liabilities of the individual segments include loans payable, trade and other payables, retirement benefits liability, and due to related parties. Capital expenditures on noncurrent assets represent additions to property and equipment and investment properties. Noncash expenses pertain to depreciation and amortization expense attributable to reportable segments.

---

## 16. Financial Risk and Capital Management Objectives and Policies

### Financial Risk Management Objectives and Policies

The Group has exposure to the following risks from its use of financial instruments:

- Credit Risk
- Liquidity Risk
- Market Risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risks, and the Group's management of capital.

The main purpose of the Group's dealings in financial instruments is to fund their respective operations and capital expenditures. The Group is not actively engaged in the trading of financial assets for speculative purposes nor does it write options.

The BOD has overall responsibility for the establishment and oversight of the Group's risk management framework. The BOD has established the Executive Committee, which is responsible for developing and monitoring the Group's risk management policies. The Executive Committee identifies all issues affecting the operations of the Group and reports regularly to the BOD on its activities.

The BOD has a Risk Oversight Committee which responsible for overseeing and managing risk that the Group may encounter. They develop proper strategies and measures to avoid or at least minimize such risk incorporating the Group's established risk management policies.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. All risks faced by the Group are incorporated in the annual operating budget. Mitigating strategies and procedures are also devised to address the risks that inevitably occur so as not to affect the Group's operations and forecasted results. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The BOD constituted the Group's Audit Committee to assist the BOD in fulfilling its oversight responsibility of the Group's corporate governance process relating to the:

- a) quality and integrity of the Group's financial statements and financial reporting process and the Group's systems of internal accounting and financial controls;
- b) performance of the internal auditors;
- c) annual independent audit of the Group's financial statements, the engagement of the independent auditors and the

evaluation of the independent auditors' qualifications, independence and performance; d) compliance by the Group with legal and regulatory requirements, including the Group's disclosure control and procedures; e) evaluation of management's process to assess and manage the Group's enterprise risk issues; and f) fulfillment of the other responsibilities set out by the BOD. The Audit Committee shall also prepare the reports required to be included in the Group's annual report. The results of procedures performed by Internal Audit are reported to the Audit Committee. On the other hand, the Audit Committee reports all the issues identified over the financial reporting of the Group to the BOD on a regular basis.

#### Credit Risk

Credit risk represents the risk of loss the Group would incur if customers and counterparties fail to perform their contractual obligations. The Group manages its credit risk mainly through the application of transaction limits and close risk monitoring. It is the Group's policy to enter into transactions with a wide diversity of creditworthy counterparties to mitigate any significant concentration of credit risk. Further, the Group has regular internal control reviews to monitor the granting of credit and management of credit exposures.

The BOD has established a credit policy under which each new advanced amount requested by customer/counterparties within the same gaming industry is analyzed individually for creditworthiness before standard credit terms and conditions are granted. The Group's review includes the requirements of updated credit application documents, credit verifications through the use of no negative record requests and list of blacklisted accounts, and analyses of financial performance to ensure credit capacity. The status of each account is first checked before advances are approved.

Most of the Group's customers have been transacting with the Group for several years, and losses have occurred from time to time. Results of credit reviews are grouped and summarized according to credit characteristics, such as aging profiles and credit violations.

The Group establishes an allowance for impairment losses that represents its estimate of incurred losses in respect of receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

As at reporting date, there were no significant concentrations of credit risk.

Based on historical default rates, the Group believes that no impairment allowance is necessary in respect of receivables not past due or past due by up to 60 days.

#### *Rental Deposits*

The management prefers well known business establishments in the selection of location for bingo operations to ensure profitable operations and recovery of the rental and other deposits upon termination of the lease agreements.

#### *Cash Performance Bonds/Performance Cash Deposits and Betting Credit Funds*

The Group's exposure to credit risk is negligible as PAGCOR has sufficient funds to settle these upon the expiration of the respective license agreements.

#### *AFS Financial Assets*

The Group's exposure to credit risk is negligible as this pertains to the Group's investment in DFNN's shares that are listed on the PSE.

#### *Due from Related Parties*

The Group limits its exposure to credit risk by only financing the operations of related parties that have viable operations and likewise engaged in gaming amusement activities.

The most significant amount of due from related parties of the Group are the advances to BLRI and HEPI, an associate and a joint venture, respectively, of the Parent Company.

The credit quality of the Group's neither past due nor impaired financial assets based on their historical experience with the corresponding third parties has been defined as follows:

- Grade A: Financial assets which are consistently collected before maturity.
- Grade B: Financial assets which are collected on their due dates even without an effort from the Group's to follow them up.
- Grade C: Financial assets which are collected on their due dates provided that the Group's made a persistent effort to collect.

#### Liquidity Risk

Liquidity risk pertains to the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The Group manages liquidity risk by forecasting projected cash flows and maintaining a balance between continuity of funding and flexibility. Treasury controls and procedures are in place to ensure that sufficient cash is maintained to cover daily operational and working capital requirements. Management closely monitors the Group's future and contingent obligations and sets up required cash reserves as necessary in accordance with internal requirements.

