

A 1 9 9 9 0 4 8 6 4

SEC Registration Number

B L O O M B E R R Y R E S O R T S C O R P O R A T I O N

(Company's Full Name)

T H E E X E C U T I V E O F F I C E S , S O L A I R E
R E S O R T & C A S I N O , 1 A S E A N A V E N U E ,
E N T E R T A I N M E N T C I T Y , T A M B O ,
P A R A Ñ A Q U E C I T Y

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

GERARD ANGELO EMILIO J. FESTIN

(Contact Person)

883-8921

(Company Telephone Number)

1 2 3 1
Month Day
(Fiscal Year)

Definitive
S E C 20 IS
(Form Type)

any day in June
Month Day
(Annual Meeting)

N/A

(Secondary License Type, If Applicable)

SEC-MSRD

Dept. Requiring this Doc.

N/A

Amended Articles Number/Section
Total Amount of Borrowings

97

(as of 31 March 2018)

Total No. of Stockholders

N/A

Domestic

N/A

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

Remarks: Please use BLACK ink for scanning purposes.

**SECURITIES AND EXCHANGE COMMISSION
SEC FORM 20-IS**

**INFORMATION STATEMENT PURSUANT TO
SECTION 20 OF THE SECURITIES REGULATION CODE**

1. Check the appropriate box:
[] Preliminary Information Statement
[X] Definitive Information Statement
2. Name of Registrant as specified in its charter
Bloomberry Resorts Corporation
3. Province, country or other jurisdiction of incorporation or organization
Philippines
4. SEC Identification Number **A199904864**
5. BIR Tax Identification Code **204-636-102**
6. Address of Principal Office **The Executive Offices, Solaire Resort & Casino,
1 Asean Avenue, Entertainment City, Tambo,
Parañaque City**
Postal Code **1701**
7. Registrant's telephone number, including area code **(632) 883-8920**
8. Date, time and place of the meeting of security holders: June 5, 2018 at 10 a.m. to be held at the Ballroom of Solaire Resort & Casino, 1 Asean Avenue, Entertainment City, Barangay Tambo, Parañaque City
9. Approximate date on which the Information Statement is first to be sent or given to security holders: **May 15, 2018**
10. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):

Title of Each Class	Number of Shares of Stock Outstanding as of 30 April 2018
Unclassified Shares, P1.00 par value	11,013,030,591 Shares

11. Are any or all of registrant's securities listed in a Stock Exchange?
Yes ☒ No ☐

Name of Stock Exchange: **Philippine Stock Exchange**
Class of Securities Listed: **Common Shares**

**BLOOM MANAGEMENT IS NOT SOLICITING PROXIES FOR
THIS ANNUAL STOCKHOLDERS' MEETING.**

PLEASE DO NOT SEND BLOOM MANAGEMENT YOUR PROXY.



Bloomberg Resorts Corporation

BLOOMBERRY RESORTS CORPORATION 2018 ANNUAL STOCKHOLDERS' MEETING

Notice is hereby given that the Annual Stockholders' Meeting of Bloomberg Resorts Corporation will be held at the Ballroom of Solaire Resort & Casino, 1 Asean Avenue, Entertainment City, Barangay Tambo, Parañaque City, Philippines on Tuesday, June 5, 2018 at 10:00 a.m., with the following agenda:

A G E N D A

1. Call to order
2. Determination of existence of quorum
3. Report of the Chairman
4. Approval of the Audited Financial Statements
5. Election of the members of the Board of Directors
6. Amendment of Section 1, Article II of the By-laws of the Corporation to change the date of the annual meeting date from any day in June of each year to every third Thursday of April of each year
7. Appointment of the External Auditor
8. Other Matters

The Board of Directors fixed May 10, 2018 as the record date for the purpose of determining Stockholders entitled to notice and to vote at the said meeting.

Registration starts at 9:00 a.m. Please bring your identification documents (e.g. SSS card, driver's license, passport) to facilitate registration.

Should you be unable to attend the meeting, but wish to be represented, please send us a Proxy.

For Stockholders whose shareholdings are lodged with the Philippine Central Depository, please secure a certification from your respective brokers and send it to us on or before May 23, 2017.

Proxy validation will be held on May 28, 2018 at 11 a.m. at the Executive Offices, Solaire Resort & Casino, 1 Asean Avenue, Entertainment City, Tambo Parañaque City.

Makati City, May 8, 2018

For the Board of Directors:


SILVERIO BENNY J. TAN
Corporate Secretary

PART I. A. GENERAL INFORMATION

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

The Annual Stockholders' Meeting of Bloomberry Resorts Corporation (the "Company" or "BLOOM") will be held on June 5, 2018 at the Ballroom of Solaire Resort & Casino, 1 Asean Avenue, Entertainment City, Barangay Tambo, Parañaque City at 10:00 a.m.

The address of the principal office of BLOOM is The Executive Offices, Solaire Resort & Casino, 1 Asean Avenue, Entertainment City, Tambo Parañaque City. This Information Statement will be mailed to Stockholders entitled to notice of and to vote at the Annual Stockholders' Meeting on or about May 15, 2018.

Item 2. Dissenters' Right of Appraisal

The matters to be acted upon at this Annual Stockholders' Meeting are not matters with respect to which a dissenting Stockholder may exercise his appraisal right under Section 81 of the Corporation Code.

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

Other than election of Directors, there are no substantial interest, by security holdings or otherwise, of BLOOM, any Director or Officer thereof, or associate of any of the foregoing persons in any matter to be acted upon at the Annual Stockholders' Meeting.

None of the Directors of BLOOM has informed BLOOM in writing that he intends to oppose any action to be taken by BLOOM at this Annual Stockholders' Meeting.

Part I. B. CONTROL AND COMPENSATION INFORMATION

Item 4. Voting Securities and Principal Holders Thereof

As of March 31, 2018, there are 11,000,717,025 common shares of BLOOM issued and outstanding. Only Stockholders of record at the close of business on May 10, 2018 are entitled to notice and to vote at the Annual Stockholders' Meeting. The stockholders will vote on matters scheduled to be taken up at the Annual Meeting with each share being entitled to cast one (1) vote.

For the election of Directors, Stockholders entitled to vote may vote such number of shares for as many persons as there are Directors to be elected, or may cumulate said shares and give one candidate as many votes as the number of Directors to be elected multiplied by the number of their shares shall equal or may distribute them on the same principle among as many candidates as they shall see fit.

Security Ownership of Certain Beneficial Owners and Management

As of March 31, 2018, the Company does not know of anyone who beneficially owns in excess of 5% of the Company's stock except as set forth in the table below:

Security Ownership of Certain Record and Beneficial Owners

Title of Class	Name, Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percentage
Common Shares	Prime Metroline Holdings, Inc. 18/F Liberty Center, 104 H.V. Dela Costa St., Salcedo Village, Makati City Controlling Shareholder of Issuer	Enrique K. Razon, Jr. Controlling Shareholder	Filipino	5,935,972,444 ¹	53.80%
Common Shares	Quasar Holdings, Inc. 18/F Liberty Center, 104 H.V. Dela Costa St., Salcedo Village, Makati City Controlling Shareholder of Issuer	Enrique K. Razon, Jr. Controlling Shareholder	Filipino	921,184,056 ¹	8.35%
Common Shares	PCD Nominee Corporation (Non-Filipino) Makati Stock Exchange Bldg., Ayala Avenue, Makati City No relationship	Various parties	Foreign	3,317,538,329 ²	30.07%
Common Shares	PCD Nominee Corporation (Filipino) Makati Stock Exchange Bldg., Ayala Avenue, Makati City No relationship	Various parties	Filipino	551,800,011	5.00%
Common Shares	Global Gaming Philippines, LLC 499 Park Avenue, 2 nd Floor, New York, United States of America No relationship	Global Gaming Asset Management Holdings, LLC Controlling Entity of Global Gaming Philippines, LLC	Foreign	921,184,056 ²	8.35%

¹Enrique K. Razon Jr. is the controlling stockholder of Prime Metroline Holdings, Inc., Quasar Holdings, Inc. and Falcon Investco Holdings, Inc. Enrique K. Razon, Jr. directly and indirectly owns 7,584,889,332 shares or 68.89% some of which are lodged with the PCD Nominee Corporation.

²The shares of Global Gaming Philippines, LLC is lodged under the shares of PCD Nominee Corporation (Non-Filipino).

Security Ownership of Management as of March 31, 2018

Name	Citizenship	Number of Shares	Percentage of Ownership
Enrique K. Razon, Jr. ¹	Filipino	7,113,389,332	68.75%
Thomas Arasi	American	6,870,571	0.06%
Jose Eduardo J. Alarilla	Filipino	1,326,889	0.01%
Christian R. Gonzalez	Filipino	3,828,933	0.03%
Estella Tuason-Occeña	Filipino	2,850,100	0.03%
Donato C. Almeda	Filipino	1,326,502	0.01%
Carlos C. Ejercito	Filipino	100	0.00%

Jon Ramon Aboitiz	Filipino	13,510,632	0.12%
Silverio Benny J. Tan	Filipino	4,471,807	0.04%
Laurence Upton	New Zealander	498,610	0.00%
Cyrus Sherafat	American	1,916,056	0.02%

¹ Enrique K. Razon, Jr. directly owns 100 shares and indirectly owns: through Prime Metroline Holdings, Inc., 5,935,972,444 (53.80%) shares, through Falcon Investco Holdings, Inc., 225,000,000 (2.05%) shares; and through Quasar Holdings, Inc., 921,184,056 (8.35%) shares.

Voting Trust Holders of 5% or More

None

Change in Control

None

Certain Relationships and Related Transactions

Descriptions and explanations of the related party transactions are disclosed in Note 14, *Related Party Transactions*, to the Annual Audited Consolidated Financial Statements.

Aside from the transactions as disclosed in the Annual Audited Consolidated Financial Statements, the Group does not have any other transactions with its directors, executive officers, security holders or members of their immediate family.

Item 5. Directors and Executive Officers

The following are information on the business experience of the members of the Board of Directors (the Board) and Executive Officers of BLOOM for the last five (5) years.

The members of the Board of Directors and executive officers of BLOOM as of March 31, 2018 are:

Office	Name	Citizenship	Age
Chairman of the Board and CEO	Enrique K. Razon Jr.	Filipino	58
Vice Chairman	Jose Eduardo J. Alarilla	Filipino	66
Director, President & Chief Operating Officer	Thomas Arasi	American	60
Director	Christian R. Gonzalez	Filipino	42
Director	Donato C. Almeda	Filipino	63
Independent Director	Carlos C. Ejercito	Filipino	72
Independent Director	Jon Ramon Aboitiz	Filipino	69
Chief Financial Officer and Treasurer	Estella Tuason-Occeña	Filipino	48
Senior Vice President for International Marketing	Laurence Upton	New Zealander	48
Senior Vice-President for Casino Marketing	Cyrus Sherafat	American	35
Senior Vice President of Construction	Theunis D. van Niekerk ¹	South African	60
Corporate Secretary and Compliance Officer	Silverio Benny J. Tan	Filipino	61
Assistant Corporate Secretary	Jonas S. Khaw	Filipino	38

¹Appointed on 31 August 2017.

Below are summaries of the business experience and credentials of the Directors and the Company's key executive officers:

Enrique K. Razon, Jr. — Chairman and Chief Executive Officer

Mr. Razon is the Chairman and the President of International Container Terminal Services, Inc. (ICTSI)*, ICTSI Warehousing, Inc., ICTSI Foundation, Inc., Razon Industries, Inc., Prime Metroline Holdings Inc. (PMHI), Quasar Holdings Inc., Falcon Investco Holdings Inc., Achillion Holdings Inc., Collingwood Investment Company Ltd., Bravo International Port Holdings Inc. and

Provident Management Group, Inc.; the CEO and the Chairman of Bloomberry Resorts and Hotels, Inc.; the Chairman of Sureste Realty Corp., Monte Oro Resources and Energy, Inc. (MORE) and Australian Terminal Ltd.; the President of Contecon Manzanillo S.A., Tecon Suape, S.A. and Tecplata S.A.; a Director A of Contecon Guayaquil S.A.; a Director B of ICTSI Capital B.V.; and a Director of Sureste, ICTSI (Hongkong) Ltd., Yantai International Container Terminals, Limited, Australian Container Terminals Ltd., Pentland International Holdings Ltd., CLSA Exchange Capital and Xcell Property Ventures, Inc.

Mr. Razon is a member of the American Management Association, the Management Association of the Philippines, the US Philippines Society and the World Economic Forum.

**Publicly-listed Corporation*

Jose Eduardo J. Alarilla — Vice Chairman

Mr. Alarilla is the President of Lakeland Village Holdings, Inc., Devoncourt Estates Inc., Eiffle House Inc., Alpha Allied Holdings Ltd. and Sureste. He is the President and CEO of Mega Subic Terminal Services, Inc., Chairman of Mega Equipment International Corp., and President of Manila Holdings and Management, Inc. Mr. Alarilla is a director of BRHI, MORE and International Cleanenvironment Systems Inc. He holds a Bachelor of Science in Mechanical Engineering from De La Salle University and a Master in Business Management from the Asian Institute of Management.

Thomas Arasi —President and Chief Operating Officer

Mr. Arasi was appointed as President and Chief Operating Officer of the Company effective October 11, 2013. He is also the President of BRHI. He was formerly President and Chief Executive Officer of Marina Bay Sands Pte Ltd. He has also held senior positions with InterContinental Hotels Group as President of three major divisions, and was formerly the President of Tishman Hotel Corporation. Mr. Arasi is a graduate of Cornell University, where he received a Bachelor of Arts degree in Hotel and Restaurant Administration.

Christian R. Gonzalez — Director

Mr. Gonzalez is a director of BRHI, Sureste and PMHI. He is the Vice President and Head of Asia Pacific Region & Head of Manila International Container Terminal (MICT) in ICTSI*. Mr. Gonzalez is the Chairman and/or President of ICTSI Subic, Inc., Subic Bay International Terminal Holdings, Inc. and IW Cargo Handlers, Inc.; the Chairman of ICTSI Far East Pte. Ltd.; the President Commissioner of PT Makassar Terminal Services and ICTSI Jasa Prima; and a Director of Bauan International Ports, Inc., Davao Integrated Port & Stevedoring Services Corp., Mindanao International Container Terminal Services, Inc., South Cotabato Integrated Ports Services, Inc., Subic Bay International Terminal Corp., Abbotsford Holdings, Inc., ICTSI Warehousing, Inc., Hijo International Port Services, Inc., International Container Terminal Services (India) Private Limited, and Pakistan International Container Terminal Limited. Mr. Gonzalez is a Director and the Chairman of the Board in both Yantai International Container Terminals, Limited and Victoria International Container Terminal Ltd. In 2009, Mr. Gonzalez was appointed as the Treasurer of the Board of Trustees of ICTSI Foundation, Inc. In 2010, he was elected a Director of The Country Club.

Mr. Gonzalez is a graduate of Instituto de Estudios Superiores de la Empresa (IESE) Business School, the graduate school of management of the University of Navarra, in Barcelona, Spain, where he received his Bilingual Masters in Business Administration. He is also a graduate of Business Administration from Pepperdine University in California.

**Publicly-listed Corporation*

Donato C. Almeda — Director

Mr. Almeda is director of BRHI and is the President of Bloomberry Cultural Foundation Inc. He served as President and CEO of Waterfront Philippines Inc. He also served as: President of Waterfront Cebu City Hotel, Waterfront Mactan Hotel and Fort Ilocandia Hotel, Managing Director of Waterfront Promotions Ltd. (a gaming company) and President of Insular Hotel in Davao. He earned his Engineering Degree from De La Salle University.

Carlos C. Ejercito — Independent Director

Mr. Ejercito is an independent director of Monte Oro Resources & Energy, Inc. He is the Chairman and President of Northern Access Mining Corporation, Forum Cebu Coal Corporation, Morganhouse Holdings Inc., Aboitiz Power Corporation* and Century Properties Group, Inc.* He was Chairman of the Board of Directors of United Coconut Planters Bank, and was the former CEO of United Laboratories Inc. and several of its subsidiaries. He was a director of Ayala Greenfield Development Corporation. He was a former director in National Grid Corporation of the Philippines, Greenfield Development Corporation, Fort Bonifacio Development Corporation and Bonifacio Land Corporation. Mr. Ejercito is a governor of the Management Association of the Philippines and is a member of the Philippine Chamber of Commerce. Mr. Ejercito has a Bachelor's degree in Business Administration, cum laude, from the University of the East, and is an MBA candidate from Ateneo Graduate School of Business. He attended the Program for Management Development of Harvard Business School.

Jon Ramon Aboitiz — Independent Director

Mr. Aboitiz has been an independent director of ICTSI* since 2008 and is the Chairman of its Audit Committee. Mr. Aboitiz is the Chairman of Aboitiz & Co., Inc. and the Vice Chairman of Aboitiz Power Corporation (AP)*. He is the Vice Chairman of UnionBank of the Philippines* and the Chairman of various board Committees in UnionBank. Mr. Aboitiz is the Vice President and Trustee of the Ramon Aboitiz Foundation; a Trustee and a member of the Executive Committee of the Philippine Business for Social Progress; a Trustee of the Santa Clara University - California, U.S.A.; and a member of the Board of Advisors of the Coca-Cola Export Corporation (Philippines).

**Publicly-listed Corporation*

Estella Tuason-Occeña — Chief Financial Officer and Treasurer

Ms. Occeña is the Chief Financial Officer and Treasurer of BRHI and Director and Treasurer of PMHI. She is an Executive Officer of ICTSI*, Director and Chief Financial Officer of International Cleanenvironment Systems, Inc., Treasurer of Sureste, Sureste Realty Corporation, Lakeland Village Holdings Inc., Devoncourt Estates Inc., Achillion Holdings, Inc., and Razon Industries, Inc. She was Chief Financial Officer of MORE. Ms. Occeña has an MBA from De La Salle University and graduated with Distinction from St. Scholastica's College with a Bachelor's Degree in Commerce.

**Publicly-listed Corporation*

Laurence Upton — Senior Vice President for International Marketing

Mr. Upton was previously with Crown Ltd, Melbourne as Senior Vice President, VIP International Marketing. He was responsible for developing a marketing office in emerging markets including China, Vietnam, Japan and Korea and other countries in the region. He had also serviced VVIP clients, the world's largest gaming customers including international celebrities. In just two years' time Mr. Upton was able to significantly grow the company's emerging market turnover. He was also previously connected with Star City Pty Ltd in a variety of senior management roles.

Cyrus Sherafat — Senior Vice President for Casino Marketing

Mr. Sherafat has 10 years' experience in the gaming industry working in various marketing roles both at local casinos and international integrated resorts. He was the Vice President of Casino Marketing in Marina Bay Sands in Singapore. He is a graduate of Cornell University's School of Hotel Administration. He began his career in the gaming industry with Pinnacle Entertainment, a regional casino operator in the United States.

Rajesh Jhington* — Senior Vice President for Resort Operations

Mr. Jhington has extensive experience in hotel and resorts operations. Prior to joining Solaire, Mr. Jhington served as the Executive Vice President Operation of the Leela Palaces, Hotels and Resorts. From 2008 to 2012, he held the position of General Manager of the Mandarin Oriental, Las Vegas and the same position of General Manager with the Mandarin Oriental, Singapore from 2004 to 2008. He was also the General Manager of Taj Exotica Resort and Spa, Maldives from 2002 to 2004. Mr. Jhington has a Master's Degree in Hospitality Management from IMHI Cornell ESSEC, Paris, France.

**Mr. Rajesh Jhington is an officer of one of BLOOM's Subsidiaries, Sureste Properties Inc.*

Theunis van Niekerk – Senior Vice President for Construction

Mr. van Niekerk has over three decades experience in successfully delivering complex projects in the specialized entertainment, hospitality, gaming, retail, commercial, industrial, broadcasting, movie industry, food processing, high security manufacturing facilities, warehousing, explosives fabrication, and IT systems. He was part of the teams that were responsible for delivering complex projects for both Melco Crown Entertainment and MGM China. He has a diploma in Project Management from the Damelin Business School and studied Civil Engineering and Law at the University of Pretoria in South Africa.

Silverio Benny J. Tan — Corporate Secretary & Compliance Officer

Atty. Tan is a partner, and was managing partner in 2013 to 2015, in the law firm Picazo Buyco Tan Fider & Santos. He is chairman of the Board of Mapfre Insular Insurance Corporation. He is a director and corporate secretary of Prime Metroline Holdings, Inc., Bravo International Port Holdings Inc., Alpha International Port Holdings Inc., Eiffle House Inc., Cyland Corp., OSA Industries Philippines Inc. and Negros Perfect Circles Food Corp. He is also a director of the following companies: Celestial Corporation, Skywide Assets Ltd., Monte Oro Minerals (SL) Ltd., and Dressline Holdings Inc. and its subsidiaries and affiliates. He is the corporate secretary of several companies including: Sureste Properties, Inc., Bloomberry Resorts and Hotels Inc., Bloomberry Resorts Corporation*, Lakeland Village Holdings Inc., Devoncourt Estates Inc., Apex Mining Company Inc.* Monte Oro Resources & Energy Inc., Bloomberry Cultural Foundation Inc., and Pilipinas Golf Tournaments, Inc. He is the assistant corporate secretary of ICTSI* and ICTSI Ltd. He is a trustee and the auditor of the ICTSI Foundation, Inc.

Atty. Tan holds a Bachelor of Laws, cum laude, from the University of the Philippines College of Law and a Bachelor of Arts Major in Political Science, cum laude, from the University of the Philippines College Iloilo. Atty. Tan placed third in the 1982 Philippine Bar exams.

**Publicly-listed Corporation*

Jonas S. Khaw — Assistant Corporate Secretary

Atty. Khaw is a partner in the law firm Picazo Buyco Tan Fider & Santos. He is the corporate secretary of Medco Holdings, Inc.* Atty. Khaw holds a Juris Doctor and Bachelor of Science in Management Engineering degrees both from the Ateneo de Manila University.

Significant Employees

No person who is not an executive officer of BLOOM is expected to make a significant contribution to BLOOM.

Family Relationships

Director Christian R. Gonzales is the nephew of Chairman and President, Enrique K. Razon, Jr. There are no other family relationships among the directors and officers listed.

Involvement in Certain Legal Proceedings

Based on their individual responses after due inquiry as of date hereof, none of the following events occurred with respect to any of the foregoing nominees and executive officers during the past five (5) years up to the latest date that would be material to an evaluation of their ability or integrity to act as directors or executive officers of the Corporation, except as otherwise provided below:

- (a) Any bankruptcy petition filed by or against any business of which the nominee was a general partner or executive officer either at the time of the bankruptcy or within two (2) years prior to that time;
- (b) Any conviction by final judgment, in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses;
- (c) Being subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting the nominee's involvement in any type of business, securities, commodities or banking activities; and
- (d) Being found by a domestic or foreign court of competent jurisdiction (in a civil action), the SEC or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation, and the judgment has not been reversed, suspended, or vacated.

As of date, there are no material pending legal proceedings to which the registrant or any of its subsidiaries or affiliates is a party.

Nominees for Independent Directors/Nomination Committee

In line with established procedures, a formal nomination of an Independent Director is signed by an incumbent Director, and is submitted to the Corporate Secretary. The Corporate Secretary,

guided by the By-Laws, Revised Manual on Corporate Governance and the Corporation Code, forwards the same to the Nomination Committee. In accordance with the Revised Manual on Corporate Governance, the Nominations Committee passes upon the qualifications of the nominee; the process includes an examination of the nominee's business background and company affiliations, and ascertains that the nominee does not possess any of the disqualifications to serve as an Independent Director of BLOOM as provided in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations. The Nomination Committee is composed of Enrique K. Razon Jr. as Chairman, and Jose Eduardo J. Alarilla, Christian Gonzalez, and Jon Ramon Aboitiz as members.

Jon Ramon Aboitiz and Carlos C. Ejercito were nominated as Independent Directors of BLOOM by Ms. Estella Tuason-Occea. Information on the nominees are stated on pages 6 to 8 of this Information Statement.

Directors and Executive Officers

The following have been nominated as Members of the Board of Directors for the ensuing year:

Name	Citizenship	Age
Enrique K. Razon, Jr.	Filipino	58
Jose Eduardo J. Alarilla	Filipino	66
Thomas Arasi	American	60
Christian R. Gonzalez	Filipino	42
Donato C. Almeda	Filipino	63
Carlos C. Ejercito*	Filipino	72
Jon Ramon Aboitiz*	Filipino	69

*As Independent Director

Item 6. Compensation of Directors and Executive Officers

The Group paid compensation in 2017 to the Chief Executive Officer (CEO) and executive officers named below, as a group, amounting to ₱123.4 million.

Name	Office
Enrique K. Razon Jr.	Chairman of the Board & Chief Executive Officer
Jose Eduardo J. Alarilla	Vice Chairman
Thomas Arasi	President & Chief Operating Officer
Christian R. Gonzalez	Director
Donato C. Almeda	Director
Carlos C. Ejercito	Independent Director
Jon Ramon Aboitiz	Independent Director
Estella Tuason-Occea	Chief Financial Officer & Treasurer
Rajesh Jhington ¹	Senior Vice President for Resort Operations
Laurence Upton	Senior Vice President for International Marketing
Cyrus Sherfat	Senior Vice-President for Casino Marketing
Arcan Lat	Senior Vice President for Finance
Flint Richardson ²	Senior Vice President for Finance
Silverio Benny J. Tan	Corporate Secretary & Compliance Officer

¹ Mr. Rajesh Jhington is an officer of one of BLOOM's Subsidiaries, Sureste Properties Inc.

² Mr. Flint Richardson is an officer of one of BLOOM's Subsidiaries, Sureste Properties Inc. He retired effective April 16, 2017.

The following is the breakdown of the aggregate amount of compensation paid to the CEO and top four (4) highest paid executive officers in 2016 and 2017, and estimated to be paid to the

CEO and top four (4) highest paid executive officers in 2018 named above (amounts in millions):

	Year	Salary	Bonus & Others	Total
President and Top 4 Executive Officers, as group: Enrique K. Razon, Jr. – <i>Chairman & Chief Executive Officer</i> Thomas Arasi – <i>President & Chief Operating Officer</i> Cyrus Sherafat – <i>Senior Vice President for Casino Marketing</i> Laurence Upton – <i>Senior Vice President for International Marketing</i> Rajesh Jhingon – <i>Senior Vice President for Resort Operations</i> Flint Richardson – <i>Senior Vice President for Finance (until April 16, 2017)</i>	2018 (Estimate)	₱25.2	₱71.0	₱96.2
	2017 (Actual)	25.2	77.5	102.7
	2016 (Actual)	20.3	15.4	35.7
All Other Officers and Directors, as a group unnamed	2018 (Estimate)	₱3.6	₱10.8	₱14.4
	2017 (Actual)	5.3	15.4	20.7
	2016 (Actual)	18.5	1.5	20.0

	Year	Salary	Bonus & Others	Total
President and Top 4 Executive Officers, as group: Enrique K. Razon, Jr. – <i>Chairman & Chief Executive Officer</i> Thomas Arasi – <i>President & Chief Operating Officer</i> Cyrus Sherafat – <i>Senior Vice President for Casino Marketing</i> Laurence Upton – <i>Senior Vice President for International Marketing</i> Rajesh Jhingon – <i>Senior Vice President for Resort Operations</i> Flint Richardson – <i>Senior Vice President for Finance (until April 16, 2017)</i>	2018 (Estimate)	₱25.2	₱71.0	₱96.2
	2017 (Actual)	25.2	77.5	102.7
	2016 (Actual)	20.3	15.4	35.7
All Other Officers and Directors, as a group unnamed	2018 (Estimate)	₱3.6	₱10.8	₱14.4
	2017 (Actual)	5.3	15.4	20.7
	2016 (Actual)	18.5	1.5	20.0

The members of the Board are not expected to receive any compensation in 2018. There are no material terms of any other arrangements or contracts where any director of the Company was compensated or is to be compensated, directly or indirectly, in 2016, 2017 or in the coming year, for any service provided as a director.

Named executives officers are covered by Letters of Appointment, with the Company stating therein their respective terms of employment.

There are no existing compensatory plans or arrangements, including payments to be received from the Company by any named executive officer, upon resignation, retirement or any other termination of the named executive officer's employment with the Company and its subsidiaries or from a change-in-control of the Company or a change in the named executive officers' responsibilities following a change-in-control.

Stock Incentive Plan

The Stockholders of the Parent Company approved on June 25, 2012 a Stock Incentive Plan (SIP) for directors, officers, and employees of the Group, effective for a period of ten years

unless extended by the board of directors. The Participants to the SIP are: permanent and regular employees of the Group or its affiliates with at least one year tenure; officers and directors of the Group; officers and directors of affiliates of the Group; and other persons who have contributed to the success and profitability of the Group or its affiliates.

The SIP is administered by the Stock Incentive Committee (SIC), which is composed of three directors or officers appointed by the BOD. The SIC determines the number of shares to be granted to a participant and other terms and conditions of the grant.

Unissued shares from the authorized capital stock or treasury shares which together with shares already granted under the SIP, are equivalent to seven percent (7%) of the resulting total outstanding shares of the Parent Company shall be allocated for the SIP.

The grant of shares under the SIP does not require an exercise price to be paid by the awardee. The shares awarded shall vest in two years: 50% on the first anniversary date of the award; and the other 50% on the second anniversary date of the award. Vesting grants the participant absolute beneficial title and rights over the shares, including full dividend and voting rights.

Below is a summary of SIP grants and their corresponding schedule of vesting:

Grant Date	Details		2015		2016		2017		Balance as of December 31, 2017
	No. of Shares	Price per Share	Cancelled	Vested	Cancelled	Vested	Cancelled	Vested	
2014									
July 1	4,318,589	10.84	1,544,105	615,190	689,488	1,469,807	-	-	-
October 27	4,486,000	14.98	-	1,869,167	-	1,869,167	-	747,667	-
2015									
April 28	922,645	11.36	-	-	-	461,323	-	461,323	-
August 13	1,157,403	8.95	-	-	385,723	192,979	386,523	192,179	-
October 23	1,105,842	6.59	-	-	-	552,921	-	552,921	-
2016									
February 16	18,986,490	4.49	-	-	-	-	166,251	9,326,994	9,493,245
June 28	558,289	5.8	-	-	-	-	163,637	115,508	279,145
2017									
April 18	26,748,522	8.38	-	-	-	-	-	-	26,748,522
Total	58,283,780		1,544,105	2,484,357	1,075,211	4,546,197	716,411	11,396,592	21,885,389

The stock incentive obligation amounting to ₱145.8 million and ₱84.9 million for 2017 and 2016, respectively were recognized as part of “Salaries and benefits” under “Operating costs and expenses” in the consolidated financial statements.

Item 7. Independent Public Accountants

On June 8, 2017, the Stockholders of BLOOM re-appointed SGV & Co. as external auditor to audit its financial statements.

External Audit Fees and Services

The Group paid its external auditors the following fees for the last three years for professional services rendered:

	For the Year Ended December 31		
<i>In thousands pesos</i>	2017	2016	2015
Audit	₱9,283.5	₱10,707.4	₱13,776.7
Tax and others	6,316.0	6,356.0	4,065.0
Total	₱15,599.5	₱17,063.4	₱17,841.7

Tax fees paid to the auditors are for tax compliance and tax advisory services. In 2017, 2016 and 2015, the other fees include fees for limited review services provided.

The Audit Committee makes recommendations to the Board concerning the external auditors and pre-approves audit plans, scope and frequency before the conduct of the external audit. The Audit Committee reviews the nature of the non-audit related services rendered by the external auditors and the appropriate fees paid for these services.

Changes in and Disagreements with Accountants of Accounting and Financial Disclosure

There were no changes or disagreements with the Company's external auditors, SyCip Gorres Velayo & Co. (SGV & Co.) on accounting and financial statement disclosures.

Item 8. Compensation Plans

Not Applicable

PART I. C. ISSUANCE AND EXCHANGE OF SECURITIES

Item 9. Authorization or Issuance of Securities Otherwise for Exchange

Not Applicable

Item 10. Modification or Exchange of Securities

Not Applicable

Item 11. Financial and Other Information

Not Applicable

Item 12. Mergers, Consolidations, Acquisitions and Similar Matters

Not Applicable

Item 13. Acquisition or Disposition of Property

Not Applicable

Item 14. Restatement of Accounts

Not Applicable

Part I. D. OTHER MATTERS

Item 15. Action with Respect to Reports

Ratification of All Acts, Contracts, Investments and Resolutions of the Board of Directors and Management since the Last Annual Stockholders' Meeting

As a matter of corporate policy, Management seeks the approval and ratification by the Stockholders of all acts, contracts, investments and resolutions of the Board of Directors and Management since June 8, 2017, the date of the last Annual Stockholders' Meeting. These are reflected in the minutes of the meetings of the Board of Directors, in the regular reports and disclosures to the Securities and Exchange Commission and to the Philippine Stock Exchange, and in the 2017 Annual Report and the Report of the Chairman.

The affirmative vote of a majority of the votes cast on this matter is necessary for the ratification of all acts, contracts, investments and resolutions of the Board of Directors and Management, which include the following:

Summary of the Minutes of the Annual Stockholders' Meeting on June 8, 2017

The stockholders elected the following Directors:

Enrique K. Razon, Jr.
Thomas Arasi
Jose Eduardo J. Alarilla
Christian R. Gonzalez
Donato C. Almeda
and
Carlos C. Ejercito
Jon Ramon Aboitiz
as Independent Directors

The stockholders approved all other items in the agenda.

Item 16. Matters not Required to be Submitted

Not Applicable

Item 17. Amendment of Charter, Bylaws or Other Documents

The amendment of Section 1, Article II of the By-laws of the Corporation is being proposed to change the schedule of the annual meeting of the stockholders from any day in June of each year to every third Thursday of April each year.

The purpose of the amendment is to move the annual meeting forward so that the report to the stockholders will not be half a year old at the time of the meeting.

Item 18. Other Proposed Actions

Approval of Minutes of the Annual Stockholders' Meeting on June 8, 2017

The Minutes of the Annual Stockholders' Meeting of BLOOM held on June 8, 2017 ("Minutes") will be presented for approval of the Stockholders in the Annual Stockholders' Meeting. Such action on the part of the Stockholders will not constitute approval or disapproval of the matters

referred to in said Minutes since Stockholder approval and action on those items had already been obtained in that meeting.

The Minutes and related records are available for inspection by any Stockholder at any reasonable hour during business days. In addition, copies of the Minutes shall be posted at the meeting site, and will be available for review by the Stockholders present in the Annual Stockholders' Meeting.

The affirmative vote of a majority of the votes cast on this matter is necessary for approval of the Minutes.

Approval of the 2017 Audited Financial Statements

The audited financial statements of Company as of and for the year ended December 31, 2017 and the accompanying notes to audited financial statements (referred to as Financial Statements) prepared by the Company and audited by SGV & Co., the independent auditors appointed by the stockholders in 2017, will be submitted for approval of the Stockholders at the Annual Stockholders' Meeting.

The information and representations in the Financial Statements are the responsibility of the Company's management. The financial statements have been prepared in conformity with Philippine Financial Reporting Standards, and reflect amounts that are based on best estimates and informed judgment of management with an appropriate consideration to materiality.

Management maintains a system of accounting and reporting which provides for the necessary internal controls to ensure that transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or disposition, and liabilities are recognized. Management likewise discloses to the Company's audit committee and to its external auditors: (i) all significant deficiencies in the design or operation of internal controls that could adversely affect its ability to record, process, and report financial data; (ii) material weaknesses in internal controls; and (iii) any fraud that involves management or other employees who exercise significant roles in internal controls.

The Board of Directors reviews the financial statements before such statements are approved and submitted to the stockholders of the Company.

SGV & Co. have examined the financial statements of the Company in accordance with Philippine Standards on Auditing, and have expressed their opinion on the fairness of presentation upon completion of such examination in the Report to the Stockholders and Board of Directors of the Company.

The affirmative vote of majority of the votes cast on this proposal will constitute approval of the Financial Statements.

Item 19. Voting Procedures

The Chairman will announce each proposal to the floor, which shall be voted upon separately. In the absence of any objection from the floor, the Chairman shall instruct the Corporate Secretary to enter a unanimous vote of approval except for the votes indicated in proxies with specific voting instruction. If there is an objection, the Chairman will call for a division of the house. The votes of shareholders present in person or by Proxy shall be counted by hand, and the Chairman will announce the result of the voting, unless voting by ballots is called for. If

voting by ballots is decided, ballots will be distributed to Stockholders present in person or by Proxy in the meeting. The ballots will be filled up by Stockholders, and submitted to the Corporate Secretary or his duly authorized representatives. The valid ballots will be counted by the Corporate Secretary or a committee that the Board may organize for the purpose for the votes of the Stockholders. The Chairman will then announce the result after the counting.

The following matters require the following votes:

Subject Matter	Votes Required
Appointment of SGV & Co. as the Company's external auditors	Majority of the votes cast
Approval of Minutes of the Annual Stockholders' Meeting on June 8, 2017	Majority of the votes cast
Approval of the 2017 Audited Financial Statements	Majority of the votes cast
Election of Directors	The top seven (7) nominees with the most number of votes are elected
Amendment of Section 1, Article II of the By-Laws of the Corporation	Majority of the outstanding capital stock

Undertaking to Provide Annual Report

A copy of the 2017 BLOOM Annual Report on SEC Form 17-A for the fiscal year ended 31 December 2017, as filed with the Securities and Exchange Commission, will be sent to any Stockholder at their indicated address without charge upon written request addressed to:

The Corporate Secretary
Bloomerry Resorts Corporation

The Executive Offices, Solaire Resort & Casino
1 Asean Avenue, Entertainment City
Barangay Tambo, Parañaque City

Item 20. Proxies:

Not Applicable

Attached herewith are the following: Annex "A" is the Management Report of the Company; Annex "B" is the audited financial statements of the Company as of December 31, 2017; and Annex "C" is the unaudited financial statements of the Company as of March 31, 2018.

Part IV. SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Makati on May 8, 2018

For and in behalf of the Board of Directors
By:



SILVERIO BENNY J. TAN
Corporate Secretary

MANAGEMENT REPORT

Management's Discussion and Analysis or Plan of Operations

The following discussion and analysis relate to the financial condition and results of operations of Bloomberry Resorts Corporation (the "Company") and its subsidiaries (collectively referred to as "the Group") and should be read in conjunction with the accompanying audited financial statements and related notes as of and for the year ended December 31, 2017 and unaudited condensed consolidated financial statements and related notes for the three months ended March 31, 2018.

BUSINESS OF ISSUER

OVERVIEW

The Company was engaged in the manufacture of printed circuit board up to 2003. It ceased commercial operations in December 2003 up to 2011. On February 27, 2012, the SEC approved the change in its primary purpose to that of a holding company. The Company now has Sureste, BRHI, Bloom Capital B.V., Solaire de Argentina S.A., Solaire Korea Co., Ltd., G&L, Ltd. and Muui Agricultural Corporation as its subsidiaries. BRHI has 49% shareholdings in Falconer Aircraft Management Inc., a newly incorporated company to engage in aircraft management.

Sureste Properties, Inc.

Sureste was incorporated in 1993 as a property holding company. On July 2, 2010, Sureste amended its primary purpose to develop and operate tourist facilities including hotel - casino entertainment complexes. Sureste is registered with the Philippine Economic Zone Authority ("PEZA") as developer of a hotel project in a PEZA Tourism Economic Zone. As a result, Sureste enjoys certain incentives granted by the Government in relation to the hotel component of Solaire Resorts & Casino, including reduced tax rates. In 2011, in compliance with the requirements of PEZA, Sureste divested itself of all its non-hotel assets including its ownership in Monte Oro Resources and Energy Inc. ("MORE") and various prime real estate properties. Sureste acquired all the shares of BRHI on January 12, 2011.

Bloomberry Resorts and Hotels Inc.

On February 27, 2008, BRHI was incorporated as Bloombury Investments Holdings Inc. ("BIHI") for the purpose of developing and operating tourist facilities, including casino-entertainment complexes with casino, hotel, retail and amusement areas and themed development components. On April 8, 2009, BRHI was granted a Provisional License by PAGCOR to establish and operate integrated casino, hotel and entertainment complex at the Entertainment City in Paranaque City. On September 21, 2010, the SEC approved the change of BIHI's name to BRHI. On May 7, 2015, BRHI's Provisional License was replaced with a regular casino Gaming License upon full completion of the Project, referred to as "Solaire". The Gaming License has the same terms and conditions as the Provisional License.

Bloom Capital B.V.

In 2013, the Bloomberry subscribed to 60% of the capital stock of Bloom Capital B.V., a financial holding entity incorporated in the Netherlands as a private company with limited liability under the

Dutch law on November 21, 2013. On October 23, 2014, Bloomberg acquired the remaining 40% capital stock of Bloom Capital B.V. In 2014, Bloom Capital B.V. acquired 94% shares in Solaire de Argentina S.A.

Solaire Korea Co., Ltd.

On December 28, 2014 Bloomberg established through a nominee a new company Solaire Korea Co., Ltd. (Solair Korea) to hold the Group's investment interest in the Republic of Korea. After a series of stock subscriptions, Bloomberg now owns 100% of Solair Korea.

G & L Co., Ltd.

On April 24, 2015, Solair Korea acquired 77.26% of the outstanding shares of G&L Co., Ltd.. Subsequently on May 22, 2015, it acquired additional 18.98% of G&L, bringing Solair Korea's ownership in G&L to 96.23%. On August 20, 2015, Bloomberg acquired 10.00% of the outstanding shares of G&L from Solair Korea. G&L is a hotel and casino operator in Jeju Island in the Republic of Korea.

Muui Agricultural Corporation

On March 8, 2016, Solair Korea established a new company Muui Agricultural Corporation (Muui) to hold Solair Korea's investment interest in agricultural land in Muui and Silmi pending its conversion. Solair Korea owns 80% of Muui.

Solaire Resort & Casino

Solaire Resort & Casino ("Solair"), is the first Philippine premium/luxury hotel and gaming resort in Entertainment City. BRHI, as the license holder, operates the casino while Sureste operates the hotel and other non-gaming business.

On March 16, 2013, the Group commenced commercial operations, upon completion of Phase 1 of Solair, along with the opening of the main gaming area and initial non-gaming amenities, such as Solair's hotel, food and beverage outlets.

Phase 1 of Solair consists of a casino with an aggregate gaming floor area of approximately 18,500 square meters (including approximately 6,000 square meters of exclusive VIP gaming areas), with approximately 1,653 slot machines, 295 gaming tables and 88 electronic table games. Phase 1 has 488 hotel rooms, suites and bayside villas, and 15 specialty restaurants and F&B outlets including (the number of seats are approximations): 240-seat Chinese restaurant, 150-seat Korean restaurant (operated by a third party), 150-seat Japanese restaurant, 120-seat Italian restaurant, 322-seat international buffet/coffee shop, 170-seat noodle shop, 150-seat live entertainment lounge and 406-seat food court and 20 seat lobby bar, and a 50-seat lounge area. Sky Tower also features Sky Range Shooting Club with 5 rifle shooting bays and 15 pistol bays. It has a multilevel parking building with approximately 1,500 parking slots, a grand ballroom with approximately 1,000 seats, spa and fitness center, and bayview promenade.

On November 22, 2014, Bloomberg opened the Sky Tower, which was previously referred to as Phase 1A development of Solair. Contiguous to the existing Solair Resort and Casino, the Sky Tower consist of a 312 all-suite hotel, additional ten VIP gaming salons with 66 gaming tables and 223 slot machines, an exclusive House of Zhou Chinese restaurant and The Macallan Whisky and Cigar Bar for VIP gamers, state-of-the art meeting rooms (The Forum) and a lyrical theater (The Theatre). The Sky Tower also features two restaurants, the Waterside Restobar and Oasis Garden Café. The Theatre is a certified 1,760-seat lyric theatre designed to provide a superior audio-visual experience for wide range of theatre plays and musicals, dance

performances, concerts, and amplified music and speech events. It is also accessible to a new multi-level parking garage that can accommodate and secure over 3,000 vehicles. The Forum is a 2,000 square meters of meeting facility with eight meeting rooms, two boardrooms and a column-free grand ballroom and a flexible pre-function area. Sky Tower also features Sky Range Shooting Club with 5 rifle shooting bays and 15 pistol bays. It is also accessible to a new multi-level parking garage that, to date, can accommodate and secure over 1,050 vehicles. In 2016, retail stores, including premium brands such as Saint Laurent, Bvlgari, Salvatore Ferragamo and Givenchy, were opened in The Shoppes in the Sky Tower. In January 2017, Louis Vuitton and Prada were opened.

Jeju Sun Hotel & Casino

On April 24, 2015 and subsequently on May 22, 2015, Bloomberry, through its wholly-owned subsidiary, Solaire Korea, acquired majority ownership of G&L. G&L operated a hotel and casino property in Jeju, Korea under the brand names “T.H.E Hotel” and “LVegas Casino”. Upon takeover of operation by Bloomberry, the property was rebranded as “Jeju Sun Hotel & Casino”. The property consists of 202-room hotel with 5 Hibiscus rating, 2,000 square meters of gaming operation with 36 tables and 20 electronic gaming machines. The property has four F&B outlets to service its hotel guests and casino players. The casino operation of Jeju Sun was suspended last May 10, 2015 pending the completion of the renovation of the expanded gaming area of the property. On September 15, 2015, Jeju Sun resumed its casino operations after it substantially completed the renovation of the gaming facilities. The casino operation was suspended on November 16, 2015 as administrative penalty for the acts of its previous casino management imposed by the Jeju Island gaming regulator CRD. This was the result of CRD’s investigation of the gaming tax (tourism tax) payment practices of the casino then known as “LVegas Casino” under its old management and owners. On December 15, 2015, the casino resumed its operation with 60 tables and 51 slot machines in accordance with its gaming license.

In June 2016, the Parent Company and Solaire Korea entered into an agreement to sell its investment in G&L. However, the sale did not push through. The Parent Company decided to again operate Jeju Sun under normal course of business. In the third quarter of 2017, a major reorganization was implemented to address certain management issues. The CEO, COO, CFO, SVP operations and other managerial level officers of G&L were replaced.

Competition

As an integrated gaming resort designed, planned and developed according to world-class industry standards, Solaire competes with integrated tourism resorts and casinos domestically in the Philippines, as well as in Macau, Malaysia and Singapore and other casinos and resort developments that operate in Asia. Solaire Resort & Casino competes against facilities in the world’s other major gaming centers, including Las Vegas, Nevada, USA and Australia. In particular with respect to VIP customers, the Company competes primarily with Macau, Malaysia, and Australia for customers of independent junket promoters, while Singapore is a strong competition for Premium Direct customers.

The Company competes effectively because of its well-designed facilities and targeted gaming offerings, as well as the expertise of its current management team in effectively managing gaming and non-gaming operations, developing events and promotions for the mass market and procuring business from junket operators throughout the region.