#### Market Risk

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates, and other market prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Group is subject to various market risks, including risks from changes in prices, interest rates, currency exchange rates and equity price risk.

#### *Change in Prices*

The risk from price changes relates to the Group's ability to recover higher selling costs through price increases, which may be limited due to the regulated environment that exists in the Philippine gaming market and the willingness of players to purchase the same volume of bingo cards at higher prices. The Group's most significant exposure arises from increase in rental rates of leased premises in commercial establishments.

The Group minimizes its exposure to risks in changes in rental rates by entering into contracts with lessors with fixed rent commitment for the contract duration.

#### *Foreign Currency Risk*

The Group is exposed to foreign currency risk on purchases that are denominated in currencies other than the Philippine peso, mostly in U.S. dollar (\$). In respect of monetary assets and liabilities held in currencies other than the Philippine peso, the Group ensures that its exposure is kept to an acceptable level, by buying foreign currencies at spot rates where necessary to address short-term imbalances.

There is no other impact on the Group's equity other than those affecting the profit or loss.

#### *Equity Price Risk*

Equity price risk is such risk where the fair values of investments in quoted equity securities could decrease as a result of changes in the levels of equity indices and the value of individual stocks. The management strictly monitors the movement of the share prices pertaining to its investments. The Group is exposed to equity securities price risk because of investments held by the Group, which are classified in the consolidated financial position as AFS financial asset.

#### Fair Values

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

#### *Cash/Receivables/Due from Related Parties/Rental Deposits/Cash Performance Bonds/Performance Cash Deposits and Betting Credit Funds/Trade and Other Payables/Due to a Related Party/Deposits*

The carrying amounts of cash, receivables, due from related parties, trade and other payables and due to a related party approximate their fair values due to the relatively short-term nature of these financial instruments. The carrying amounts of rental deposits, cash performance bonds and performance cash deposits and betting credit funds approximate their fair values as management believes that the effect of discounting cash flows from these instruments is not significant.

#### *Loans Payable*

Loans are reported at their present values, which approximates the cash amounts that would fully satisfy the obligations as at reporting date. The carrying amount approximates fair value since the interest rates are repriced frequently. These are classified as current liabilities when they become payable within a year.

#### *Obligations under Finance Lease*

Obligations under finance lease approximate their carrying amount since the Group does not anticipate that the effect of discounting using the prevailing market rate is significant.

*Available for Sale Financial Asset*

The fair value of the available for sale financial asset is based on the quoted market price of the investment in equity as at June 30, 2018. The fair value is under Level 1 of the fair value hierarchy.

Capital Management

The Group's objectives when managing capital are to increase the value of shareholders' investment and maintain high growth by applying free cash flows to selective investments. The Group sets strategies with the objective of establishing a versatile and resourceful financial management and capital structure.

The BOD monitors the return on capital, which the Group defines as net operating income divided by total shareholders' equity. The BOD also monitors the level of dividends to shareholders.

The BOD seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. The Group defines capital as equity, which includes capital stock, additional paid-in capital and retained earnings. There were no changes in the Group's approach to capital management as at June 30, 2019. The Group is not subject to externally-imposed capital requirements.

**LEISURE & RESORTS WORLD CORPORATION AND SUBSIDIARIES**  
**Financial Soundness Indicators**  
**As of June 30, 2020 and 2019**

<b>Key Performance Indicator</b>	<b>Formula</b>	<b>2020</b>	<b>2019</b>
Current Ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	66.4%	136.0%
Debt to Equity Ratio	$\frac{\text{Total Liabilities}}{\text{Stockholders' Equity}}$	77.7%	57.4%
Asset to Equity Ratio	$\frac{\text{Total Assets}}{\text{Stockholders' Equity}}$	177.7%	157.4%
Payout Turnover	$\frac{\text{Traditional Bingo Revenues}}{\text{Payout}}$	1.23 times	1.30 times
Return on Average Equity	$\frac{\text{Net Income}^*}{\text{Average Stockholders' Equity}}$	(8.1%)	(0.04%)
Return on Average Assets	$\frac{\text{Net Income}^*}{\text{Average Total Assets}}$	(5.0%)	(0.02%)
Solvency Ratio	$\frac{\text{Net Income}^* + \text{Depreciation}^*}{\text{Total Liabilities}}$	(7.3%)	5.3%
Interest Coverage Ratio	$\frac{\text{Income Before Interest \& Tax}^*}{\text{Interest Expense}}$	(4.7)	0.4
Net Book Value Per Share	$\frac{\text{Stockholders' Equity}}{\text{Weighted Average Shares Outstanding}}$	4.5	6.7
Basic Earnings Per Share	$\frac{\text{Income Attributable to Ordinary Stockholders of the Parent Company}}{\text{Weighted Average Shares Outstanding}}$	(0.2072)	(0.0210)
Diluted Earnings Per Share	$\frac{\text{Income Attributable to Ordinary Stockholders of the Parent Company}}{\text{Weighted Average Shares Outstanding}^{**}}$	(0.2072)	(0.0202)

\*Annualized for quarterly reporting.

\*\*Adjusted for the convertible preferred shares.