In the Philippine gaming market, the Company is one of only four private gaming operators in Entertainment City, along with Travellers International Hotel Group, Inc. (“Travellers”), Melco Resorts and Entertainment (Philippines) Corporation (“Melco Philippines”) and Tiger Resort Leisure & Entertainment, Inc. (“Tiger”). The Company is not aware of any other potential new private applicants for additional licenses from PAGCOR in Entertainment City. In terms of its

integrated tourism resort and tourism business, the Company competes domestically with both Philippine and foreign-owned hotels and resorts. With respect to its gaming business in particular, Solaire competes domestically with PAGCOR gaming facilities, existing privately owned casinos and the facilities, built/to be operated by the three other developers granted provisional licenses by PAGCOR in and around Entertainment City. As of end 2015, there are 13 casinos, 8 members-only slot machine VIP clubs and 3 slot machine arcades throughout the Philippines owned and/or operated by PAGCOR. In addition, outside of Entertainment City and Metro Manila, PAGCOR has licensed private casino operators in special economic zones, including four in Clark Ecozone, one in Poro Point, La Union, and one in Binangonan, Rizal. PAGCOR has granted provisional licenses for two integrated casino resorts in Mactan and Boracay. Other competitors licensed by government agencies include companies specializing in horse racing, cockfighting, lotteries, sweepstakes and other smaller-scale gaming operators.

Travellers opened Resorts World Manila in August 2009, the first PAGCOR-licensed integrated tourism resort located in the Newport City Cybertourism Zone ("Newport City") in the vicinity of Manila's international airport. Travellers is a joint venture between Genting Hong Kong Limited ("Genting HK"), a Hong Kong-based gaming operator and a part of the Genting Group that has facilities worldwide, and Alliance Global Group, Inc. ("AGI"), a Philippine conglomerate that owns Megaworld Corporation, a large Philippine property developer. Travellers has commenced the first phase of its second integrated resort, Westside City Resorts World Bayshore, located in Entertainment City.

City of Dreams Manila (COD) is a project of Belle Corporation thru its subsidiary, Premium Leisure Corp. and Melco Philippines. COD is an integrated tourism resort near Entertainment City on an approximately 6.2-hectare site, which initially opened its doors to the public in December 2014. COD, which is solely operated and managed by Melco Philippines, includes gaming, hotel, retail, dining and entertainment facilities.

Okada Manila (Okada) is a project of Universal Entertainment, through its subsidiary, Tiger Resort Leisure & Entertainment Inc. Okada is also an integrated tourism resort which occupies an area of 44 hectares in New Seaside Drive, Entertainment City. On December 21, 2016, the casino complex was opened for preview and officially commenced casino operations in December 30, 2016.

The Company believes that Solaire can continue to compete effectively against these new entrants with its captured mass and VIP customers in the Philippines and across Asia, through its superior product and excellent service. These appeal to the preferences of all segments of the Philippine gaming market, which are expected to grow significantly over the next few years.

Principal Suppliers/ Service Provider

For the construction of Phase 1 and Sky Tower, Steelman Partners ("Steeleman") was engaged to provide the master plan design concept for Solaire. Steelman is an architecture, planning and design firm with vast experience in designing gaming resort projects throughout the world. Design Coordinates, Inc. ("DCI") acting through its affiliate D' Consult International, Inc., and D.M. Consunji, Inc. ("DMCI"), two of the Philippines' most experienced companies with established track records in large-scale project management and construction, respectively, were engaged to oversee and conduct the development and construction of Solaire. KNA Design, a Los Angeles-based interior design firm provided interior design for the Hotel component of the Sky Tower.

Sureste and BRHI retain various suppliers including Bluefire LPG Marketing Inc., Crimson Group Inc., Empire Automation Philippines, FABTECH, Jade Entertainment & Gaming Technologies, Maxicare Healthcare Corporation, Metrojet, Petron Corporation, PLDT, Angel Playing Cards, Royal Country Marketing, MERALCO M-Power and Maynilad Water Services Inc.

Customers

VIP Players

Solaire's VIP customers are players who are on a rolling chip or revenue share program at Solaire. These VIP players may come to Solaire directly without any agent or junket/independent gaming promoter intermediary, or they may be sourced from junket/independent gaming promoters in the Philippines and across Asia.

The Company expects that as a result, each area of Solaire and its respective facilities and gaming offerings will meet the needs of each category of customer. Solaire's world-class facilities are complemented by extensively trained employees with skillsets tailored to the customer base that they will be serving, allowing Solaire to offer them the best possible gaming experience.

Mass Market

Solaire's table and slot machine customers who do not fall under the VIP customer segments mentioned above are classified as Mass Market.

Related Parties

The Company and its subsidiaries, in their ordinary course of business, engage in transactions with affiliates. The Company's policy with respect to related party transactions is to ensure that these transactions are entered into on arm's length terms comparable to those available from unrelated third parties.

In considering each possible related entity relationship, attention is directed to the substance of the relationship, and not merely the legal form.

Intellectual Property, Licenses, Contract and Agreements

Sureste and BRHI, have registered or applied to register trademarks in connection with the Company's properties, facilities and development projects. The following marks are duly registered: "Solaire Manila", "Solaire Resort & Casino Manila" and "Eclipse" and device, "Solaire Resort & Casino Manila", "Solaire Resort & Casino", "Strip Steakhouse", "Finestra", "Red Lantern", "Yakumi", "Lucky Noodles", "Sabong Cards", "Fresh" and "Food Court". These are brand names under which the Company markets its properties and services. The Company considers these brand names to be important to its business since they have the effect of developing brand identification and awareness. The Company expects to apply to register additional trademarks for its logos, club names, restaurants and other property as needed to protect its brand names.

Sureste and BRHI also possess copyrights for certain of the proprietary software systems, whose remaining useful lives range from one to five years. The Group sees to it that its rights for the use of these software systems are secured at all times to ensure continued use and support from vendors.

Insurance

Sureste and BRHI maintain insurance which covers incidents such as damage to property; the transport of gaming chips, playing cards and equipment; monetary loss due to third party and/or employee theft or fraud; damage to third party property and injury / death to persons; and life, accident and medical insurance for employees. Each policy has exclusions customary in the

Philippines. Sureste and BRHI also maintain business interruption insurance for Solaire.

Notwithstanding the insurance coverage, damage to its facilities, equipment, machinery, buildings or other properties as a result of occurrences such as fire, explosion, intentional unlawful act or natural disaster could nevertheless materially and adversely affect the Company's financial condition and results of operations to the extent that such occurrences disrupt the Company's normal operations. In addition, there are certain types of risks that are not covered by the Company's insurance policies, including acts of war and acts of terrorism.

The Company maintains a director and officers liability insurance, which covers directors and officers for errors and omissions. The Company does not maintain key personnel insurance for any of its directors or other members of senior management.

Government License and Regulatory

Provisional License/Gaming License

PAGCOR issued to BRHI a provisional license ("Provisional License") for the development of an integrated casino, hotel and entertainment complex within Entertainment City on April 8, 2009. BRHI is one of four licensees for Entertainment City.

The Provisional License will be replaced with a regular casino gaming license upon Solaire's completion and PAGCOR's approval of a final report. The US\$50 million held in escrow under the Provisional License was released upon issuance of the regular casino gaming license. The Provisional License, as well as the regular license issued to replace it (which has the same terms and conditions as the Provisional License), is coterminous with PAGCOR's franchise. PAGCOR franchise will expire on July 11, 2033 and may be renewed when PAGCOR's franchise is renewed by law. On May 7, 2015, BRHI's Provisional License was replaced with a regular casino Gaming License upon full completion of the Project, referred to as "Solaire". The Gaming License has the same terms and conditions as the Provisional License.

PEZA Registration

Sureste is a PEZA-registered Tourism Economic Zone Enterprise for the construction, development, management and operation of a hotel and entertainment complex at the Bagong Nayong Pilipino – Entertainment City Manila.

Employees

The Group recruits almost all of Solaire's gaming, hotel, food and beverage and other staff locally. The Group aims to generate jobs in Metro Manila in support of PAGCOR's policy goals, both directly as Solaire expands and indirectly should Solaire stimulate local tourism.

As at December 31, 2017, the Group employed 5,506 individuals at Solaire, 583 of whom are officers and managers, 1,279 supervisors and 3,644 are rank and file. These employees serve various departments including management and administrative, gaming, hotel operations, food and beverage, property and marketing, among others.

The Group is in compliance with all applicable Philippine labor and employment regulations. The Company currently has in place internal control systems and risk management procedures to monitor compliance with labor, employment and other applicable regulations. Going forward, the Company, through its human resources and legal departments, will continue to monitor all labor issues to ensure compliance with all applicable labor and employment regulations.

The Company's employees are not subject to any collective bargaining agreements.

Discussion of Risks

Management has identified major business risk factors affecting the Group as follows: (i) General Risks Relating to the Group; (ii) Risks Relating to the Gaming License and Regulation of the Philippine Gaming Industry; (iii) Risks Relating to Future Expansion; (iv) Risks Relating to the Operation of Solaire; and (iv) Risks Relating to the Philippines.

General Risks Relating to the Group

Solaire has been operational for five years and is still subject to significant risks and uncertainties. The Group's short operating history should be considered to determine its future operating results and prospects.

The Group's businesses and assets are in the Philippines and Korea, and a significant number of its VIP customers are from Greater China, Korea, Singapore, Thailand, Malaysia and other parts of Asia. The gaming business is vulnerable to global economic downturns. In 2015, there was a significant drop in gaming revenues in Macau because of the crackdown on corruption and conspicuous spending, visa tightening, and tighter oversight on UnionPay card usage. Macau GGR fell in 2016 to USD28.0 billion. It has since recovered by growing 19 percent in 2017.

Jeju in Korea historically enjoyed the patronage of millions of Chinese tourists. In 2017, there was a huge decline in Chinese travelers to Jeju mainly due to the issue of Terminal High Altitude Area Defense (THAAD) deployment (US missile defense system). Chinese tourists account for an estimated 85% of Jeju tourists. Chinese tourist arrivals to Korea in 2017 fell 48.3 percent to 4.2 million from 8.1 million visitors last year with Jeju Island experiencing a more drastic 75.5 percent drop from 3.1 million to 0.75 million Chinese visitors.

Relating to the Gaming License and Regulation of the Philippine Gaming Industry

The Company's gaming operations are dependent on the Gaming License issued by PAGCOR.

Any additional gaming licenses issued by PAGCOR could increase competition and diminish the value of the Company's Gaming License and the Company's business may be adversely affected by policy changes or additional conditions on its Gaming License.

New regulations or laws on gaming operations may adversely affect the gaming operations of BRHI. For example, smoking ban in casinos may have an adverse impact on customers who are smokers, or a change in tax regime for casinos.

Risks Relating to Future Expansion

The Group's international expansion plans and any further plans to expand Solaire may not materialize or be successful.

Risks Relating to the Operation of Solaire

The loss of members of the Solaire's management team may adversely affect the Groups's operations. The Group's termination of the MSA with GGAM may have future effect on Solaire's business as there is no assurance that it will be successful with respect to the ongoing arbitration case with GGAM.

Solaire faces competition in the Philippines and elsewhere in Asia, and it may have difficulty in competing and gaining the desired market share. The Group also needs to maintain, or develop additional, successful relationships with reputable junket/independent gaming promoters to be successful as the Philippine gaming industry grows.

Solaire success partly depends on the reputation and integrity of the junket operators it engages, and the Group may be affected by a lack of probity and integrity of any such operators. There could also be increased regulation or scrutiny on junket/independent gaming promoters.

The Group is exposed to risk on credit extended to its clients. Any default by VIP gaming customers may cause significant volatility in the Group's revenues and cash flows.

Solaire's ability to generate revenues depends to a substantial degree on Manila's development as a tourist and as a gaming destination. Metro Manila's transport infrastructure is a key component for the development of the Philippine's gaming industry.

Solaire requires a substantial number of qualified managers and employees, and is dependent on the Group's ability to recruit, train and retain a sufficient number of such qualified personnel.

Risks Relating to the Philippines

The occurrence of natural catastrophes could adversely affect the Group's business, financial condition or results of operations. In addition political instability in the Philippines could destabilize the country and may have a negative effect on the Group. Acts of terrorism could also destabilize the country and could have a material adverse effect on the Group's assets and financial condition.

The current campaign of the Duterte Administration against the drug menace have given rise to concerns about extrajudicial killings which have alarmed the U.S. and European Union governments. The approval of the House of Representatives of the House Bill re-imposing the death penalty has led U.S. and EU Governments to warn about imposition of the trade restrictions on the Philippines which could have an adverse impact on the Philippine economy

Properties

On May 7, 2010, BRHI entered into a contract of lease with PAGCOR to lease 83,084 square meters of land for the construction of the gaming facility. The lease period was for about 23 years, which commenced upon the execution of the contract and is co-terminus with the term of lessor as provided in the PAGCOR charter (which will expire on July 11, 2033), unless sooner revoked, rescinded or cancelled. On May 20, 2011, BRHI and Sureste entered into a deed of assignment whereby BRHI assigned to Sureste all its rights and interests as a lessee under the contract of lease with PAGCOR. In December 2012, BRHI and Sureste agreed to amend the above deed of assignment. Pursuant to the amended deed of assignment and with the consent of PAGCOR, BRHI assigned 89% of its leasehold rights over the leased land to Sureste and retained the 11% of such rights. In 2013, an addendum to the contract of lease covering an additional 3,733 square meters of PAGCOR land was executed. In December 2014, a second addendum to the contract of lease covering 73,542 square meters of PAGCOR land was executed under similar terms and conditions of the original contract of lease. PAGCOR has announced its intention to sell the leased land, and Sureste has expressed its offer to purchase the land.

The leasehold rights and improvements on the leased lands are subject to mortgage lien in favor of BDO and other lenders.

During the first quarter of 2015, the Company signed four real estate sales agreements with several landowners for the purchase of land with an aggregate area of 12.2 hectares located in Muui Island in the Republic of Korea. The property is intended to be developed into a leisure and tourism complex with entertainment facilities and mixed-use developments. The property was acquired under Solaire Korea.

Bloomberry has signed a real estate sales agreement for the purchase of the Silmi Island in the

Republic of Korea. Silmi Island has an area of 20.96 hectares and is adjacent to the 12.2 hectares property in Muui Island. Silmi Island is also intended to be developed into a leisure and tourism complex with entertainment facilities and mixed uses developments. The Silmi Island property was also acquired by Solaire Korea.

On March 8, 2016, Solaire Korea established Muui Agricultural Corporation to hold Solaire Korea's investment interest in agricultural land. As of December 31, 2016, Muui owns parcel of agricultural land in Muui and Silmi.

In 2015, the National Housing Authority (NHA) sold to Sureste after a failed bidding, a 15,676 square meter land in Vertis North, Quezon City Central Business District. As of December 31, 2015, Sureste had fully paid purchase price of this parcel of land.

This property will be the site of BRHI's proposed second casino resort in the Philippines under the same PAGCOR license and subject to relevant LGU and other government approvals. The Company is currently working on the masterplan for the Vertis Property.

Legal Proceedings

Sureste and BRHI terminated the MSA with GGAM effective September 12, 2013 because of material breach of the MSA by GGAM after prior notice and failure of discussions to settle the dispute. GGAM denies having breached the MSA and alleges that it is BRHI and Sureste who breached the MSA. The parties have submitted their dispute to arbitration before a 3-member arbitral tribunal in Singapore under the arbitration rules of the United Nations Commission on International Trade Law (UNCITRAL) using Philippine law as the governing law.

Sureste and BRHI have filed a petition with, which was granted by, the Regional Trial Court of Makati, a petition for measures of protection for the Bloomberg shares owned by GGAM in the form of a writ of preliminary attachment and writ of preliminary injunction to stop GGAM from disposing of its Bloomberg shares. On February 25, 2014, the MRTC granted the BRHI and PMHI's application for measures of protection for the Bloomberg shares in the form of writ of preliminary attachment and writ of preliminary injunction to restrain GGAM from disposing the Bloomberg shares to maintain the status quo. GGAM filed a petition for review on certiorari with the Court of Appeals against the decision of the MRTC.

On December 9, 2014, the tribunal issued its Order in Respect of Claimants' Interim Measures of Protection, declaring among others, that the February 25 Order of MRTC is superseded and that parties are restored to their status quo ante as of January 15, 2014 and allowed GGAM to sell the shares.

Following the order of the arbitral tribunal, GGAM filed a Manifestation with the MRTC informing the order of the arbitral tribunal and seeking assistance in the enforcement thereof. BRHI, Sureste and PMHI filed a Counter-Manifestation stating among others, the impropriety of the Manifestation given its non-compliance with requirements of the Special Rules of Court and Alternative Dispute Resolution (Special ADR Rules) for enforcement of judgement/interim measures of protection. GGAM also filed a Manifestation and Motion with the Court of Appeals seeking the same relief as that filed with the MRTC. BRHI, Sureste and PMHI filed a Comment/Opposition arguing against the grant of the Motion with the Court of Appeals for non-compliance with the Special ADR Rules as well as for forum-shopping. In a resolution dated May 29, 2015 and affirmed on November 27, 2015 the Court of Appeals remanded back the case to the MRTC for future proceedings.

On September 20, 2016, the arbitral tribunal issued a partial award on liability. It declared that GGAM has not misled BRHI/SPI (Respondents) into signing the Management Services

Agreement (MSA), and Respondents were not justified to terminate the MSA because the services rendered by the Respondents Management Team should be considered as services rendered by GGAM under the MSA; rejected GGAM's claim that GGAM was defamed by the publicized statements of the Chairman of BRHI/SPI; that there is no basis for Respondents to challenge GGAM's title to the 921,184,056 BRC shares because the grounds for termination were not substantial and fundamental, thus GGAM can exercise its rights in relation to those shares, including the right to sell them; reserved its decision on reliefs, remedies and costs to the Remedies Phase which is to be organized in consultation with the Parties; reserved for another order its resolution on the request of GGAM: (a) for the Award to be made public, (b) to be allowed to provide a copy of the Award to Philippine courts, government agencies and persons involved in the sale of the shares, and (c) to require BRHI/SPI and BRC to inform Deutsche Bank AG that they have no objection to the immediate release of all dividends paid by BRC to GGAM. The arbitration is still on going on the Remedies Phase.

On August 31, 2017 BRHI and SPI filed a request for reconsideration of the partial award in the light of U.S. DOJ and SEC findings of violations of the Foreign Corrupt Practices Act by certain GGAM officers, and for false statements and fraudulent concealment by GGAM in the arbitration. GGAM opposed the request on September 29, 2017. In a decision dated November 22, 2017, the tribunal denied the request for reconsideration saying it has no authority to reconsider the partial award under Singapore law. The tribunal said that the courts might be the better forum to look into the allegations of fraud.

On December 21, 2017 BRHI and SPI filed a petition in the High Court of Singapore to set aside the June 20, 2017 judgment of the Court and to either remit the partial award to the tribunal for correction, or otherwise set aside the partial award based the fraud allegations previously raised in the request for reconsideration. This case is still pending in the Singapore court.

In a resolution dated November 23, 2017, the MRTC affirmed the continuing validity of its February 25, 2014 order and the writ of preliminary injunction and attachment issued pursuant thereto. GGAM then filed a petition for review with the Court of Appeals to question this MRTC order. This case is still pending with the Court of Appeals.

BRHI and SPI were advised by Philippine counsel that an award of the Arbitral Tribunal can only be enforced in the Philippines through an order of a Philippine court of proper jurisdiction after appropriate proceedings taking into account applicable Philippine law and public policy. No further details will be disclosed as the Group may prejudice the results.

On June 4, 2014, BRHI filed with the Supreme Court a Petition for Certiorari and Prohibition under Rule 65 of the Rules of Court. The petition sought to annul the issuance by the Bureau of Internal Revenue of an unlawful governmental regulation, specifically the provision in RMC 33-2013 dated April 17, 2013 which subjected the contractees and licensees of PAGCOR to income tax under the NIRC, this violates the tax exemption granted to contractees of PAGCOR under Section 13(2)(b) of P.D. 1869. The Supreme Court in a decision dated August 10, 2016 decided in favor of BRHI and ordered the BIR to cease and desist from imposing corporate income tax on income from gaming operations of BRHI as a casino duly licensed by the PAGCOR. The Supreme Court also denied the motion for reconsideration filed by the BIR in a Resolution dated November 28, 2016.

On March 31, 2015, the Court of Appeals ("CA") issued a 30-day freeze order on one of the BRHI's bank accounts upon the petition filed by Anti-Money Laundering Council (AMLC) in relation to their ongoing investigation on money laundering involving alleged hacked funds from Bangladesh. The freeze order of the CA on the bank account was lifted on April 14, 2016. Subsequently, on request of the AMLC the Supreme Court reinstated the freeze order on the account, which contained the amount of P109.0 million. This represents funds frozen from the

accounts of those patrons subject to the investigation. BRHI has moved for the lifting of the freeze order which is still pending with the Supreme Court.

Except for the matter discussed in the preceding paragraph, neither the Company nor any of its subsidiaries are involved in or the subject of any legal proceedings which, if determined adversely to the Company or the relevant subsidiary's interests, would have a material effect on the business or financial position of the Company or any of its subsidiaries.

KEY PERFORMANCE INDICATORS (KPIs)

The following are the key performance indicators of the Group for the first quarter of 2018 with comparison for 2017:

Key Performance Indicators

	For The Three Months Ended March 31	
<i>In thousands pesos except for ratios</i>	2018	2017
EBITDA	₱4,536,544	₱3,156,647
Net Debt to Equity Ratio (D/E)	0.42	0.90
Current Ratio	2.20	1.90
Total Assets	77,365,355	69,886,405
Return on Equity (ROE)	10.90%	8.14%

EBITDA is earnings before interest, taxes, depreciation and amortization.

Net Debt to Equity Ratio (D/E Ratio) is the ratio of the borrower's total liabilities net of cash to total shareholder's equity.

Current Ratio is a liquidity ratio that measures the company's ability to pay short-term obligations.

Return on Equity (ROE) is calculated by dividing the Company's annual earnings by shareholders' equity

The following table shows a summary of the operating results of the Group for the three months ended March 31, 2018 and 2017 as derived from the accompanying unaudited condensed consolidated financial statements.

Unaudited Consolidated Statements of Income

In thousands, except % change data	For The Three Month Ended March 31						% Change 2018 vs. 2017
	2018			2017			
	Philippines	Korea	Consolidated	Philippines	Korea	Consolidated	
Gross gaming revenues	₱13,695,470	₱51,187	₱13,746,657	₱10,656,578	₱58,915	₱10,715,493	28.3
Promotional allowances/contra accounts	(3,043,817)	(2,873)	(3,046,690)	(2,891,744)	(12,564)	(2,904,308)	4.9
Net gaming revenues	10,651,653	48,314	10,699,967	7,764,834	46,351	7,811,185	37.0
Non-gaming & other revenues*	774,027	41,763	815,790	731,581	54,211	785,792	3.8
Net revenues	11,425,680	90,077	11,515,757	8,496,415	100,562	8,596,977	34.0
Cash operating expenses	(6,764,116)	(215,098)	(6,979,214)	(5,239,187)	(201,143)	(5,440,330)	28.3
Provisions for doubtful accounts	—	—	—	—	—	—	—
EBITDA	4,661,564	(125,021)	4,536,543	3,257,228	(100,581)	3,156,647	43.7
Depreciation and amortization	(1,018,872)	(54,750)	(1,073,622)	(1,041,570)	(38,857)	(1,080,427)	(0.6)
Interest, foreign exchange loss & others	199,355	24,755	224,110	(387,767)	463,033	75,266	197.8
Benefit from (Provision) for income tax	3,611	—	3,611	1,852	—	1,852	94.9
Net profit	₱3,845,658	(₱155,016)	₱3,690,642	₱1,829,743	₱323,595	₱2,153,338	71.4
Basic Earnings Per Share			₱0.336			₱0.195	72.3
Diluted Earnings Per Share			₱0.335			₱0.194	72.7

*includes Interest Income

The following are the key performance indicators of the Group for the year ended 2017 and 2016:

Key Performance Indicators

	For the Year Ended December 31	
<i>In thousands except for ratios</i>	2017	2016
EBITDA	12,347,550	10,598,519
Net Debt to Equity Ratio (D/E)	0.60	1.11
Current Ratio	2.16	1.77
Total Assets	72,786,452	67,514,910
Return on Equity (ROE)	20.02%	9.62%

EBITDA is earnings before interest, taxes, depreciation and amortization.

Net Debt to Equity Ratio (D/E Ratio) is the ratio of the borrower's total liabilities net of cash to total shareholder's equity.

Current Ratio is a liquidity ratio that measures the company's ability to pay short-term obligations.

Return on Equity (ROE) is calculated by dividing the Company's annual earnings by shareholders' equity.

The following table shows a summary of the results of operations for the year ended December 31, 2017, 2016 and 2015, as derived from the accompanying Audited Financial Statements.

Unaudited Consolidated Statements of Income

<i>In thousands, except % change data</i>	For The Year Ended December 31							% Change 2017 vs. 2016	% Change 2016 vs. 2015
	2017			2016			2015		
	Philippines	Korea	Consolidated	Philippines	Korea	Consolidated	Consolidated		
Gross gaming revenues	₱44,519,462	₱407,075	₱44,926,537	₱38,342,203	₱194,539	₱38,536,742	₱32,460,770	16.6	18.7
Promotional allowances/contra accounts	(11,486,717)	(57,869)	(11,544,586)	(10,395,424)	(91,444)	(10,486,868)	(9,238,885)	10.1	13.5
Net gaming revenues	33,032,745	349,206	33,381,951	27,946,779	103,095	28,049,874	23,221,885	19.0	20.8
Non-gaming & other revenues*	3,073,037	261,703	3,334,740	2,168,990	211,712	2,380,702	1,895,438	40.1	25.6
Net revenues	36,105,782	610,909	36,716,691	30,115,769	314,807	30,430,576	25,117,323	20.7	21.2
Cash operating expenses	(23,532,346)	(869,669)	(24,402,014)	(18,767,276)	(861,028)	(19,628,304)	(17,366,206)	24.3	13.0
Provisions (reversal of allowance) for doubtful accounts	32,874	-	32,874	(174,608)	(29,145)	(203,753)	(2,568,720)	(116.1)	(92.1)
EBITDA	12,606,310	(258,760)	12,347,550	11,173,885	(575,366)	10,598,519	5,182,397	16.5	104.5
Depreciation and amortization	(4,174,509)	(179,343)	(4,353,852)	(4,681,365)	(173,677)	(4,855,042)	(4,856,403)	(10.3)	(0.1)
Interest, foreign exchange loss & others	(2,176,810)	478,363	(1,698,447)	(1,460,834)	(300,495)	(1,761,329)	(1,869,033)	(3.6)	(5.8)
Benefit from (Provision for) income tax	14,491	(247,124)	(232,633)	(1,571,754)	(87,329)	(1,659,083)	(1,832,234)	(86.0)	(9.5)
Net Income (Loss)	₱6,269,482	(₱206,863)	₱6,062,618	₱3,459,932	(₱1,136,867)	₱2,323,065	(₱3,375,273)	161.0	169.0
Basic Earnings (Loss) Per Share			₱0.551			₱0.214	(₱0.305)	157.5	170.2
Diluted Earnings (Loss) Per Share			₱0.549			₱0.214	(₱0.305)	156.5	170.2

*includes Interest Income

RESULTS OF OPERATIONS

OPERATING RESULTS FOR THE THREE MONTHS ENDED MARCH 31, 2018 COMPARED WITH 2017

The following table shows the geographical segments of the operating results of the Group for the three months ended March 31, 2018 and 2017.

REVENUES

Revenues consist of: (1) Gaming; (2) Hotel, food and beverage; (3) Retail and others; and (4) Interest income. The table below illustrates the consolidated revenues for the three months ended March 31, 2018 and 2017:

Revenues

	For The Three Months Ended March 31						% Change
In thousands, except % change data	2018			2017			2018 vs. 2017
	Philippines	Korea	Consolidated	Philippines	Korea	Consolidated	
Gaming	₱13,695,470	₱51,187	₱13,746,657	₱10,656,578	₱ 58,915	₱10,715,493	28.3%
Hotel, food and beverage	546,394	32,629	579,023	536,910	41,813	578,723	0.1%
Retail and others	213,849	9,014	222,863	181,263	12,394	193,657	15.1%
Interest income	13,784	120	13,904	13,408	4	13,412	3.7%
Gross revenues	14,469,497	92,950	14,562,447	11,388,159	113,126	11,501,285	26.6%
Less contra revenue accounts	3,043,817	2,873	3,046,690	2,891,744	12,564	2,904,308	4.9%
Net revenues	₱11,425,680	₱90,077	₱11,515,757	₱8,496,415	₱100,562	₱8,596,977	34.0%

In the first quarter of 2018, gross gaming revenue accounted for 94.4 percent and non-gaming (including hotel, food and beverage, retail and other) contributed 5.5 percent of gross revenues while the balance of 0.1 percent represented interest income. For the same period last year, gross gaming revenue was 93.2 percent of total revenue; hotel, food and beverage accounted 6.7 percent; and interest income for 0.1 percent. Contra revenue increased to ₱3,046.7 million, up 4.9 percent year-on-year, mainly due to promotional incentives provided to guests resulting to higher mass table and slot revenues for the quarter.

Gaming

Philippines

Solaire continued to register robust growth in mass table drop and slot coin-in for the first quarter of 2018. Mass table drop and slot coin-in, grew by 16.6 percent and 22.8 percent, respectively, for 2018 compared to the same period in the prior year. The VIP segment, on the other hand, posted a decline of 11.5 percent in volume but achieved the highest reported VIP gross gaming revenue (GGR) of P7.11 billion, a 39 percent year-on-year growth.

Gross gaming revenue in the first quarter of 2018 increased by 28.5 percent or ₱3,038.9 million as compared to the same period last year. Below is the breakdown of the growth in gross gaming revenue:

amounts in millions	2018		2017		Change in Revenue	
	Revenue	Hold	Revenue	Hold	Amount	Percentage
VIP tables	₱7,110	3.61%	₱5,132	2.31%	₱1,978	38.5%
Mass tables	3,237	33.1%	2,773	33.2%	463	16.7%
Slots	3,349	6.4%	2,751	6.5%	598	21.7%
Total	₱13,696		₱10,656		₱3,039	28.5%

On a hold normalized basis, the VIP revenue would have decreased by 21.0 percent. VIP hold stood at 3.61 percent, way above the normal hold of 2.85 percent. The mass table revenue reached ₱3.2 billion due to record high volume and better hold percentage by 880 bps. Slot revenue also reached ₱3.4 billion owing to highest ever slot coin-in.

Total visitation for the first quarter of 2018 was 1,559,635 which was 8.4 percent higher than the same period last year.

Korea

Jeju Sun continued to feel the effects of competition and was also negatively affected by the decline in Chinese tourist arrivals in Jeju, Korea. Notwithstanding these challenges, Jeju Sun managed to generate ₱51 million of GGR, down 13% from last year.

Hotel, Food and Beverage

Philippines

Hotel and food and beverage revenue increased by ₱9.5 million or 1.8 percent for the first quarter

of 2018 versus the same quarter last year. Solaire increased its REVPAR by 5.6 percent year-on-year and at the same time, managed to increase its hotel occupancy for the first quarter of 2018 to 93.6 percent from 92.6 percent in the previous year.

Hotel cash revenues were approximately 56.6 percent for the first quarter of 2018 compared to 54.5 percent for the comparative period in 2017, while non-gaming F&B cash revenues accounted for 61.3 percent of F&B revenues for the first quarter of 2018 compared to 61.4 percent in prior year.

Food and beverage covers for the first quarter of 2018 were 497,728 in comparison to 507,649 covers for comparative period in 2017 representing a decrease of 2.0 percent. Average check for the first quarter of 2018 increased 11.8 percent to ₱1,097 over the same quarter in 2017.

Korea

The hotel and F&B operation of Jeju Sun generated ₱32.6 million of revenue for this quarter which is lower by 22.0 percent in comparative period in 2017. Jeju has historically enjoyed the patronage of millions of Chinese tourists and the decline in the tourist arrivals from China has an adverse impact on the hotel and F&B revenues of Jeju Sun. Chinese tourist arrivals in Korea declined by 30.5 percent in the first quarter of 2018 compared with prior year.

Retail and Others

Philippines

Retail and other revenues increased by 18.0 percent to ₱213.9 million compared to the same quarter in the prior year primarily as a result of additional rental revenue from new tenants at the Shoppes.

Korea

The retail and other revenues of Jeju Sun generated ₱9.0 million for this quarter which is lower by 27.3 percent compared to prior period in 2017.

Interest Income

Consolidated interest income increased by 3.7 percent, from ₱13.4 million in 2017 to ₱13.9 million because of higher average consolidated cash balances in 2018.

COST AND EXPENSES

Cost and expenses consist of: (1) Operating cost and expenses; (2) Interest expense; (3) Foreign exchange gains; and (4) Mark-to-market losses.

The table below shows the breakdown of total expenses for 2018 and 2017.

Expenses

Expenses	For The Three Months Ended March 31,						% Change 2018 vs. 2017
	2018			2017			
	Philippines	Korea	Consolidated	Philippines	Korea	Consolidated	
<i>In thousands, except % change data</i>							
Operating costs and expenses	₱7,782,988	₱269,848	₱8,052,836	₱6,280,757	₱240,000	₱6,520,757	23.5%
Interest expense	508,058	4,533	512,591	531,318	26,459	557,777	(8.1%)
Foreign exchange gains – net	(708,962)	(29,288)	(738,250)	(147,841)	(489,492)	(637,333)	15.8%
Mark-to-market losses	1,549	-	1,549	4,290	-	4,290	(63.9%)
Total Expenses	₱7,583,633	₱245,093	₱7,828,726	₱6,668,524	(₱223,033)	₱6,445,491	21.5%

Total expenses of the Group for the three months ended March 31, 2018 increased by 21.5 percent to ₱7.8 billion due to higher: a) gaming taxes as a result of record GGRs across all

segments; b) advertising and promotions to boost mass gaming activity, and c) employee related expenses coming from Solaire's Stock Incentive Plan (SIP) and bonus schemes.

Philippines

Solaire operating costs and expenses increased by 23.9 percent from ₱6.3 billion to ₱7.8 billion.

The Philippine peso depreciated against the US dollar and other foreign currencies resulting in net foreign exchange gain of ₱708.9 million in the first quarter of 2018 as compared to the net foreign exchange gain of ₱147.8 million for the same period last year. The Company maintains foreign currency deposits mainly denominated in US and Hong Kong dollars.

Korea

Solaire Korea and Jeju Sun registered ₱269.8 million in combined operating costs and expenses which was ₱29.8 million higher than the first quarter of 2017. The Korean operation also registered ₱29.3 million in foreign exchange gains mainly due to the continued appreciation of the Korean Won against the US Dollar. Solaire Korea and Jeju Sun's liabilities to the Parent Company are US dollar denominated.

Cash Operating Expenses

Consolidated cash operating expenses for the quarter increased by 28.3 percent from ₱5,440.3 million in 2017 to ₱6,979.2 million in 2018. Excluding the cash operating expenses of Jeju Sun and Solaire Korea, cash operating expenses of the Philippine operation increased by 29.1 percent. This increase was mainly due to the ₱591.1 million increase in gaming taxes as a result of higher gaming revenues. In addition, Solaire posted higher advertising and promotional expenses due to new creative programs and campaigns that were rolled out in the quarter.

EBITDA

Philippines

For first quarter of 2018, Solaire's EBITDA of ₱4,661.6 million was 43.1 percent or ₱1,404.3 million higher than the same quarter last year. This quarter's EBITDA was the highest posted by Solaire.

Korea

Solaire Korea and its subsidiary, Jeju Sun posted ₱125.0 million negative EBITDA or 138.8 percent negative EBITDA margin in the first quarter of 2018 due to lower gaming revenues.

Consolidated

Below is the consolidated hold-normalized EBITDA comparison based on PAGCOR table classification of original gaming tax rates (as stated in the Gaming License) effective July 1, 2016, as follows:

- a. Junket tables (VIP) - 15 percent of junket revenue
- b. High roller tables (VIP) – 15 percent of high roller revenue*
- c. Non-high roller tables (Mass tables) – 25 percent of non-high roller revenue*
- d. Slots – 25 percent of slots revenue

** BRHI is also required to remit an additional 2 percent of casino revenues generated from non-junket operation tables to a foundation devoted to the restoration of Philippine cultural heritage, as selected by the BRHI and approved by PAGCOR.*

	For the Year Ended March 31		Change
	2018	2017	
<i>In thousands, except % change data</i>			
Net Revenue	11,515,757	8,596,977	34.0%

EBITDA	4,536,544	3,156,647	43.7%
EBITDA Margin	39.4%	36.7%	268 bps
Hold-Normalized EBITDA*	3,477,443	3,892,446	(10.7%)
Hold-Normalized EBITDA Margin*	36.3%	40.6%	121.5 bps

* Hold-normalized EBITDA is based on 2.85% VIP hold.

Provision for (Benefit From) Income Tax

In the first quarter of 2018, Solaire recognized ₱3.6 million of benefit from income tax, a 94.9 percent increase from the prior year's ₱1.9 million in benefit from income tax.

Net Income

Solaire registered a net income of ₱3,845.7 million, which was ₱2,015.9 million higher from the net income recorded for the same quarter in prior year.

The basic earnings per share of ₱0.336 for first quarter 2018 was higher from last year's earnings per share of ₱0.195. The diluted earnings for share for 2018 was ₱0.335 while for 2017 the diluted earnings per shares was ₱0.194 after considering the shares granted under the stock incentive plan.

OPERATING RESULTS FOR THE YEAR ENDED DECEMBER 31, 2017 COMPARED WITH 2016

REVENUES

Revenues consist of: (1) Gaming; (2) Hotel, food and beverage; (3) Interest income; and (4) Retail and others. The table below illustrates the consolidated revenues for the year ended December 31, 2017 and 2016:

	For The Year Ended December 31						% Change 2017 vs. 2016
In thousands, except % change data	2017			2016			
	Philippines	Korea	Consolidated	Philippines	Korea	Consolidated	
Gaming	₱44,519,462	₱407,075	₱44,926,537	₱38,342,203	₱194,539	₱38,536,742	16.6
Hotel, food and beverage	2,228,869	184,677	2,413,546	1,692,372	195,451	1,887,823	27.8
Retail and others	780,409	74,610	855,019	432,876	15,971	448,847	90.5
Interest income	63,759	2,416	66,175	43,742	290	44,032	50.3
Gross revenues	47,592,499	668,778	48,261,277	40,511,193	406,251	40,917,444	17.9
Less contra revenue accounts	11,486,717	57,869	11,544,586	10,395,424	91,444	10,486,868	10.1
Net revenues	₱36,105,782	₱610,909	₱36,716,691	₱30,115,769	₱314,807	₱30,430,576	20.7

Solaire registered gross gaming revenues of ₱44.5 billion for 2017, the highest recorded since opening. The non-gaming segment also outperformed its previous year's reported revenues reaching ₱3,009.3 million in 2017, 41.6 percent higher on a year-on-year basis. Jeju Sun on the other hand, showed significant improvement with gaming revenues doubling in 2017 despite operating in a very challenging environment with a 75.5 percent decline in Chinese tourist arrivals in Jeju. Jeju has historically enjoyed the patronage of millions of Chinese tourists.

For 2017, gross gaming revenues accounted for 93.1 percent and non-gaming revenues (including hotel, food and beverage, retail and other) contributed 6.8 percent while the balance of 0.1 percent represented interest income. For the same period last year, gross gaming revenue was 94.2 percent of total revenue; hotel, food and beverage accounted for 5.7 percent; and interest income for 0.1 percent. Contra revenue increased to ₱11,544.6 million, up 10.1 percent year-on-year, mainly due to higher rebates to junket operators as a result of higher VIP volume, rebates for VIP guests and other promotional incentives provided to guests.

Gaming

Philippines

Solaire registered robust growth across all segments with record high VIP volume, mass table drop and slot coin-in for 2017. VIP volume, mass table drop and slot coin-in, grew by 11.4 percent, 21.3 percent and 29.0 percent, respectively, for 2017 compared to the same period last year.

Gross gaming revenue in 2017 increased by 16.1 percent or ₱6,177.3 million as compared to 2016. Below is the breakdown of the growth in gross gaming revenue:

<i>amounts in millions</i>	2017		2016		Change in Revenue	
	Revenue	Hold	Revenue	Hold	Amount	Percentage
VIP tables	₱20,712	2.61%	₱18,613	2.61%	₱2,099	11.3%
Mass tables	12,059	32.8%	10,062	33.2%	1,997	19.8%
Slots	11,749	6.4%	9,667	6.8%	2,081	21.5%
Total	₱44,520		₱38,342		₱6,177	16.1%

On a hold normalized basis, the VIP revenue would have increased by 11.8 percent. VIP hold stood at 2.61 percent, below the normal hold of 2.85 percent. The mass table revenue reached an all-time high of ₱12.1 billion due to higher volume by 21.3 percent. Slot revenue also posted a record high of ₱11.8 billion after registering the best ever slot coin-in for the year.

Total visitation improved for 2017 with 5,843,686 visits which was up 14.0 percent from last year.

Korea

Jeju Sun registered ₱407.1 million gross gaming revenues for 2017 which was 109.3 percent higher than the previous year. This was achieved against the backdrop of a huge decline in Chinese travelers to Jeju mainly due to the issue of Terminal High Altitude Area Defense (THAAD) deployment (US missile defense system). Chinese tourists account for an estimated 85 percent of Jeju tourists. Chinese tourist arrivals to Korea in 2017 fell 48.3 percent to 4.2 million from 8.1 million visitors last year with Jeju Island experiencing a more drastic 75.5 percent drop from 3.1 million to 0.75 million Chinese visitors.

Hotel, Food and Beverage

Philippines

Hotel and food and beverage revenue increased by ₱536.5 million or 31.7 percent for 2017 versus last year. Solaire increased its REVPAR by 10.5 percent year-on-year and at the same time, managed to increase its hotel occupancy for 2017 to 90.7 percent from 85.4 percent in the previous year.

Hotel cash revenues were approximately 55.2 percent for 2017 compared to 51.7 percent for the comparative period in 2016, while non-gaming F&B cash revenues accounted for 57.4 percent of F&B revenues for 2017 compared to 57.5 percent in prior year.

Food and beverage covers for 2017 were approximately 2,103,851 in comparison to approximately 1,808,759 covers for 2017 representing an increase of 16.3 percent. Average check for 2017 increased 6.3 percent to ₱978 over 2016.

Korea

The hotel and F&B operation of Jeju Sun generated ₱184.7 million of revenue for 2017, 5.5 percent lower than the comparative period in 2016. Jeju has historically enjoyed the patronage of millions of Chinese tourists and the decline in the tourist arrivals from China has an adverse

impact on the hotel and F&B revenues of Jeju Sun.

Retails and Others

Philippines

Retail and other revenues increased by 80.3 percent or ₱347.5 million compared to the prior year primarily as a result of additional rental revenue from new tenants at the Shoppes.

Korea

The retail and other revenues increased to ₱74.6 million for 2017. The increase was brought by higher rental income generated from additional tenants and other income/refund received.

Interest Income

Philippines

Interest income increased by ₱20.0 million or 45.8 percent from 2016 because of higher average consolidated cash balances in 2017.

Korea

Korean operations contributed ₱2.4 million or 3.7 percent of the consolidated interest income for the year.

EXPENSES

Total operating cost and expenses consist of: (1) Taxes and licenses; (2) Advertising and promotions; (3) Depreciation and amortization; (4) Salaries and benefits; (5) Outside services and charges; (6) Office expenses; (7) Cost of sales; (8) Utilities; (9) Rent; (10) Repair and maintenance; (11) Communication and transportation; (11) Provision (reversal of allowance) for doubtful accounts; and (13) Others.

The table below shows the breakdown of total expenses for 2017 and 2016.

In thousands, except % change data	For the Year Ended December 31						% Change
	2017			2016			2017 vs. 2016
	Philippines	Korea	Consolidated	Philippines	Korea	Consolidated	
Operating costs and expenses:							
Taxes and licenses	P9,518,676	P65,259	P9,583,935	P6,653,474	P34,405	P6,687,879	43.3
Advertising and promotions	5,402,312	16,660	5,418,972	4,088,826	133,941	4,222,767	28.3
Depreciation and amortization	4,174,509	179,343	4,353,852	4,681,365	173,677	4,855,042	(10.3)
Salaries and benefits	3,325,536	503,679	3,829,215	3,154,718	548,316	3,703,034	3.4
Outside services and charges	1,041,849	118,974	1,160,823	934,773	22,184	956,957	21.3
Office expenses	1,006,851	26,765	1,033,616	1,008,274	31,442	1,039,716	(0.6)
Cost of sales	879,524	31,107	910,631	690,320	23,593	713,914	27.6
Utilities	810,716	42,056	852,772	782,841	40,845	823,686	3.5
Rent	526,230	5,163	531,393	504,824	5,924	510,748	4.0
Repairs and maintenance	389,888	12,949	402,837	316,831	7,515	324,346	24.2
Communication and transportation	201,371	10,919	212,290	179,229	9,940	189,169	12.2
Provision (reversal of allowance) for doubtful accounts	(32,874)	-	(32,874)	174,608	29,145	203,753	(116.1)
Others	429,393	36,138	465,531	453,167	2,921	456,088	2.1
	27,673,981	1,049,012	28,722,993	23,623,249	1,063,849	24,687,098	16.3
Interest expense	2,053,899	97,649	2,151,549	2,133,221	90,092	2,223,313	(3.2)
Foreign exchange losses (gains) – net	(34,649)	(847,586)	(882,235)	(692,795)	210,402	(482,393)	82.9
Others	157,560	271,574	429,134	20,409	-	20,409	2,002.7
Total Expenses	P29,850,791	P570,649	P30,421,440	P25,084,084	P1,364,343	P26,448,427	15.0

Cost and Expenses

Total expenses of the Group for 2017 had increased by 15.0 percent to ₱30.4 billion. This increase was attributable mainly due to higher volume of business activity both in gaming and non-gaming resulting in higher gaming taxes, advertising and promotions, outside services and chargers, communication and transportation and, cost of sale. In addition, the Company stepped up and invested in several renovations to maintain the world class standard of Solaire. However, total expenses were reduced by lower depreciation and amortization expenses with the favorable change in the useful economic lives of the building and other fixed assets.

Philippines

Solaire operating costs and expenses significantly increased by 17.1 percent from ₱23.62 billion to ₱27.67 billion for 2017 compared to the prior year. This is mainly due to higher volume of business activity both in gaming and non-gaming resulting in higher gaming taxes, advertising and promotions, outside services and charges, communication and transportation and cost of sale (food and beverage cost). In addition, taxes and licenses increased as a result of the reversion to the original gaming tax structure (please refer to the discussion of taxes and licenses below). The increase in total expenses of the Philippine operation was partially offset by the decrease in depreciation and amortization which fell by 10.8 percent due to the change in the useful life of the building from 25 years to 40 years.

In 2017, Solaire recognized a net foreign exchange gain of ₱34.7 million, which is ₱658.2 million lower than the net foreign exchange gain of ₱692.8 million in 2016, as a result of Solaire's accommodation of certain FX transactions with its patrons, vendors and foreign subsidiaries. Mark-to-market losses presented under "Others" totaled ₱7.6 million for 2017 compared to ₱20.4 million loss in 2016. A certain portion of Solaire's cash is denominated in US and Hong Kong dollars.

Korea

Solaire Korea and Jeju Sun combined operating costs and expenses remained flat at ₱1,049.0 million in 2017 which was 1.4 percent lower than the ₱1,063.9 million booked last year.

The Korean operation also registered ₱847.5 million in foreign exchange gains mainly due to the depreciation of the US Dollar against the Korean Won since the beginning of the year. Solaire Korea and Jeju Sun's liabilities to the Parent Company are US-dollar denominated. An impairment loss on goodwill and its casino license of ₱271.6 million was also recognized in 2017.

Taxes and licenses

Taxes and licenses consist mainly of licenses fees (inclusive of the franchise tax) paid to PAGCOR. When the new PAGCOR Board assumed office in June 2016, it required the licensees to revert to the original license fee rates provided under the Gaming License. The legal correctness of this decision was confirmed when in a decision dated August 10, 2016, the Supreme Court ruled that BRHI is exempted from corporate income taxes from its gaming operations. This caused an adjustment on the payment of gaming taxes paid to PAGCOR resulting in an increase in operating cost and expenses. Prior to this, PAGCOR had entered into an agreement with the four (4) licensees of Entertainment City for the licensees to meet the corporate income taxes required under BIR Revenue Memorandum Circular 33-2013 even if it was contrary to the tax exemption of the licensees under the PAGCOR Charter. PAGCOR's Guidelines for the 10 percent Income Tax Allocation provided that instead of 15 percent and 25 percent (inclusive of 5 percent franchise tax) license fee rates for high rollers/junket and mass gaming, respectively, prescribed under the Gaming License, the licensees would pay 5 percent and 15 percent rates. The difference of 10 percentage points for each category was allocated to pay for the corporate income taxes as administrative relief considering the tax exemption provided to the licensees under the PAGCOR Charter and under the Gaming License. The

reversion to the original gaming tax structure of 15 percent and 25 percent effective July 1, 2016 caused the increase in gaming taxes during the current period covering the twelve months in 2017.

Advertising and promotions

The Group increased its advertising and promotional activities that helped boost gaming and non-gaming revenues and enhanced its competitiveness with the opening of a new property in Entertainment City. Advertising and promotions costs consist of costs of property and brand marketing, events and promotions, print and media placements, corporate giveaways, prizes and sponsorship of events, trade shows, exhibits and partnerships and other related expenses.

Depreciation and amortization

Depreciation and amortization pertains to the straight-line depreciation and amortization of property and equipment as well as the operating equipment over the useful lives of these assets ranging from 3 to 40 years.

Salaries and benefits

Salaries and wages slightly increased by 3.4 percent which is attributable to the increase in Philippine operations by ₱170.8 million mainly attributable to the Stock Incentive Plan (SIP) share grants as well as the rationalization of its manpower requirements. This was partially offset by the Korean operation where salaries and benefits decreased by ₱44.6 million.

Outside services and charges

Outside services and charges increased by 21.3 percent in 2017 as compared to prior period. This account pertains to the cost of professional and third-party services which include, among others, legal services, consultancy services, marketing services, security services, audit services, landscaping services and maintenance and cleaning services.

Office expenses

Office expenses, consisting mainly of costs of gaming and office supplies, guest supplies, cleaning supplies, insurance, housekeeping supplies and team member expenses, slightly decreased by 0.6 percent.

Cost of sales

Cost of sales consists mainly of food and beverage costs and buying costs of retail items. The increase in 2017 is directly attributable to the higher in F&B and Retail revenues. Philippine operation's cost of sale increased by ₱189.2 million while Korean operation contributed ₱7.5 million increased in cost of sales.

Utilities

Utilities expenses are composed of electricity cost, water charges, fuel costs, gas, sewerage and cost of air conditioning supplies. Utilities expenses for 2017 is slightly higher compared with 2016.

Rent

Rent consists mainly of lease rentals for the land and other real properties as well as casino, office and other equipment.

Repairs and maintenance

The upkeep of the property and equipment is charged to this account, which includes the maintenance of casino equipment, furniture and fixtures, computer equipment, curtains and drapery, transportation equipment, electrical and mechanical equipment. Repairs and maintenance increased by 24.2 percent after standard warranties on the Group's machinery and equipment had lapsed and with the property operating for almost five years now.

Communication and transportation

Communication and transportation represents cost of telephone and data communications, valet services, fleet management services and shuttle services. Costs of business travels are also charged to this account. The higher expense in 2017 was mainly due to the increase in executive travel related to business and player development.

Provision for doubtful accounts

The Group evaluates provision for doubtful accounts based on a specific and collective review of customer accounts as well as experience with collection trends in the gaming industry and current economic and business conditions. In 2017, the Group did not make any provisions for doubtful accounts but rather had a reversal of ₱32.9 million as a result of the collection of certain fully provided doubtful accounts in 2017.

Other

Other expenses consist of miscellaneous expenses mainly pertaining to complimentary service charges, representation, dues and subscriptions, freight charges, contract entertainment, trust fees, donations and community service expenses, credit card commissions and bank charges. This account increased by 2.1 percent due to the rationalization of representation and entertainment expenses.

Interest Expense

Interest expense represents interest on the Group's Original and Expansion Facilities with BDO, the Corporate Notes and short-term borrowings.

Foreign Exchange Losses (Gains) - Net

The Group recognized a net foreign exchange gain for the year of ₱882.2 million because of the favorable effect of the depreciation of the Philippine Peso against the US dollar and Hong Kong dollar in 2017 and appreciation of Korean Won against the US dollar. The Group also reported ₱482.4 million net foreign exchange gains in 2016. The Philippine peso depreciated against the US dollar from ₱49.720/US\$1 as of December 31, 2016 to ₱49.930/US\$1 as of December 31, 2017.

Others

Others is composed of mark-to-market loss, transportation equipment write off of Philippine operations and impairment loss on goodwill and casino license of Korean operations. Mark-to-market loss was a result of the fair value determination of the embedded derivative in the prepayment option of the Group's loan with BDO as of December 31, 2017. The mark-to-market loss in 2017 is lower by 62.7 percent compared to prior year mainly because of the lower principal repayment of the Original Facility in 2017 in effect of the loan restructuring. In 2017, Philippine Operations has written off a transportation asset resulting to a loss of ₱149.9 million. An impairment loss on goodwill and casino license of ₱271.6 million was also recognized in 2017.

EBITDA

Philippines

For 2017, Solaire generated ₱12,606.3 million EBITDA, the highest annual EBITDA achieved since opening. This represents an 12.8 percent year-on-year increase or ₱1,432.4 million from the same period last year. The increase in EBITDA was due to all-time revenue highs and continuous successful implementation of cost containment initiatives.

Korea

The EBITDA registered by Solaire Korea and its subsidiary, Jeju Sun was reduced to ₱258.7 million negative EBITDA or 42.4 percent negative EBITDA margin. This was a substantial improvement from the ₱575.4 million negative EBITDA incurred during the same period last year. Jeju Sun had significantly improved its operations despite the challenging market conditions in Jeju, Korea.

CONSOLIDATED

At the consolidated level, the 2017 EBITDA margin was slightly lower at 33.6 percent compared to 34.8 percent in the same time period last year. On a comparable basis, the EBITDA for 2017 should have increased by 35.4 percent as compared to 2016 as adjusted using the original gaming (final gaming) tax structure as follows:

	For the Year Ended December 31		% Change
<i>In thousands, except % change data</i>	2017	2016	
EBITDA as reported	12,347,550	10,598,519	16.5%
Adjustment*	-	(1,480,614)	n/a
EBITDA using original tax structure	12,347,550	9,117,905	35.4%

*this represents additional gaming taxes (that used to be paid as corporate income tax) using the original tax structure

Below is the consolidated hold-normalized EBITDA comparison based on PAGCOR table classification of original gaming tax rates (as stated in the Gaming License) effective July 1, 2016, as follows:

- Junket tables (VIP) - 15 percent of junket revenue
- High roller tables (VIP) – 15 percent of high roller revenue*
- Non-high roller tables (Mass tables) – 25 percent of non-high roller revenue*
- Slots – 25 percent of slots revenue

* BRHI is also required to remit an additional 2 percent of casino revenues generated from non-junket operation tables to a foundation devoted to the restoration of Philippine cultural heritage, as selected by the BRHI and approved by PAGCOR.

	For the Year Ended December 31		Change
<i>In thousands, except % change data</i>	2017	2016	
Net Revenue	36,716,691	30,430,576	20.7%
EBITDA	12,347,550	10,598,519	16.5%
EBITDA Margin	33.6%	34.8%	(120 bps)
Hold-Normalized EBITDA*	13,781,666	11,245,044	22.6%
Hold-Normalized EBITDA Margin*	34.8%	35.1%	(32.9 bps)

* Hold-normalized EBITDA is based on 2.85 percent VIP hold. For 2015, the calculation was based on reduced gaming tax with corporate income tax in the 1st half to be comparable with 2016 applicable gaming tax.

The reported VIP hold in 2017 was 2.61 percent, 24 basis points lower than the 2.85 percent normalized hold. This resulted in the reported EBITDA being 11.6 percent lower than hold-normalized EBITDA of ₱13.8 billion.

PROVISION FOR (BENEFIT FROM) INCOME TAX

In 2017, the Group recognized ₱1.6 million of provision for income tax compared to ₱1,481.8 million for the same period in 2016. The decrease in current provision for income tax is due to the new PAGCOR Board order effective July 1, 2016 to revert back to the original gaming tax structure, which was affirmed by the Supreme Court's decision granting exemption of BRHI from corporate income tax on its gaming operation.

The Group incurred a deferred tax provision of ₱231.0 million in 2017 and ₱177.3 million for the

same period last year which resulted from changes in net deferred tax liabilities and assets.

NET INCOME (LOSS)

The consolidated net income of ₱6,062.6 million in 2017 was significantly higher as compared to 2016 by 161.0 percent.

Philippine operations registered a net income of ₱6,269.5 million, which was 81.2 percent higher than the same period last year. The annual net income was due to Solaire's higher revenues generated across all revenue segments generating higher EBITDA for the property and further enhanced with lower depreciation and amortization expenses and financing costs. Net income was reduced by the Korean operation which registered a ₱206.9 million net loss for the year. However, this net loss for 2017 was significantly lower than the net loss registered in 2016 amounting to ₱1,136.9 million.

EARNINGS (LOSS) PER SHARE

The basic earnings per share of ₱0.551 for twelve months of 2017 was a significant increase from last year's earnings per share of ₱0.214. The diluted earnings for share for 2017 was P0.549 while for 2016 the diluted loss per shares was P0.214 after considering the shares granted under the Company's stock incentive plan

There are no other significant elements of income and expense outside the Company's operating results for the year ended December 31, 2017.

OPERATING RESULTS FOR THE YEAR ENDED DECEMBER 31, 2016 COMPARED WITH 2015

REVENUES

Revenues consist of: (1) Gaming; (2) Hotel, food and beverage; (3) Interest income; and (4) Retail and others. The table below illustrates the consolidated revenues for the year ended December 31, 2016 and 2015:

	For The Year Ended December 31						% Change
In thousands, except % change data	2016			2015			2016 vs. 2015
	Philippines	Korea	Consolidated	Philippines	Korea	Consolidated	
Gaming	₱ 38,342,203	₱194,539	₱38,536,742	₱32,232,242	₱228,528	₱32,460,770	18.7
Hotel, food and beverage	1,692,372	195,451	1,887,823	1,434,491	171,587	1,606,078	17.5
Retail and others	432,876	15,971	448,847	179,617	32,337	211,954	111.8
Interest income	43,742	290	44,032	74,702	2,705	77,407	(43.1)
Gross revenues	40,511,193	406,251	40,917,444	33,921,052	435,157	34,356,209	19.1
Less contra revenue accounts	10,395,424	91,444	10,486,868	9,083,639	155,246	9,238,885	13.5
Net revenues	₱30,115,769	₱314,807	₱30,430,576	₱24,837,412	₱279,911	₱25,117,323	21.2

For 2016, gross gaming revenue accounted for 94.2 percent and non-gaming revenues (including hotel, food and beverage, retail and other) contributed 5.7 percent while the balance of 0.1 percent represented interest income. For the same period last year, gross gaming revenue was 94.5 percent of total revenue; hotel, food and beverage accounted for 5.3 percent; and interest income for 0.2 percent. Contra revenue increased to ₱10,486.9 million, up 13.5 percent year-on-year, mainly due to higher rebates to junket operators as a result of higher VIP volume, rebates for VIP guests as well as other promotional incentives provided to guests.

Solaire registered gross gaming revenue of ₱38.3 billion for 2016, the highest in a year since opening. The non-gaming revenue reached a record high of ₱2,336.7 million, 28.5 percent higher on a year-on-year basis.

Gaming

Philippines

Solaire registered robust growth across all segments with all time high VIP volume, mass table drop and slot coin-in for 2016. VIP volume, mass table drop and slot coin-in, grew by 29.2 percent, 11.5 percent and 18.3 percent, respectively, for 2016 compared to the same period in the prior year.

Gross gaming revenue in 2016 increased by 19.0 percent or ₱6,110.0 million as compared to 2015. Below is the breakdown of the growth in gross gaming revenue:

<i>amounts in millions</i>	2016		2015		Change in Revenue	
	Revenue	Hold	Revenue	Hold	Amount	Percentage
VIP tables	18,613	2.61%	15,851	2.87%	2,762	17.4%
Mass tables	10,062	33.2%	8,234	30.3%	1,828	22.2%
Slots	9,667	6.8%	8,148	6.7%	1,520	18.7%
Total	38,342		32,233		6,110	19.0%

On a hold normalized basis, the VIP revenue would have increased by 29.1 percent. VIP hold stood at 2.61 percent, below normal hold of 2.85 percent. The mass table revenue reached an all-time high of ₱10.1 billion due to higher volume and improved hold percentage by 290 bps. Slot revenue also reached an all-time high of ₱9.7 billion owing to best ever slot coin-in.

Total visitation for 2016 was 5,124,028 which was up 6.4 percent from 2015.

Korea

Jeju Sun registered P194.5 million gross gaming revenues for 2016. In anticipation of the sale to lao Kun, the Company had deliberately concentrated on reducing expenses rather than increasing VIP business to minimize volatility. However, on the agreed closing date, lao Kun failed to raise the funding necessary to consummate the sale of Jeju Sun. The Parent Company rejected lao Kun's request to extend the closing and payment date of the transaction. Considering this development, the Parent Company decided to again operate Jeju Sun under normal course of business.

Hotel, Food and Beverage

Philippines

Hotel and food and beverage revenue increased by P257.9 million or 18.0 percent for 2016 versus last year. Solaire increased its REVPAR by 16.9 percent year-on-year and at the same time, managed to increase its hotel occupancy for 2016 to 85.4 percent from 79.2 percent in the previous year.

Hotel cash revenues were approximately 49.6 percent for 2016 compared to 45.7 percent for the comparative period in 2015, while non-gaming F&B cash revenues accounted for 50.4 percent of F&B revenues for 2016 compared to 54.3 percent in prior year.

Food and beverage covers for 2016 were approximately 1,808,759 in comparison to approximately 1,894,191 covers for 2015 representing a decrease of 4.5 percent. Average check for 2016 increased 4.8 percent to P919 over 2015.

Korea

The hotel and F&B operation of Jeju Sun generated P195.5 million of revenue for 2016.

Retail and Others

Philippines

Retail and other revenues increased by 141.0 percent or P253.3 million compared to the prior year primarily as a result of additional rental revenue as tenants in The Shoppes@Solaire became operational.

Korea

Jeju Sun contributed P16.0 million in retail and other revenue for the year.

Interest Income

Philippines

Interest income decreased by P30.9 million or 41.4 percent from 2015 as Solaire had less available cash to invest based on reduced net cash.

Korea

Korean operations contributed P0.3 million or 0.001% of the consolidated interest income for the year.

COST AND EXPENSES

Total operating cost and expenses consist of: (1) Taxes and licenses; (2) Depreciation and amortization; (3) Advertising and promotions; (4) Salaries and benefits; (5) Office expenses; (6) Outside services and charges; (7) Utilities; (8) Cost of sales; (9) Rent; (10) Repair and maintenance; (11) Provision for doubtful accounts; (12) Communication and transportation; and (13) Others.

The table below shows the breakdown of total expenses for 2016 and 2015.

<i>In thousands, except % change data</i>	For the Year Ended December 31						% Change
	2016			2015			2016 vs. 2015
	Philippines	Korea	Consolidated	Philippines	Korea	Consolidated	
Operating costs and expenses:							
Taxes and licenses	P6,653,474	P34,405	P6,687,879	P4,862,797	P80,703	P 4,943,500	35.3
Depreciation and amortization	4,681,365	173,677	4,855,042	4,795,772	60,631	4,856,403	(0.0)
Advertising and promotions	4,088,826	133,941	4,222,767	3,130,047	45,598	3,175,645	33.0
Salaries and benefits	3,154,718	548,316	3,703,034	3,427,550	397,895	3,825,445	(3.2)
Office expenses	1,008,274	31,442	1,039,716	1,077,528	17,127	1,094,655	(5.0)
Outside services and charges	934,773	22,184	956,957	1,005,290	414,470	1,419,760	(32.6)
Utilities	782,841	40,845	823,686	788,342	38,613	826,955	(0.4)
Cost of sales	690,320	23,593	713,914	681,332	22,172	703,504	1.5
Rent	504,824	5,924	510,748	515,734	6,879	522,613	(2.3)
Repairs and maintenance	316,831	7,515	324,346	234,508	8,578	243,086	33.4
Provision for doubtful accounts	174,608	29,145	203,753	2,568,041	679	2,568,720	(92.1)
Communication and transportation	179,229	9,940	189,169	172,135	9,249	181,384	4.3
Others	453,167	2,921	456,088	411,867	17,792	429,659	6.2
	23,623,249	1,063,849	24,687,098	23,670,944	1,120,385	24,791,329	(0.4)
Interest expense	2,133,221	90,092	2,223,313	2,102,797	64,342	2,167,139	2.6
Foreign exchange losses (gains) – net	(692,795)	210,402	(482,393)	(562,142)	269,314	(292,828)	64.7
Mark-to-market loss (gains)	20,409	-	20,409	(5,278)	-	(5,278)	(486.7)
Total Expenses	P25,084,084	P1,364,343	P26,448,427	P25,206,321	P1,454,041	P26,660,362	(0.01)

Philippines

Solaire operating costs and expenses remain relatively flat which slightly decreased from P23.67 billion to P23.62 billion for the twelve months of 2016 compared to the same period in the prior year. The reversion to the original gaming tax structure of 15% and 25% effective July 1, 2016 caused the increase in gaming taxes during the current period. The increase in gaming taxes was partially offset by a decrease in the provision for doubtful accounts for 2016.

In 2016, Solaire recognized a net foreign exchange gain of P377.2 million, which is P90.3 million higher than the net foreign gain of P286.9 million in 2015, as a result of Solaire's favorable exchange rate transactions with its patrons, vendors and Solaire Korea and Jeju Sun. Mark-to-market losses totaled P20.4 million for the twelve months of 2016 compared to P5.3 million loss for the same period in 2015. A portion of Solaire's cash is denominated in US and Hong Kong dollars.

Korea

Solaire Korea's overhead expenses consist mainly of salaries and benefits, outside services and office expenses. Solaire Korea and Jeju Sun registered P1,063.8 million in combined operating costs and expenses. In addition, both incurred P90.1 million of interest expenses and recognized P210.4 million in foreign exchange loss mainly due to the restatement of Solaire Korea and Jeju's US dollar denominated liabilities to the Parent Company.

Total expenses remain relatively flat from P26.7 billion to P26.5 billion

Taxes and licenses

Taxes and licenses consist mainly of licenses fees (inclusive of the franchise tax) paid to PAGCOR. When the new PAGCOR Board assumed office in June 2016, it required the licensees to revert to the original license fees rates provided under the Gaming License. The legal correctness of this decision was confirmed when in a decision dated August 10, 2016, the Supreme Court ruled that BRHI is exempted from corporate income taxes from its gaming operations. This caused an adjustment on the payment of gaming taxes paid to PAGCOR resulting in an increase in operating cost and expenses. Prior to this, PAGCOR had entered into an agreement with the four (4) licensees of Entertainment City for the licensees to meet the corporate income taxes required under BIR Revenue Memorandum Circular 33-2013 even if it was contrary to the tax exemption of the licensees under the PAGCOR Charter. PAGCOR's Guidelines for the 10% Income Tax Allocation provided that instead of 15% and 25% (inclusive of 5% franchise tax) license fees rates for high rollers/junket and mass gaming, respectively, prescribed under the Gaming License, the licensees would pay 5% and 15% rates. The difference of 10% for each category was allocated to pay for the corporate income taxes as administrative relief considering the tax exemption provided to the licensees under the PAGCOR Charter and under the Gaming License. The reversion to the original gaming tax structure of 15% and 25% effective July 1, 2016 caused the increase in gaming taxes during the current period.

Depreciation and amortization

Depreciation and amortization pertains to the straight-line depreciation and amortization of property and equipment as well as the operating equipment over the useful lives of these assets ranging from 2 to 40 years.

Advertising and promotions

The Group increased its advertising and promotional activities that helped boost gaming and non-gaming revenues and enhanced its competitiveness. Advertising and promotions consist of costs of property and brand marketing, events and promotions, print and media placements, corporate giveaways, prizes and sponsorship of events, trade shows, exhibits and partnerships and other promotion related expenses.

Salaries and benefits

Despite the opening of various restaurant and retail store in the Sky Tower, salaries and wages of Solaire decreased by P272.8 million due to rationalization of its manpower requirements which was partially offset by the Korean operation which contributed P150.4 million increase in salaries and benefits.

Office expenses

Office expenses, consisting mainly of costs of gaming and office supplies, guest supplies, cleaning supplies, insurance, housekeeping supplies and team member expenses, decreased by 5.0 percent.

Outside services and charges

Outside services and charges was significantly higher in 2015 due to the acquisition of Jeju Sun. This account pertains to the cost of professional and third party services which include, among others, legal services, consultancy services, marketing services, security services, audit services, landscaping services and maintenance and cleaning services.

Utilities

Utilities expenses are composed of electricity cost, water charges, fuel costs, gas, sewerage and cost of air conditioning supplies. Utilities expenses for 2016 were relatively flat compared with 2015.

Cost of sales

Cost of sales consists mainly of food and beverage costs and buying costs of retail items. The increase in 2016 is directly attributable to the increase in F&B and Retail revenues. Korean operation contributed P23.6 million in cost of sales.

Rent

Rent consists mainly of lease rentals for the land and other real properties as well as casino, office and other equipment.

Repairs and maintenance

The upkeep of the property and equipment is charged to this account, which includes the maintenance of casino equipment, furniture and fixtures, computer equipment, curtains and drapery, transportation equipment, electrical and mechanical equipment. Repairs and maintenance increased by 33.4 percent after standard warranties on the Group's machinery and equipment had lapsed.

Provision for doubtful accounts

The Group evaluates provision for doubtful accounts based on a specific and collective review of customer accounts as well as experience with collection trends in the gaming industry and current economic and business conditions.

Communication and transportation

Communication and transportation represents cost of telephone and data communications, valet services, fleet management services and shuttle services. Costs of business travels are also charged to this account. The higher expense in 2016 was mainly due to the increase in executive travel related to business and player development.

Other

Other expenses consist of miscellaneous expenses mainly pertaining to complimentary service charges, representation, dues and subscriptions, freight charges, contract entertainment, trust fees, donations and community service expenses, credit card commissions and bank charges. This account increased by 6.62 percent due to the rationalization of representation and entertainment expenses.

EBITDA

Philippines

For 2016, Solaire generated an EBITDA of ₱11,173.8 million which represented an 87.4 percent or ₱5,211.6 million increase from the same period last year due to the record breaking revenues in all categories, significant reduction of provision for bad debts and maintaining operating costs

and expenses at the same level as last year.

Korea

The consolidated EBITDA was reduced by the ₱575.4 million negative EBITDA registered by Solaire Korea and its subsidiary, Jeju Sun.

Below is the consolidated hold-normalized EBITDA comparison based on PAGCOR table classification of original gaming tax rates (as stated in the Gaming License) effective July 1, 2016, as follows:

- a. Junket tables (VIP) - 15 percent of junket revenue
- b. High roller tables (VIP) – 15 percent of high roller revenue*
- c. Non-high roller tables (Mass tables) – 25 percent of non-high roller revenue*
- d. Slots – 25 percent of slots revenue

* BRHI is also required to remit an additional 2% of casino revenues generated from non-junket operation tables to a foundation devoted to the restoration of Philippine cultural heritage, as selected by the BRHI and approved by PAGCOR.

	For the Year Ended December 31		Change
<i>In thousands, except % change data</i>	2016	2015	
Net Revenue	30,430,576	25,117,323	21.2%
EBITDA	10,598,519	5,182,397	104.5%
EBITDA Margin	34.8%	20.6%	1,420 bps
Hold-Normalized EBITDA*	12,099,461	5,459,655	121.6%
Hold-Normalized EBITDA Margin*	37.8%	21.6%	1,621 bps

* Hold-normalized EBITDA is based on 2.85% VIP hold. For 2015, the calculation was based on reduced gaming tax with corporate income tax in the 1st half to be comparable with 2016 applicable gaming tax.

The reported VIP hold in the twelve months of 2016 was 2.61 percent, 24 basis points lower than the 2.85 percent normalized hold. This resulted in the reported EBITDA being 14.2 percent lower than hold-normalized EBITDA of ₱12.1 billion.

Provision for (Benefit From) Income Tax

In the twelve months of 2016, the Group recognized P1,659.1 million of provision for income tax compared to P1,832.2 million for the same period in 2015. The decrease in current provision for income tax is due to the new PAGCOR Board order effective July 1, 2016 to revert back to the original gaming tax structure, which was affirmed by the Supreme Court's decision granting exemption of BRHI from corporate income tax on its gaming operation.

Net Income (Loss)

The consolidated net income of P2,323.1 million was a compelling turnaround, resulting in a P5,698.3 billion swing, from a net loss of P3,375.3 million of the same period last year.

Philippine operations registered a net income of P3,459.9 million, which was P5,837.0 million reversal from the net loss for the same period last year. The net income for the year was due to higher EBITDA, and net foreign exchange gain. Net income was reduced by the Korean operation which registered a P1,136.9 million net loss for the year.

Earnings (Loss) Per Share

The basic earnings per share of P0.214 for twelve months of 2016 was a significant positive reversal from last year's loss per share of P0.305. The basic and diluted earnings (loss) per shares were the same after considering the shares granted under the stock incentive plan.

There are no other significant elements of income and expense outside the Company's operating results for the year ended December 31, 2016.

OPERATING RESULTS FOR THE YEAR ENDED DECEMBER 31, 2015 COMPARED WITH 2014

REVENUES

Revenues consist of: (1) Gaming; (2) Hotel, food and beverage; (3) Interest income; and (4) Retail and others. The table below illustrates the consolidated revenues for the year ended December 31, 2015 and 2014:

	For the Year Ended December 31			% Change	
<i>In thousands, except % change data</i>	2015			2014	2015 vs.
	Philippines	Korea	Consolidated	Consolidated	2014
Gaming	₱32,232,242	₱228,528	₱32,460,770	₱30,836,599	5.27%
Hotel, food and beverage	1,434,491	171,587	1,606,078	1,071,429	49.90%
Retail and others	179,617	32,337	211,954	116,864	81.37%
Interest income	74,702	2,705	77,407	84,814	(8.73%)
Gross revenues	33,921,052	435,157	34,356,209	32,109,705	7.00%
Less contra revenue accounts	9,083,639	155,246	9,238,885	7,987,631	15.66%
Net revenues	₱24,837,412	₱279,911	₱25,117,323	₱24,122,074	4.13%

For 2015, gaming revenues accounted for 92.5% of total revenues and hotel, food and beverage accounted for 6.4% compared with 2014 where gaming revenues accounted for 94.7%, while hotel, food and beverage accounted for 4.4%.

Gaming

Philippines

Solaire's gross gaming revenue in the twelve months of 2015 were ₱32,232.2 million an increase of 4.5 percent from the prior year twelve month ending December 31, 2014. Primary components of the increase were junket revenues which accounted for ₱1,018 million of the increase, slot devices which accounted for ₱479 million or 6.2 percent increase over prior year and an increase in mass tables of ₱494 million or 6.4 percent. For the twelve months ended December 31, 2015 mass slots and table games contributed 82 percent of the total operating margin of Solaire compared to 63.3 percent in the prior year based primarily on the reduced operating margin generated by the junket operation by ₱3,051 million or 97.8 percent.

During the twelve months of 2015 promotions and marketing efforts were intensified through unveiling creative programs, hosting special events, increasing promotions, and continuing to establish and expand its marketing presence in the Asian Region. These programs include hiring and retaining experienced senior executives in mass and VIP marketing and other strategic marketing activities including enhanced brand awareness of Solaire as a destination resort. Gross VIP comps increased 39.2 percent to for the first twelve months of 2015 while gross mass casino comps increased 35.1 percent for the same period.

As of December 31, 2015, Solaire had established 101 junket operator contractual agreements to bring in foreign VIP players an increase of 62.5 over the prior year. Solaire Rewards Club membership had reached 505,000, an increase of 24.3 percent from the prior 12 months. Solaire implemented a new customer loyalty program in May 2015 in order to refine its reinvestment strategy with patrons in order to maintain and gain market share in the highly competitive Manila gaming environment. Effectively, the new tiered system has a comp bucket that is visible and

available to the patron to utilize as well as a bucket that is accumulated and available for casino management to utilize at its discretion. Re-investment levels have increased for the twelve months ended December 31, 2015 as noted previously in terms of the percentage of contra revenue that is being provided as well as significant increases in VIP and mass marketing expenses.

Korea

Jeju Sun registered gross gaming revenues of ₱228.5 million for the period. In May 2015, management decided to suspend its casino operation to improve and increase the property's gaming area. On September 15, 2015, Jeju Sun resumed its casino operation after the substantial completion of the renovated and expansion of the gaming facilities. The casino operation was suspended on November 16, 2015 as administrative penalty for the acts of its previous casino management imposed by the Jeju Island gaming regulator CRD. This was the result of CRD's investigation of the gaming tax (tourism tax) payment practices of the casino then known as "LVegas Casino" under its old management and owners. On December 15, 2015, the casino resumed its operation.

Hotel, Food and Beverage

Philippines

Solaire generated ₱1,491.4 million of hotel, food and beverage gross revenues an increase of ₱420.0 million or 39.2 percent from 2014. Hotel occupancy for the twelve months of 2015 averaged 79.2 percent with an additional 112,000 available room nights from the Sky Tower in comparison to 88.2 percent for the twelve months of 2014. The non-gaming related hotel cash revenues were 46.6 percent for the first twelve months of 2015 compared to 53.0 percent for the comparative period in 2014 as a result of a significant use of hotel room comps in 2015. Non-gaming F&B cash revenues accounted for 52.0 percent of F&B revenues compared to 46.7 percent in prior years comparative period. Increased utilization of hotel comps resulted in the lower cash to comp revenue ratio for hotel occupancy during the twelve months of 2015.

Food and beverage covers for the twelve months of 2015 were approximately 1,894,191 in comparison to approximately 1,713,300 covers for the twelve months of 2014 and increase of 10.6 percent. Average check for the twelve months of 2015 increased 8.1% over the same period in prior year to ₱724.

Korea

The hotel and F&B operation of Jeju Sun was able to register ₱171.6 million of revenue for the period since it was acquired. With the suspension of casino operation as well as the MERS outbreak in Korea, hotel occupancy rate further declined to 48.9 percent as compared to 49.2 percent as of the third quarter of 2015.

Interest Income

Philippines

Interest income decreased by ₱10.1 million or 11.9 percent from the twelve months of 2014 as Solaire had less available cash to invest based on reduced net cash. Solaire's total cash had increased in the middle of February 2014 when BRHI successfully issued the Corporate Notes amounting to ₱11.425 billion which resulted in higher cash balances and increased interest income during that period.

Korea

Korean operations contributed ₱2.7 million or 3.5% of the consolidated interest income for the year.

Retails and Others

Philippines

Revenues from retail, spa, transportation and other totaled ₱179.6 million for the twelve months of 2015 representing an increase of 53.7 percent over prior. Retail and other revenues benefited from increased available rooms and increased visitation to Solaire.

Korea

Jeju Sun contributed ₱32.3 million in retail and other revenue for the year.

EXPENSES

Total operating cost and expenses consist of: (1) Taxes and licenses; (2) Depreciation and amortization; (3) Salaries and benefits; (4) Advertising and promotions; (5) Provision for doubtful accounts; (6) Outside services and charges; (7) Office expenses; (8) Cost of sales; (9) Utilities; (10) Rent; (11) Repair and maintenance; (12) Communication and transportation; and (13) Others.

The table below shows the breakdown of total expenses for 2014 and 2015.

<i>In thousands, except % change data</i>	For the Year Ended December 31				% Change
	2015			2014 Consolidated	2015 vs. 2014
	Philippines	Korea	Consolidated		
Operating costs and expenses:					
Taxes and licenses	P4,862,797	P80,703	P 4,943,500	P4,256,246	16.1
Depreciation and amortization	4,795,772	60,631	4,856,403	2,817,962	72.3
Salaries and benefits	3,427,550	397,895	3,825,445	2,930,044	30.6
Advertising and promotions	3,130,047	45,598	3,175,646	2,325,135	36.6
Provision for doubtful accounts	2,568,041	679	2,568,720	679,659	277.9
Outside services and charges	1,005,290	414,470	1,419,760	699,369	103.0
Office expenses	1,077,528	17,127	1,094,655	1,098,545	(0.4)
Utilities	788,342	38,613	826,955	629,042	31.5
Cost of sales	681,332	22,172	703,504	624,060	12.7
Rent	515,734	6,879	522,613	220,386	137.1
Repairs and maintenance	234,508	8,578	243,085	172,646	40.8
Communication and transportation	172,135	9,249	181,385	129,315	40.3
Others	411,867	17,792	429,659	274,515	56.5
	23,670,944	1,120,385	24,791,329	16,856,923	47.1
Interest expense	2,102,797	64,342	2,167,139	761,209	184.7
Foreign exchange losses (gains) – net	(562,142)	269,314	(292,828)	(3,364)	(8605.9)
Mark-to-market loss (gains)	(5,278)	-	(5,278)	24,820	(121.27)
Total Expenses	P25,206,321	P1,454,041	P26,660,362	P17,639,589	51.13

Cost and Expenses

Except for office expenses and mark-to-market loss, all cost and expenses in 2015 increased as compared with the prior year mainly because it is the full calendar year of commercial operation of Bay Tower and Sky Tower of Solaire and the consolidation of Korean operations.

Philippines

Operating costs and expenses increased 40.4 percent to ₱23,670 million for the twelve months ended December 31, 2015 primarily as the result of costs and expenses related to the full operation of Sky Tower and related amenities for the twelve months of 2015. Major components of operating costs and expenses increase over the twelve months of 2014 include ₱1,977.8 million or 70.2 percent increase in depreciation and amortization, ₱1,888.4 million increase in bad debt expense, ₱497.5 million in additional payroll, ₱295.3 million in additional land rent to PAGCOR for land utilized by the new parking structure developed in the Sky Tower phase,

₱305.9 million for outside contractors primarily in engineering related capacities and ₱804.9 million for additional advertising and promotions to maintain market share. The restriction in the movement of funds to and from the People's Republic of China (PRC) had an adverse impact on certain mainland Chinese VIP players. As a result, these VIP players were unable to meet their payment obligations leading to higher bad debt provisions for the year.

Korea

For most part since Bloomberry took control of Jeju Sun, the casino area was under renovation to expand and improve its facilities. While these facilities were being renovated, the property continued to incur operating expenses mainly salaries and benefits, maintenance, supplies, utilities and outside services. On the other hand, Solaire Korea's overhead expenses consist mainly of salaries and benefits, outside services and office expenses. Solaire Korea and Jeju Sun incurred ₱1,120.4 million of combined operating costs and expenses.

Total expenses grew 51.1 percent from ₱17.6 billion to ₱26.7 billion.

Taxes and licenses

Taxes and licenses consist mainly of licenses fees (inclusive of the franchise tax) paid to PAGCOR. On April 23, 2013, the BIR issued RMC No.33-2013, clarifying that PAGCOR and its contractees and licensees are subject to 30% corporate income tax on their gaming and non-gaming revenues. BRHI, together with other Entertainment City licensees, have filed a request for administrative relief with PAGCOR from the adverse effect of RMC No. 33-2013. PAGCOR granted the request and has temporarily reduced the license fees by 10 percentage points effective April 1, 2014. The higher taxes and licenses in 2015 were due to higher gaming revenues.

Depreciation and amortization

With the nearly completion of the construction of Sky Tower and the full year operation of the Sky Tower of Solaire, depreciation and amortization increased by 72.3 percent. Depreciation and amortization pertains to the straight-line depreciation and amortization of property and equipment as well as the operating equipment over the useful lives of these assets ranging from 2 to 20 years.

Salaries and benefits

With the opening of various restaurant and retail store in the Sky Tower, manpower stood at almost 4,711, which increased the payroll by ₱497.5 million. In addition, Korean operation contributed ₱397.9 million increase in salaries and benefits.

Advertising and promotions

The Group increased its advertising and promotional activities that helped boost gaming and non-gaming revenues. Advertising and promotions consist of costs of property and brand marketing, events and promotions, print and media placements, corporate giveaways, prizes and sponsorship of events, trade shows, exhibits and partnerships and other promotion related expenses.

Office expenses

Office expenses, consisting mainly of costs of gaming and office supplies, guest supplies, cleaning supplies, insurance, housekeeping supplies and team member expenses, decreased by 0.4 percent.

Outside services and charges

With the full operation of Bay Tower and Sky Tower, outside services and charges increased by 103.0 percent which ₱305.9 million for outside contractors primarily in engineering related capacities. In addition, with the acquisition of Jeju Sun, outside services and charges increased

by ₱414.5 million. This account pertains to the cost of professional and third party services which include, among others, legal services, consultancy services, marketing services, security services, audit services, landscaping services and maintenance and cleaning services.

Provision for doubtful accounts

The Group evaluates provision for doubtful accounts based on a specific and collective review of customer accounts as well as experience with collection trends in the gaming industry and current economic and business conditions. The higher provision is attributable to a higher level of outstanding receivables.

Utilities

Utilities expenses is composed of electricity cost, water charges, fuel costs, gas, sewerage and cost of air conditioning supplies. These are higher due to the full year of operations of Sky Tower and Bay Tower.

Cost of sales

Cost of sales consists mainly of food and beverage costs and buying costs of retail items. The increase in 2015 is directly attributable to the increase in F&B revenues. Korean operation contributed additional ₱22.2 million cost of sales.

Rent

Rent consists mainly of lease rentals for the land and other real properties as well as casino, office and other equipment. In 2015, ₱295.3 million in additional land rent to PAGCOR for land utilized by the new parking structure developed in the Sky Tower phase.

Communication and transportation

Communication and transportation represents cost of telephone and data communications, valet services, fleet management services and shuttle services. Costs of business travels are also charged to this account. The higher expense in 2015 was mainly due to the increase in executive travel related to business and player development.

Repairs and maintenance

The upkeep of the property and equipment is charged to this account, which includes the maintenance of casino equipment, furniture and fixtures, computer equipment, curtains and drapery, transportation equipment, electrical and mechanical equipment. Repairs and maintenance increased by 40.8 percent.

Other

Other expenses consists of miscellaneous expenses mainly pertaining to complimentary service charges, representation, dues and subscriptions, freight charges, contract entertainment, trust fees, donations and community service expenses, credit card commissions and bank charges. This account increased by 56.5 percent due to the rationalization of representation and entertainment expenses.

Interest Expense

Interest expense represents interest on the Original and Expansion Facility with BDO and the unused proceeds of the Corporate Notes. Additional drawdown from expansion facility and increase in interest rates are the main contributors for the increase in 2015.

Foreign Exchange Losses (Gains) - Net

The Group recognized a net foreign exchange gain for the year of ₱292.8 million as the Philippine peso depreciated against the US dollar in 2015. The Group also reported ₱3.4 million net foreign

exchange gains in 2014. The Philippine peso depreciated against the US dollar from ₱44.617/US\$1 as of December 31, 2014 to ₱47.166/US\$1 as of December 31, 2015.

Mark-to-Market Loss/Gain

Mark-to-market loss was a result of the fair value determination of the embedded derivative in the prepayment option of the Group's loan with BDO as of December 31, 2015. The mark-to-market loss turned around from loss to gain in 2015 mainly because of the principal repayment of the Original Facility.

PROVISION FOR (BENEFIT FROM) INCOME TAX

In the twelve months of 2015, the Group recognized ₱1,832.2 million of provision for income tax compared to ₱2,410.1 million for the same period in 2014. In 2014, PAGCOR granted BRHI administrative relief and temporarily reduced the license fees by 10 percentage points effective April 1, 2014 in order to take into account the income tax burden imposed by the Bureau of Income Taxes ("BIR"). To comply with this PAGCOR directive, BRHI started accruing corporate income taxes payable to the BIR.

NET INCOME (LOSS)

While Philippine operation's net revenues increased for the twelve months of 2015 by ₱715.3 million, total expenses increased 40.1 percent to ₱25,206.3 million for the reasons previously noted resulting in loss before taxes of ₱368.9 million, or 1.5 percent of net revenue for the twelve months ended December 31, 2015 compared to ₱6,482.5 million or 26.9 percent of net revenue for the same period last year. As a result of the PACGOR tax configuration, the net provision for the twelve months was ₱2,008 million representing an effective income tax rate of negative 544.4 percent of income before tax compared to ₱2,410 million in the prior year at an effective rate of 37.2 percent. As a result of these factors Philippine operations incurred a net loss of ₱3,375.4 million for the twelve months compared to net income of ₱4,072.4 million in the prior year a decrease of 158.4%.

The Korean subsidiaries on the other hand posted a net loss of ₱998.2 million bringing the total consolidated net loss for 2015 to ₱3,375.3 million.

EARNINGS (LOSS) PER SHARE

The basic loss per share of ₱0.305 for the year of 2015 was a reversal from last year's earnings per share of ₱0.382. The diluted loss per share for 2015 was ₱0.305 and diluted earnings per share for 2014 was ₱0.382 after considering the shares granted under the stock incentive plan.

There are no other significant elements of income and expense outside the Company's operating results for the year ended December 31, 2015.

TRENDS, EVENTS OR UNCERTAINTIES AFFECTING RECURRING REVENUES AND PROFITS

The Group is exposed to a number of trends, events and uncertainties, which affect its recurring revenues and profits of its casino and hotel operations. These include levels of general economic activity, as well as certain cost items, such as labor, fuel and power. The Group collects revenues in various currencies and the appreciation and depreciation of the US dollar and other major currencies against the Philippine peso, may have a negative impact on the Group's reported levels of revenues and profits.

FINANCIAL CONDITION

The table below shows the consolidated condensed balance sheets as of December 31, 2017:

Balance Sheets

	As of December 31			% Change	% Change
<i>In thousands, except % change data</i>	2017	2016	2015	2017 vs 2016	2016 vs 2015
Current assets	₱25,906,486	₱18,515,777	₱18,239,037	39.9	1.5
Total assets	72,786,452	67,514,910	70,734,131	7.8	(4.6)
Current liabilities	11,974,865	10,485,675	14,270,889	14.2	(26.5)
Total interest-bearing debt	32,100,820	33,825,980	36,804,494	(5.1)	(8.1)
Total liabilities	42,501,101	43,370,434	48,937,213	(2.0)	(11.4)
Total equity	30,256,435*	24,107,029*	21,726,525*	25.5	11.0

*Total equity attributable to Equity Holders of the Parent Company

	As of December 31		
<i>In thousands, except % change data</i>	2017	2016	2015
Current assets/total assets	35.59%	27.42%	25.79%
Current ratio	2.16	1.77	1.28
Debt-equity ratio ¹	1.40	1.80	2.25
Net debt-equity ratio ²	0.60	1.11	1.48

¹Debt includes all liabilities. Equity includes paid-up capital, equity reserves, share-based payment plan and retained earnings/deficit.

²Net Debt includes all liabilities less cash and cash equivalents and restricted cash (current and noncurrent portion).

Current assets were higher by 39.9 percent to ₱25.9 billion as of December 31, 2017 from ₱18.5 billion as of December 31, 2016. The significant increase was attributable to a ₱7,635.9 million increase in cash and cash equivalent, a ₱44.5 million increase in inventories, a ₱384.4 million increase in prepayments and other current assets which was reduced by the ₱674.1 million decrease in receivables.

Total assets increased by 7.8 percent to ₱72.8 billion as of December 31, 2017 from ₱67.5 billion as of December 31, 2016. The increase was principally the result of increase in current assets which partially decrease by the reduction in property, plant and equipment totaling ₱2,020.8 million coming mainly from a ₱4,259.2 million in depreciation and amortization expense for the year partially offset by ₱1,801.9 million in additions.

The ₱12.0 billion in current liabilities as of December 31, 2017 increased by 14.2 percent from the beginning of the year mainly because of higher levels of outstanding chips, gaming tax payable and customer's deposits as well as the current portion of long-term debt. This was mitigated by the reduction in trade accounts payable and construction accruals.

Total liabilities decreased from ₱43.4 billion as of December 31, 2016 to ₱42.5 billion as of December 31, 2017. The higher level of current liabilities as mentioned above was offset by the decrease in long-term debt resulting from the scheduled principal repayments of outstanding long-term debt.

Total equity as of December 31, 2017 amounted to ₱30.3 billion, 25.5 percent higher compared with ₱24.1 billion reported as of December 31, 2016. The increase was due to the net income reported for 2017 amounting to ₱6,062.6 million.

MATERIAL VARIANCES AFFECTING THE BALANCE SHEET

Balance sheet accounts as of March 31, 2018 with variances of plus or minus 5.0 percent against December 31, 2017 balances are discussed, as follows:

Current Assets

1. Cash and cash equivalents increased as of March 31, 2018 mainly due to higher cash generated by operations.
2. Inventories decreased due to lower inventories held by the Company as a result of higher cost of sale.

Noncurrent Assets

3. Other noncurrent assets decreased by 17.8 percent as of March 31, 2018 mainly due to lower advances to contractors and security deposits.

Current Liabilities

4. Payables and other current liabilities were higher by 17.5 percent as of March 31, 2018 mainly due to higher outstanding chip and other gaming liabilities, gaming taxes payable and customer deposits.
5. Current portion of long-term debt increased because of the additional principal due within one year pertaining to the Original Facility, Expansion Facility and Corporate Notes.

Noncurrent Liabilities

6. Retirement liability increased by 7.0 percent to ₱481.1 million due to the accrual of normal cost for the quarter.

Equity

7. Treasury shares decreased by 41.3 percent because issuance of shares for vested SIP shares.
8. Other comprehensive income pertains to the net effect of the translation of the financial statements of Solaire Korea and its subsidiaries.
9. Retained earnings increased by 60.7 percent due to the net income reported for the first three months of 2018 amounting to ₱3,690.6 million.

Balance sheet accounts as of December 31, 2017 with variances of plus or minus 5.0 percent against December 31, 2016 balances are discussed, as follows:

Current Assets

1. Cash and cash equivalents increased as of December 31, 2017 mainly due to higher cash generated by operations.
2. Receivables decreased because of the collection of over 90 days receivables.
3. Inventories increased by 16.1 percent mainly due to the increased inventory level of engineering items.
4. Prepaid expenses and other current assets increased by 40.2 percent mainly due to prepaid promo merchandise.

Noncurrent Assets

5. Deferred tax assets decreased as of December 31, 2017 due to the application of DTA to the recognized DTL in 2017.
6. Intangible and other noncurrent assets decreased as of December 31, 2017 mainly due to the advances to contractors and revaluation of intangible assets due to foreign exchange translations and the impairment of goodwill and Jeju Sun's casino license.

Current Liabilities

7. Payables and other current liabilities increased by 5.4 percent primarily from gaming related accounts due to the increase in gaming liabilities across all segments.

8. Income tax payable increased due to accrual of minimum corporate income tax relative to Parent Company's interest income.
9. Current portion of long-term debt increased because of higher additional principal due within one year pertaining to the Original Facility, Expansion Facility and Corporate Notes.

Noncurrent Liabilities

10. Long-term debt net of current portion, decreased by 8.5 percent to ₱29.4 billion as of December 31, 2017 due to the reclassification to current portion.
11. The increase in deferred tax liability with the equivalent provision for income tax was the tax effect of capitalized rent, interest and unrealized foreign exchange gain for the year.
12. Retirement liability increased to ₱449.6 million due to the accrual of pension cost based on the latest actuarial valuation.
13. Other noncurrent liability pertains to the noncurrent portion of security deposits and unearned revenue paid by tenant.

Equity

14. Treasury shares decreased by 41.7 percent due to the issuance of shares for vested SIP shares.
15. Share-based payment plan increased by 104.0 percent this period because of the recognition of current period's expense.
16. Other comprehensive loss pertains to net effect of the translation of the financial statement of Solaire Korea and its subsidiaries, remeasurement loss on defined benefit plan and unrealized gain on AFS investment.
17. Retained earnings increased by 6,926.9 percent due to the net income reported for 2017 amounting to ₱6,093.3 million.

Balance sheet accounts as of December 31, 2016 with variances of plus or minus 5.0 percent against December 31, 2015 balances are discussed, as follows:

Current Assets

1. Receivables were higher for the period by 5.1 percent mainly due to increase in hotel receivables.
2. Inventories increased by 23.6 percent mainly due to the increased inventory level of engineering items for repair and maintenance purposes.
3. Prepaid expenses and other current assets increased by 36.7% mainly due to increase in prepaid rent, advances to suppliers, fund held in trust and creditable withholding tax.
4. The balance of prepaid income tax as of December 31, 2015 was applied against tax due for the first nine months of 2016.

Noncurrent Assets

5. Property and equipment decreased by P3.1 billion principally due to the P4,694.8 million in depreciation and amortization expense for the year partially offset by P1,480.6 million in additions.
6. Intangible and other noncurrent assets decreased as of December 31, 2016 mainly due to the amortization of uniforms and operating equipment.

Current Liabilities

7. Payables and other current liabilities were lower by 22.5 percent as of December 31, 2016 mainly due to the payment of gaming tax amounting to P1.2 billion and payment on the remaining payables for the land acquisition amounting to P791 million.
8. Income tax payable increase due to accrual of minimum corporate income tax expense to be paid in 2017.
9. Current portion of long-term debt represents principal amounts net of unamortized debt discount issue cost, which are due in 2017.

Noncurrent Liabilities

10. Long-term debt net, of unamortized debt discount, decreased by 5.2 percent to P32.1 billion as of December 31, 2016 due to the reclassification of long-term debt to current portion.
11. The increase in deferred tax liability with the equivalent provision for income tax was the tax effect of capitalized rent, interest and unrealized foreign exchange gain for the year.
12. Retirement liability increased to P289.6 million due to the accrual of pension cost based on the latest actuarial valuation.
13. Other noncurrent liability pertains to the noncurrent portion of security deposits and unearned revenue paid by tenant.

Equity

14. Share-based payment plan increased by 62.1 percent this period because of the recognition of current period's expense. The decrease, however, was the result of the application and recognition of the revenue for 2016.
15. Translation adjustment pertains to the net effect of the translation of the financial statements of Solaire Korea and its subsidiaries.
16. Deficit made a turnaround to retained earnings due to net income reported for the year attributable to the equity holders of the Parent Company amounting to P2,357.1 million.

Balance sheet accounts as of December 31, 2015 with variances of plus or minus 5.0 percent against December 31, 2014 balances are discussed, as follows:

Current Assets

Cash and cash equivalents decreased as of December 31, 2015 mainly due to the acquisition of Jeju Sun and the purchase of land in Muui and Silmi islands in Incheon, Korea and purchase of land in Quezon City. The decrease was offset by ₱6.9 billion cash flows generated by the operations in Solaire as well as ₱6.2 billion additional drawdowns from the existing Expansion Facility.

Restricted cash decreased by ₱4.4 billion mainly due to fund transfers to operating and project bank accounts.

Receivables were lower for the period by 31.2 percent due to additional provision for doubtful accounts amounting to ₱2,568.7 million.

Inventories increased by 22.2 percent due mainly to the opening of Sky Tower, which required additional amounts of operating supplies.

Prepaid expenses and other current assets decreased by 5.7% mainly due to the amortization of prepaid items.

Prepaid income tax pertains to excess income tax payment of BRHI.

Noncurrent Assets

1. Property and equipment increased by ₱7.1 billion as a result of the completion of Sky Tower and its turn over to Operations, the acquisition of Jeju Sun in Jeju Island, South Korea; the purchase of land in Muui and Silmi islands, Incheon, South Korea and land in Quezon City, Philippines.
2. Advances to contractors decreased by 80.0 percent because of the application of these advances to billings from suppliers and contractor after the completion of Sky Tower.
3. Net deferred tax assets pertains to DTA on unused NOLCO and DTL on excess of fair value over carrying value of Jeju Sun's tangible and intangible assets recognized in the acquisition of Jeju Sun.
4. Intangible and other noncurrent assets increased by 414.4 percent to ₱2.4 billion as of December 31, 2015 mainly due to recognition of casino license from the acquisition of Jeju Sun.

Current Liabilities

5. Payables and other current liabilities were higher than as of December 31, 2014 by 38.3 percent mainly because of the first time consolidation of Jeju Sun and Solaire Korea and the remaining balance of the purchase price of property in Quezon City.
6. Current portion of long-term debt represents principal amounts net of unamortized debt discount issue cost, which are due in 2015.

Noncurrent Liabilities

7. Long-term debt net, of unamortized debt discount, increased by 12.9 percent to ₱36.8 billion as of December 31, 2015 due to the ₱6.2 billion additional drawdown from the Expansion Facility.

8. The increase in deferred tax liability with the equivalent provision for income tax was the tax effect of capitalized rent, interest and unrealized foreign exchange gain for the year.
9. Retirement liability increased to ₱226.9 million due to the accrual of pension cost based on the latest actuarial valuation as well as the first time consolidation of Jeju Sun which, contributed ₱134.3 million in retirement liability.
10. Other noncurrent liability pertains to the remaining balance of the holdback liability (net of the indemnification asset), in relation to the acquisition of Jeju Sun.

Equity

11. Treasury shares increased by 179.4 percent because additional acquisition of Bloomberry shares to cover maturing SIP shares.
12. Share-based payment plan increased by 27.0 percent this period because of the recognition of current period's expense.
13. Translation adjustment pertains to the net effect of the translation of the financial statements of Jeju Sun.
14. Retained earnings decreased by 245.3 percent due to the net loss reported for the year of 2015 amounting to ₱3,375.3 million and the ₱551.6 million cash dividends declared in March 2015.

LIQUIDITY AND CAPITAL RESOURCES

This section discusses the Group's sources and use of funds as well as its debt and equity profile.

Liquidity

The table below shows the Group's consolidated cash flows for the three months ended March 31, 2018 and 2017:

Consolidated Cash Flows			
	For The Three Months Ended March 31		% Change
<i>In thousands, except % change data</i>	2018	2017	2018 vs. 2017
Net cash provided by operating activities	₱6,539,957	₱4,336,055	50.8%
Net cash used in investing activities	(329,200)	(368,572)	(10.7%)
Net cash provided by financing activities	(1,380,546)	(1,049,742)	31.5%
Effect of exchange rate changes on cash	275,717	237,308	16.2%
Net increase in cash and cash equivalents	5,105,928	3,155,049	61.8%
Cash and cash equivalents, beginning	21,961,407	14,325,511	53.3%
Cash and cash equivalents, end	₱27,067,335	₱17,480,561	54.8%

Cash and cash equivalents increased by 54.8 percent as of March 31, 2018 mainly due to ₱6.5 billion cash flows generated by the operations in Solaire which was offset by additional acquisition of property and equipment and partial principal repayment of the Original Facility, Expansion, Corporate Notes and interest.

In the first quarter of 2018, the Group registered positive cash flows from operating activities of ₱ 6.5 billion, 50.8 percent higher than last year due to better results of operation for Solaire and favorable effect of changes in operating income and working capital.

Investing activities for the first half in Solaire mainly represented additional acquisition of property and equipment and minor construction projects.

In the first quarter of 2018, the Group's financing activities were the partial repayment of principal of its outstanding loan facilities and interest payments totaling ₱1.4 billion.

The table below shows the Group's consolidated cash flows for the years ended December 31, 2017, 2016 and 2015:

Table 6.7 Consolidated Cash Flows

	For the Year Ended December 31			% Change	% Change
<i>In thousands, except % change data</i>	2017	2016	2015	2017 vs 2016	2016 vs 2015
Net cash provided by operating activities	₱13,420,214	₱6,352,541	₱6,896,296	111.3	(7.9)
Net cash used in investing activities	(1,832,414)	(1,322,247)	(12,535,795)	38.6	(89.5)
Net cash provided by financing activities	(3,930,879)	(5,437,461)	1,085,130	(27.7)	(601.1)
Effect of exchange rate changes on cash and cash equivalents	(21,026)	237,157	(121,535)	(108.9)	(295.1)
Net increase (decrease) in cash and cash equivalents	7,635,896	(170,010)	(4,675,904)	(4,591.4)	(96.4)
Cash and cash equivalents, beginning	14,325,511	14,495,521	19,171,425	(1.2)	(24.4)
Cash and cash equivalents, end	₱21,961,407	₱14,325,511	₱14,495,521	53.3	(1.2)

Cash and cash equivalents increased by 53.3 percent as of December 31, 2017 mainly due ₱13.3 billion cash flows generated by the Group which was offset by additional acquisition of property and equipment and partial principal repayment of the Original Facility, Expansion, Corporate Notes and interest.

In 2017, the Group managed to register positive cash flows from operating activities of ₱13.3 billion, 110.1 percent higher than last year. Due to better operational results from Solaire, operating income before working capital changes increased by 42.4 percent.

Investing activities for 2017 in Solaire mainly represented additional acquisition of property and equipment and minor construction projects.

In 2017 the Group's financing activities were mainly the repayment of principal of the Group's outstanding long-term debt and interest totaling ₱3.9 billion.

Capital Resources

The table below shows the Group's capital sources as of March 31, 2018 and December 31, 2017:

Capital Sources

	March 31, 2018	December 31, 2017	% Change 2018 vs. 2017
<i>In thousands, except % change data</i>			
Long-term debt	₱31,452,890	₱32,100,820	(2.0%)
Equity*	33,823,380	30,256,435	11.8%
	₱65,276,270	₱62,357,255	4.7%

*Attributable to equity holders of the Parent Company

Total debt and equity increased by 4.7 percent to ₱65.3 billion as of March 31, 2018 from ₱62.4 billion as of December 31, 2017. The net increase was the result of the combined effect of the ₱669.0 million partial repayment of principal of the Original Facility, Expansion and Corporate Notes and, the ₱3,690.6 million net income for the first quarter of 2018.

Please refer to Note 9 of the Notes to Unaudited Condensed Consolidated Financial Statements for the discussion on debt financing.

The table below shows the Group's capital sources as of December 31, 2017, 2016 and 2015:

Capital Sources					
	As of December 31			% Change	% Change
<i>In thousands, except % change data</i>	2017	2016	2015	2017 vs 2016	2016 vs 2015
Long-term debt - net	₱32,100,820	₱33,825,980	₱36,804,494	(5.1)	(8.1)
Equity*	30,256,435	24,107,029	21,726,525	25.5	11.0
Total Capital	₱ 62,357,254	₱57,933,009	₱58,531,019	7.6	(1.0)

*Attributable to equity holders of the Parent Company

Total debt and equity increased by 7.6 percent to ₱62.4 billion as of December 31, 2017 from ₱57.9 billion as of December 31, 2016. The increase was the result of the combined effect of the ₱6.1 billion net income for 2017 reduced by ₱1.8 billion partial repayment of principal of the outstanding loan facilities of the Group.

Please refer to Note 13 of the Notes to Audited Consolidated Financial Statements for the discussion on debt financing, covenants and collaterals.

RISKS

Foreign Exchange Risk

Foreign exchange risk is the risk that the value of the Group's financial instrument will fluctuate due to changes in foreign exchange rates. The Group has recognized in the consolidated statements of comprehensive income net foreign exchange gain of ₱738.3 million and ₱637.3 million in 2018 and 2017 on the revaluation of its foreign currency denominated cash and cash equivalents, restricted cash, receivables and accrued expenses for the three months ended March 31, 2018 and 2017, respectively.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to market risk for changes in interest rates relates primarily to its long-term debt with floating interest rates. Variable or floating rate debt is subject to cash flow interest rate risk. Repricing of variable rate debt is done on quarterly intervals.

Prior to the start of commercial operations of Solaire, changes in interest rates on long-term debt has no effect on income before income tax and equity as interests on long-term debt are capitalized as part of "Construction in Progress" under the "Property and Equipment" account in balance sheets.

Liquidity Risk

Liquidity risk is the risk of not meeting obligations as they become due because of an inability to liquidate assets or obtain funding. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans.

As part of its liquidity strategy, the Group will set aside cash to ensure that financial obligations will be met as they fall due. The Group has cash and cash equivalents amounting to ₱27.1 billion and ₱21.9 billion as of March 31, 2018 and December 31, 2017, respectively that are allocated to meet the Group's liquidity needs.

Credit Risk

Credit risk is the risk that the Group will incur a loss arising from customers, clients or counterparties that fail to discharge their contracted obligations. The Group manages and controls credit risk by setting limits on the amount of risk that the Group is willing to accept for individual counterparties and by monitoring exposures in relation to such limits.

The Group's maximum exposure to credit risk is equal to the carrying amount of its financial instruments. The Group has no concentration of credit risk.

Please refer to Note 21 of the Notes to Audited Consolidated Financial Statements for the discussion on Financial Assets and Liabilities and Financial Risk Management Objectives and Policies.

Aging of Receivables

The following summarizes the aging of the Group's receivables as of March 31, 2018:

<i>In thousands</i>	
Current	₱2,247,559
90 Days	164,585
Over 90 Days	306,708
Total	₱2,718,852

Consolidated Financial Statements

The Company's financial statements and accompanying notes are incorporated herein by reference.

Corporate Governance

The Company, its Board of Directors, officers and employees strive, through good corporate governance, to enhance the value of the Company and optimize over time the returns to its shareholders by:

- a. Sound, prudent, and effective management,
- b. Efficient and effective management information system,
- c. Effective risk management,
- d. Reliable financial and operational information,
- e. Cost effective and profitable business operations, and
- f. Compliance with laws, rules, regulations and contracts.

The following are measures that the Company has undertaken or will undertake to fully comply with the adopted leading practices on good governance:

1. Manual of Corporate Governance

On March 6, 2013, the Board approved a new Manual of Corporate Governance of the Company. Our Compliance Officer will continue to coordinate with the Philippine SEC with respect to compliance requirements, monitor compliance with the manual and report any governance-related issues to the Board. The Company commits itself to principles and best practices of governance in the attainment of corporate goals.

2. Board of Directors

Bloomberry's Board has the expertise, professional experience, and background that allow for a thorough examination and deliberation of the various issues and matters affecting the Group. The Board is responsible for the Company's overall management and direction. The Board will meet regularly on a quarterly basis, or more frequently as required, to review and monitor the Company's project development, future results of operations and financial position. Bloomberry's Amended Articles of Incorporation provide that the Board shall consist of seven (7) directors where two (2) members are Independent Directors: Mr. Jon Ramon Aboitiz and Mr. Carlos C. Ejercito. Except for Mr. Enrique K. Razon, Jr. and Mr. Thomas Arasi, all members of the Board are non-executive Directors.

Bloomberry's directors are elected at the Annual Stockholders' Meeting. They shall hold office until the next succeeding annual meeting and until their respective successors have been elected and qualified.

The Attendance of the Directors in the 2017 Board Meetings are as follows:

Name	5 January	22 March	30 May	8 June ¹	19 June	31 August	23 October	5 December
Enrique K. Razon, Jr	P	P	P	P	P	A	A	P
Jose Eduardo J. Alarilla	P	P	P	P	P	P	P	P
Christian R. Gonzalez	P	P	P	P	P	A	P	P
Donato C. Almeda	A	P	P	P	P	P	P	P
Carlos C. Ejercito	P	P	P	P	P	P	P	P
Jon Ramon M. Aboitiz	P	P	P	P	P	P	P	P
Thomas Arasi	P	P	P	P	P	P	P	P

P – Present A – Absent
¹ Organizational Meeting of the BOD

The directors and key officers of the Company attended the corporate governance seminar held on various dates from March 28, 2017 to November 29, 2017.

3. Audit Committee

The Company's Audit Committee is responsible for assisting the Board in its fiduciary responsibilities by providing an independent and objective assurance to its management and stockholders of the continuous improvement of its risk management systems, business operations and the proper safeguarding and use of the resources and assets of its operating subsidiaries. It provides a general evaluation and assistance in the overall improvement of its risk management, control and governance processes. The Committee is composed of three (3) Board members, including one (1) independent director who serves as the committee chairman. The Committee reports to its Board and is required to meet at least four (4) times a year. As of the date of this report, the Audit Committee Chairman is Mr. Jon Ramon Aboitiz who serves with Mr. Christian R. Gonzalez and Mr. Carlos C. Ejercito as members.

The 2017 attendance of the audit committee are as follows:

Office	Name	Date of Election	No of Meeting Held During the year	No. of Meetings Attended	%	Length of Service
Chairman	Carlos C. Ejercito ²	6/8/2017	5	5	100%	47 Months
Member	Christian R. Gonzalez	6/8/2017	5	5	100%	47 months
Member	Jon Ramon Aboitiz ²	6/8/2017	5	4	80%	45 months

² On 10 August 2017, in accordance with the normal rotation of Chairmanship in the Audit Committee, Mr. Aboitiz stepped down as Chairman of the Committee and Mr. Ejercito was appointed as the new Chairman. Mr. Aboitiz remained as a member of the Audit Committee.

4. Nomination Committee

The Board organized the Nomination Committee to review and evaluate the qualifications of all persons nominated to the Board and other appointments that require Board approval and to assess the effectiveness of the Board's processes and procedures in the election or replacement of directors. As of the date of this report, the Nomination Committee Chairman is Mr. Enrique K. Razon, Jr. who serves with Mr. Jose Eduardo J. Alarilla, Mr. Christian R. Gonzalez and Mr. Jon Ramon Aboitiz as members.

5. Compensation and Remuneration Committee

A Compensation and Remuneration Committee was organized by the Board to establish a formal and transparent procedure for developing a policy on remuneration of directors and officers to ensure that their compensation is consistent with the Company's culture, strategy and the business environment in which it operates. As of the date of this report, the Compensation and Remuneration Committee Chairman is Mr. Eduardo J. Alarilla, who serves with Mr. Carlos C. Ejercito and Ms. Estella T. Occeña as members. The Chairman and members of the Compensation and Remuneration Committee are likewise the chairman and members of the Stock Incentive Plan Committee.

6. Executive Officers

Bloomberry's Management Team in the operating subsidiaries (BRHI and SPI), will be responsible for the day-to-day management and operations of the casino and hotel. The registered address of the Company's executive officers for the moment is The Executive Offices, Solaire Resort & Casino, Asean Avenue, Entertainment City, Tambo, Parañaque City, Philippines.

7. Independent Audit

Part of the Company's organizational structure is the Internal Audit Department (IAD). Its purpose, authority and responsibilities is defined in the Audit Charter, consistent with the definition of Internal Auditing, IIA Code of Ethics and the International Standards for the Professional Practice of Internal Auditing. The Audit Charter will be subject to the approval of the President and the Audit Committee. To ensure its independence, the IAD functionally reports to the Audit Committee of the Board.

8. Management and Reporting Structure

The Board together with the management in the operating subsidiaries has developed a reporting structure based on the approved organizational structure of the hotel and casino operation. The reporting structure, which clearly segregates the different operations and functions, defines the responsibilities of each department and incorporates the proper check and balance within the organization.

9. Continuing Improvements for Corporate Governance

Bloomberry will continue to improve its corporate governance, systems and processes to enhance adherence to practices of good corporate governance.

MARKET FOR ISSUER'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Market Information

Principal Market where Company's shares are traded: Philippine Stock Exchange

As of the latest practicable trading date on May 7, 2018 the share prices of the Company were:

	Price/Share
Open:	12.00
High:	12.10
Low:	11.80
Close:	11.80

The high and low share prices for each quarter within the last two years are:

Calendar Period	High	Low
<u>2016</u>		
Quarter 1	5.40	2.90
Quarter 2	6.75	4.00
Quarter 3	7.00	4.50
Quarter 4	6.95	4.37
<u>2017</u>		
Quarter 1	8.15	5.88
Quarter 2	10.48	7.94
Quarter 3	11.94	8.71
Quarter 4	11.26	9.24
<u>2018</u>		
Quarter 1	10.70	14.86

Holder

The number of stockholders of record as of the latest practicable date on March 31, 2018 was 97 excluding shares under PCD Nominees. Shares outstanding as of the same date were 11,032,998,225 shares which are all listed at the PSE.

The following are the Company's top 20 registered stockholders holding listed and unlisted shares as of March 31, 2018:

	Name	No. of Shares Held	% of Total
1.	Prime Metroline Holdings, Inc.	5,935,972,444	53.80%
2.	PCD Nominee (Non-Filipino)	3,317,538,329	30.07%
3.	Quasar Holdings, Inc.	921,184,056	8.35%
4.	PCD Nominee (Filipino)	551,800,011	5.00%
5.	Falcon Investco Holdings Inc.	225,000,000	2.04%
6.	Enrique K. Razon, Jr.	31,232,832	0.28%
7.	John Ramon M. Aboitiz	9,910,632	0.09%
8.	Thomas Arasi	6,870,571	0.06%
9.	Silverio Benny J. Tan	4,471,807	0.04%
10.	Christian R. Gonzalez	3,828,933	0.03%
11.	Estella T. Occena	2,850,100	0.03%
12.	Nossahead Management Inc.	2,018,256	0.02%
13.	Lesothea Management Inc.	2,018,256	0.02%

14.	Dijibouti Management Inc.	2,018,255	0.02%
15.	Cyrus Sherafat	1,916,056	0.02%
16.	Gorliz Management Inc.	1,651,589	0.01%
17.	Ondareta Management Inc.	1,651,588	0.01%
18.	Real Sociedad Management Inc.	1,651,588	0.01%
19.	Hock Seng Yeo	1,500,100	0.01%
20.	Jose Eduardo J. Alarilla	1,326,889	0.01%

As of March 31, 2018, the public ownership level of the Company is at 35.00%.

Dividends

There are no dividend declaration in 2017.

Recent Sales of Unregistered or Exempt Securities/ Exempt Transactions

None.

CERTIFICATION OF INDEPENDENT DIRECTORS

I, **CARLOS C. EJERCITO**, Filipino, of legal age with office address at the Executive Offices, Solaire Resort and Casino, Asean Ave., Entertainment City, Tambo Paranaque City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of Bloomberry Resorts Corporation (the "Corporation") and have been its independent director since November 2011.
2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

Company/Organization	Position/Relationship	Period of Service
Mount Grace Hospitals Inc.	President and CEO	2012 to present
Monte Oro Resources & Energy Inc.	Independent Director	2012 to present
Aboitiz Power Corporation	Independent Director	May 2014 to present
CR Nichrome, Inc.	Chairman and President	2009 to present
Morganhouse Holdings, Inc.	Chairman and President	2009 to present
Forum Cebu Coal Corporation	Chairman and CEO	2009 to present
Pinehurst Medical Services, Inc.	Director/President	2014 to present
Silvermed Corporation	Director	2014 to present
Medical Center Manila	Director	2013 to present
VR Potenciano Medical Center	Director	2012 to present
Tagaytay Medical Center	Director	2012 to present
Century Properties, Inc.	Independent Director	2013 to present
Grace General Hospital	Director	2015 to present
Healthserv Medical Center	Director	2016 to present
Mother Teresa of Calcutta Medical Center	Director	2016 to present
Nueva Ecija Good Samaritan Hospital	Director	2016 to present
Westlake Medical Center	Director	2016 to present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of the Corporation, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.
4. I am not related to the following director/officer/substantial shareholder of (covered company and its subsidiaries and affiliates) other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code.

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

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

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

6. (For those in government service/ affiliated with a government agency or GOCC) I have the required written permission or consent from the (head of agency/department).

8

pursuant to Office of the President Memorandum Circular No. 17 and Section 12, Rule XVIII of the Revised Civil Service Rules. - N/A

7. I shall faithfully and diligently comply with my duties and responsibilities as independent director and under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.
8. I shall inform the Corporate Secretary of the Corporation of any changes in the above-mentioned information within five days from its occurrence.

Done this MAY 08 2018 at Makati City.


CARLOS C. EJERCITO
Affiant

SUBSCRIBED AND SWORN to before me on this MAY 08 2018 in Makati City,
EC3444962 issued on 12 February 2018 in Manila.

Doc. No. 284 ;
Page No. 58 ;
Book No. II ;
Series of 2018.


JAMIE KATRINA S. OLAN
Registration No. 74-242
Notary Public for Makati City
Until December 31, 2019
Liberty House Office, 10th Floor
104 E. V. Ave., Corner Ortigas Road, Makati City
Tel No. 767689
PTR No. 4619603-Makati City/01-03-2018
IBF No. 020684-TPLM/01-03-2018

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **JON RAMON ABOITIZ**, Filipino, of legal age with office address at the Executive Offices, Solaire Resort and Casino, Asean Ave., Entertainment City, Tambo Paranaque City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of Bloomberry Resorts Corporation (the "Corporation") and have been its independent director since December 2011.
2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

Company/Organization	Position/Relationship	Period of Service
Aboitiz & Co., Inc	Chairman	December 09, 2008 to present
Aboitiz Equity Ventures, Inc.	Chairman	April 28, 2009 to Present
Aboitiz Power Corporation	Vice Chairman	May 18, 2009 to Present
Unionbank of the Philippines	Vice Chairman	June 01, 2009 to Present
Coca-Cola Export Corporation (Philippines)	Member of the Board of Advisors	March 02, 2007 to Present
International Container Terminal Services, Inc.	Director	April 17, 2008 to Present
Ramon Aboitiz Foundation	Chairman CEO	
Santa Clara University, California USA	Trustee	

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of the Corporation, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.
4. I am not related to the following director/officer/substantial shareholder of (covered company and its subsidiaries and affiliates) other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code.

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

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

Offense Charge/ Investigated	Tribunal or Agency Involved	Status
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J

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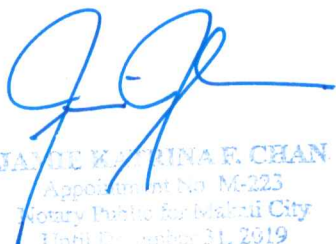
6. (For those in government service/ affiliated with a government agency or GOCC) I have the required written permission or consent from the (head of agency/department), pursuant to Office of the President Memorandum Circular No. 17 and Section 12, Rule XVIII of the Revised Civil Service Rules. – N/A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

Done this MAY 08 2018 at Makati City


JON RAMON ABOITIZ
 Affiant

SUBSCRIBED AND SWORN to before me on this MAY 08 2018 in Makati City, affiant exhibiting to me his Passport No. EB 9718353 issued on 29 November 2013 in Cebu.

Doc. No. 283 ;
 Page No. 58 ;
 Book No. II ;
 Series of 2018.


J. J. CHAN
 Appointment No. M-223
 Notary Public for Makati City
 Until December 31, 2019
 Liberty Center Plaza Law
 104 H.V. dela Costa Street, Makati City
 Roll No. 70089
 PTR No. 6619503/Makati City/01-05-2018
 IBP No. 020684/PPLM/01-03-2018

COVER SHEET

for

AUDITED FINANCIAL STATEMENTS

SEC Registration Number

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COMPANY NAME

B	L	O	O	M	B	E	R	R	Y		R	E	S	O	R	T	S		C	O	R	P	O	R	A	T	I	O	N
	A	N	D		S	U	B	S	I	D	I	A	R	I	E	S													

PRINCIPAL OFFICE (No. / Street / Barangay / City / Town / Province)

T	h	e		E	x	e	c	u	t	i	v	e		O	f	f	i	c	e	s	,		S	o	l	a	i	r	e
R	e	s	o	r	t		&		C	a	s	i	n	o	,		1		A	s	e	a	n		A	v	e	n	u
e	,		E	n	t	e	r	t	a	i	n	m	e	n	t		C	i	t	y	,		T	a	m	b	o	,	
P	a	r	a	ñ	a	q	u	e		C	i	t	y																

Form Type

1	7	-	A
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Department requiring the report

C	R	M	D
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Secondary License Type, If Applicable

-			
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COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
-	888-8888	-
No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
97	Any Day in June	December 31

CONTACT PERSON INFORMATION

The designated contact person MUST be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Gerard Angelo Emilio J. Festin	gerardfestin@solaireresort.com	883-8921	-

CONTACT PERSON'S ADDRESS

The Executive Offices, Solaire Resort & Casino, 1 Asean Avenue, Entertainment City, Tambo Parañaque City
--

NOTE 1: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

2: All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.



INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
Bloomberry Resorts Corporation
The Executive Offices, Solaire Resort & Casino
1 Asean Avenue, Entertainment City, Tambo
Parañaque City

Opinion

We have audited the consolidated financial statements of Bloomberry Resorts Corporation and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2017 and 2016, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2017, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2017 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

Key Audit Matters

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



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

Adequacy of Allowance for Doubtful Accounts on Gaming Receivables

The Group reviews its gaming receivables at each reporting date to assess whether the allowance for doubtful accounts recorded in the consolidated financial statements is still adequate. Management evaluates allowance for doubtful accounts based on a specific review and collective assessment of the customer accounts as well as experience with collection trends in the casino industry and current economic and business conditions. As customer payment experience evolves, management continues to assess the adequacy of the estimated allowance for doubtful accounts. Accordingly, the related doubtful account expense may fluctuate. Because individual customer account balances can be significant, the allowance and the doubtful account expense can change significantly between periods, as information about a certain customer becomes known or as changes in the country's economy or legal systems occur. Given the high level of management judgment and assumption in estimating the allowance for doubtful accounts, we considered such estimate as a key audit matter.

The disclosures on the allowance for doubtful accounts are included in Notes 4 and 6 to the consolidated financial statements.

Audit Response

We obtained an understanding of the management's estimation process for allowance for doubtful accounts, which includes understanding the relevant controls over such process and analyzing management's assumption and judgment of the qualitative factors and historical collection trends. We evaluated the historical collection analysis by examining the supporting documents for credits granted to players and their subsequent settlement and performing an analysis of gaming receivables' aging brackets. We checked subsequent collections and performed inquiry with the Casino Credit and International Marketing representatives on the status of collections. We performed a ratio analysis on the Group's allowance for doubtful accounts and write-offs as a percentage of gross gaming receivables and comparison with the ratios of major players in the industry. We recalculated the allowance for doubtful accounts using management's model. We also reviewed the Group's disclosure regarding allowance for doubtful accounts.



Recoverability of Goodwill and Casino License

The Group's goodwill and casino license, arising from the acquisition of Golden & Luxury Co., Ltd. in 2015 amounted to ₱1,942.4 million as of December 31, 2017. Under PFRSs, the Group is required to annually test goodwill and any intangible asset with an indefinite useful life, specifically the casino license, for impairment. The Group's goodwill and casino license are allocated to a single cash generating unit (CGU), i.e., casino-hotel business. Management's impairment assessment involved the measurement of the recoverable amount of the Group's casino-hotel business where goodwill and casino license are attributable. The recoverable amount was measured using the value in use (VIU) calculation as of reporting date. The exercise requires significant judgment and estimates related to the CGU's prospective financial information, which includes assumptions on revenue growth rates, long-term growth rate and discount rate. Given the significance of the key assumptions used in estimating the CGU's recoverable amount where goodwill and casino license are allocated, we considered this as a key audit matter.

The disclosures on goodwill and casino license are included in Notes 4 and 11 to the consolidated financial statements.

Audit Response

We involved our valuation specialist to assist in evaluating the methodologies and key assumptions used by the Group in the impairment testing analysis. These assumptions include the composition of estimates of future cash flows, including assumed growth rates, terminal value calculation including long-term growth rate, and discount rate. We compared the key assumptions used against the historical performance of the CGU and other relevant external data. We tested the parameters used in the determination of the discount rate against market data. We also reviewed the Group's disclosures about those assumptions to which the outcome of the impairment test is most sensitive, specifically those that have the most significant effect on the determination of the recoverable amount of goodwill and casino license.

Classification of Gaming Promoters' Expense

Gaming promoters introduce premium VIP players to Solaire and often assist VIP patrons with their travel and entertainment arrangements and grant credit to their players. In exchange for their services, Solaire generally pays the gaming promoters a percentage of the gross gaming win generated by each gaming promoter. Management estimates that approximately 80% of such payments to the gaming promoters are returned to the VIP players as rebate, and approximately 20% are ultimately retained by the gaming promoters for their compensation. Thus, for financial statements presentation, 80% of the amount paid to the gaming promoters is offset against gaming revenue while the remaining 20% is charged to expense. The classification of gaming promoters' expense in the consolidated statement of comprehensive income depends on management's judgment and estimate, which is based on, among others, their review of historical VIP table games wins and inquiries made to the gaming promoters by management regarding the amounts returned to VIP players. Such estimate is reviewed annually by the management. Given the high level of management judgment and assumption in the estimation of the percentage to be allocated between profit or loss accounts, we considered such estimate as a key audit matter.

The disclosures on the gaming promoters' expense are included in Notes 4 and 19 to the consolidated financial statements.



Audit Response

Our audit procedures included, among others, assessing and testing the controls over the capture of gaming promoters' expense and estimation process relative to the classification of the amounts paid to the gaming promoters. We reviewed management's classification percentage basis by comparing the data used such as VIP win percentage, revenue share percentage and rebate percentage against monthly financial reports and documents. We compared the Group's classification percentage to the industry practice. We recalculated the amounts netted against gaming revenue and included in operating expense, as presented in the consolidated financial statements. We also reviewed the Group's disclosure regarding the classification of gaming promoters' expense.

Provisions and Contingencies

The Group is involved in certain legal proceedings. This matter is significant to our audit because the determination of whether the provision should be recognized and the estimation of the potential liability resulting from these legal proceedings require significant judgment by management. The inherent uncertainty over the outcome of these legal matters is brought about by the differences in the interpretation and implementation of the relevant laws. We considered this as a key audit matter.

The disclosures on contingencies are discussed in Notes 4 and 19 to the consolidated financial statements.

Audit Response

Our audit procedures focused on the evaluation of management's assessment on whether any provision for contingencies should be recognized and the estimation of such amount. We discussed with management the status of the legal proceedings and obtained opinions from the Group's external legal counsels, whose professional qualifications and objectivity were also evaluated. We evaluated the position of the Group by considering the relevant laws and jurisprudence.

Other Information

Management is responsible for the other information. The other information comprises the SEC Form 17-A for the year ended December 31, 2017 but does not include the consolidated financial statements and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and the SEC Form 20-IS (Definitive Information Statement) and Annual Report for the year ended December 31, 2017, which are expected to be made available to us after that date.

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

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

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



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

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

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

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

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

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

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

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



to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

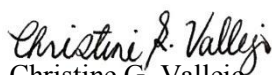
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

The engagement partner on the audit resulting in this independent auditor's report is
Christine G. Vallejo.

SYCIP GORRES VELAYO & CO.



Christine G. Vallejo

Partner

CPA Certificate No. 99857

SEC Accreditation No. 1402-AR-1 (Group A),

March 2, 2017, valid until March 1, 2020

Tax Identification No. 206-384-906

BIR Accreditation No. 08-001998-105-2017,

January 31, 2017, valid until January 30, 2020

PTR No. 6621338, January 9, 2018, Makati City

April 4, 2018



BLOOMBERRY RESORTS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31	
	2017	2016
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 5 and 21)	₱21,961,406,978	₱14,325,511,167
Receivables (Notes 6, 14, 19 and 21)	2,283,423,748	2,957,524,416
Inventories (Note 7)	320,836,366	276,317,802
Prepayments and other current assets (Notes 8, 19 and 21)	1,340,818,517	956,423,149
Total Current Assets	25,906,485,609	18,515,776,534
Noncurrent Assets		
Restricted cash (Notes 9 and 21)	2,250,906,354	2,251,797,092
Property and equipment (Notes 10 and 13)	42,470,677,934	44,491,457,520
Intangible assets (Note 11)	1,942,408,693	1,959,867,224
Deferred tax asset - net (Note 20)	—	53,730,837
Other noncurrent assets (Notes 11 and 21)	215,972,935	242,280,660
Total Noncurrent Assets	46,879,965,916	48,999,133,333
	₱72,786,451,525	₱67,514,909,867
LIABILITIES AND EQUITY		
Current Liabilities		
Payables and other current liabilities (Notes 12 and 21)	₱9,245,936,992	₱8,770,894,675
Current portion of long-term debt (Notes 13 and 21)	2,727,330,526	1,713,578,275
Income tax payable	1,597,045	1,201,630
Total Current Liabilities	11,974,864,563	10,485,674,580
Noncurrent Liabilities		
Long-term debt - net of current portion (Notes 13 and 21)	29,373,489,070	32,112,401,811
Deferred tax liabilities - net (Note 20)	401,378,947	221,831,122
Retirement liability (Note 15)	449,557,616	289,563,876
Other noncurrent liabilities (Notes 18 and 21)	301,810,617	260,963,094
Total Noncurrent Liabilities	30,526,236,250	32,884,759,903
Total Liabilities	42,501,100,813	43,370,434,483
Equity Attributable to Equity Holders of the Parent Company		
Capital stock (Note 16)	11,032,998,225	11,032,998,225
Additional paid-in capital (Note 16)	13,141,571,978	13,166,617,236
Equity reserve (Note 2)	(27,138,558)	(27,138,558)
Treasury shares (Note 16)	(125,192,149)	(214,589,978)
Share-based payment plan (Note 16)	159,743,028	78,291,899
Other comprehensive loss (Notes 11 and 15)	(18,821,215)	(15,862,820)
Retained earnings (Note 16)	6,093,273,408	86,713,263
Total Equity Attributable to Equity Holders of the Parent Company	30,256,434,717	24,107,029,267
Equity Attributable to Non-controlling Interests		
Total Equity	30,285,350,712	24,144,475,384
	₱72,786,451,525	₱67,514,909,867

See accompanying Notes to Consolidated Financial Statements.



BLOOMBERRY RESORTS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2017	2016	2015
REVENUES			
Gaming (Notes 4 and 19)	₱33,381,950,713	₱28,049,873,847	₱23,221,884,430
Hotel, food and beverage	2,413,546,028	1,887,823,815	1,606,077,534
Retail and others (Note 18)	855,018,891	448,847,215	211,953,590
	36,650,515,632	30,386,544,877	25,039,915,554
OPERATING COSTS AND EXPENSES (Note 17)	28,722,993,055	24,687,097,975	24,791,329,006
INCOME BEFORE OTHER INCOME (EXPENSES) AND INCOME TAX	7,927,522,577	5,699,446,902	248,586,548
OTHER INCOME (EXPENSES)			
Interest expense (Notes 12, 13, 17 and 18)	(2,151,548,585)	(2,223,313,044)	(2,167,139,553)
Foreign exchange gains - net (Note 21)	882,235,472	482,392,935	292,828,316
Interest income (Notes 5, 6, 9 and 17)	66,175,264	44,030,573	77,407,316
Others (Notes 10, 11, 13 and 17)	(429,134,443)	(20,408,783)	5,278,253
	(1,632,272,292)	(1,717,298,319)	(1,791,625,668)
INCOME (LOSS) BEFORE INCOME TAX	6,295,250,285	3,982,148,583	(1,543,039,120)
PROVISION FOR INCOME TAX (Notes 19 and 20)	232,632,503	1,659,083,148	1,832,234,174
NET INCOME (LOSS)	6,062,617,782	2,323,065,435	(3,375,273,294)
OTHER COMPREHENSIVE INCOME (LOSS)			
Items that will be reclassified to profit or loss in subsequent periods:			
Exchange difference on translation of foreign operations	(4,953,395)	4,182,417	(20,045,237)
Unrealized gain on available-for-sale investment (Note 11)	2,850,000	—	—
Income tax effect	(855,000)	—	—
	(2,958,395)	4,182,417	(20,045,237)
Items that will not be reclassified to profit or loss in subsequent periods:			
Remeasurement gain (loss) (Note 15)	(67,637,458)	(16,963,379)	119,417,897
Income tax effect	3,049,699	(1,161,302)	(7,309,337)
	(64,587,759)	(18,124,681)	112,108,560
TOTAL OTHER COMPREHENSIVE INCOME (LOSS)	(67,546,154)	(13,942,264)	92,063,323
TOTAL COMPREHENSIVE INCOME (LOSS)	₱5,995,071,628	₱2,309,123,171	(₱3,283,209,971)
Net Income (Loss) Attributable To			
Equity holders of the Parent Company	₱6,070,718,652	₱2,357,140,560	(₱3,363,514,843)
Non-controlling interests	(8,100,870)	(34,075,125)	(11,758,451)
	₱6,062,617,782	₱2,323,065,435	(₱3,375,273,294)
Total Comprehensive Income (Loss) Attributable To			
Equity holders of the Parent Company	₱6,003,601,750	₱2,343,632,903	(₱3,271,377,648)
Non-controlling interests	(8,530,122)	(34,509,732)	(11,832,323)
	₱5,995,071,628	₱2,309,123,171	(₱3,283,209,971)
Earnings (Loss) Per Share on Net Income (Loss) Attributable to Equity Holders of the Parent Company (Note 22)			
Basic	₱0.551	₱0.214	(₱0.305)
Diluted	₱0.549	₱0.214	(₱0.305)

See accompanying Notes to Consolidated Financial Statements.



BLOOMBERRY RESORTS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2017, 2016 AND 2015

	Equity Attributable to Equity Holders of the Parent Company							Equity Attributable to Non-controlling Interests		Total Equity
	Capital Stock	Additional Paid-in Capital	Equity Reserve	Treasury Shares	Share-based Payment Plan	Other Comprehensive Loss	Retained Earnings	Total		
Balances at January 1, 2017	₱11,032,998,225	₱13,166,617,236	(₱27,138,558)	(₱214,589,978)	₱78,291,899	(₱15,862,820)	₱86,713,263	₱24,107,029,267	₱37,446,117	₱24,144,475,384
Net income	—	—	—	—	—	—	6,070,718,652	6,070,718,652	(8,100,870)	6,062,617,782
Remeasurement loss on defined benefit plan (Note 15)	—	—	—	—	—	(64,158,507)	—	(64,158,507)	(429,252)	(64,587,759)
Exchange difference on translation of foreign operations	—	—	—	—	—	(4,953,395)	—	(4,953,395)	—	(4,953,395)
Unrealized gain on available-for-sale investment (Note 11)	—	—	—	—	—	1,995,000	—	1,995,000	—	1,995,000
Total comprehensive income (loss)	—	—	—	—	—	(67,116,902)	6,070,718,652	6,003,601,750	(8,530,122)	5,995,071,628
Issuance of treasury shares for share-based payments (Note 16)	—	(25,045,258)	—	89,397,829	(64,352,571)	—	—	—	—	—
Share-based payments (Note 16)	—	—	—	—	145,803,700	—	—	145,803,700	—	145,803,700
Remeasurement loss on defined benefit plan transferred to retained earnings (Note 15)	—	—	—	—	—	64,158,507	(64,158,507)	—	—	—
Balances at December 31, 2017	₱11,032,998,225	₱13,141,571,978	(₱27,138,558)	(₱125,192,149)	₱159,743,028	(₱18,821,215)	₱6,093,273,408	₱30,256,434,717	₱28,915,995	₱30,285,350,712
Balances at January 1, 2016	₱11,032,998,225	₱13,161,582,250	(₱27,138,558)	(₱216,422,356)	₱48,287,785	(₱20,045,237)	(₱2,252,737,223)	₱21,726,524,886	₱70,393,349	₱21,796,918,235
Net income	—	—	—	—	—	—	2,357,140,560	2,357,140,560	(34,075,125)	2,323,065,435
Remeasurement loss on defined benefit plan (Note 15)	—	—	—	—	—	(17,690,074)	—	(17,690,074)	(434,607)	(18,124,681)
Exchange difference on translation of foreign operations	—	—	—	—	—	4,182,417	—	4,182,417	—	4,182,417
Total comprehensive income (loss)	—	—	—	—	—	(13,507,657)	2,357,140,560	2,343,632,903	(34,509,732)	2,309,123,171
Purchase of treasury shares (Note 16)	—	—	—	(47,677,001)	—	—	—	(47,677,001)	—	(47,677,001)
Issuance of treasury shares for share-based payments (Note 16)	—	5,034,986	—	49,509,379	(54,544,365)	—	—	—	—	—
Share-based payments (Note 16)	—	—	—	—	84,548,479	—	—	84,548,479	—	84,548,479
Remeasurement loss on defined benefit plan transferred to retained earnings (Note 15)	—	—	—	—	—	17,690,074	(17,690,074)	—	—	—
Non-controlling interests arising from incorporation of a subsidiary (Note 1)	—	—	—	—	—	—	—	—	1,562,500	1,562,500
Balances at December 31, 2016	₱11,032,998,225	₱13,166,617,236	(₱27,138,558)	(₱214,589,978)	₱78,291,899	(₱15,862,820)	₱86,713,263	₱24,107,029,267	₱37,446,117	₱24,144,475,384



	Equity Attributable to Equity Holders of the Parent Company								Equity	
	Capital Stock	Additional Paid-in Capital	Equity Reserve	Treasury Shares	Share-based Payment Plan	Other Comprehensive Income (Loss)	Deficit	Total	Attributable to Non-controlling Interests	Total Equity
Balances at January 1, 2015	₱11,032,998,225	₱13,162,080,045	(₱27,138,558)	(₱77,448,659)	₱38,021,393	₱—	₱1,550,048,630	₱25,678,561,076	₱656,003	₱25,679,217,079
Net loss	—	—	—	—	—	—	(3,363,514,843)	(3,363,514,843)	(11,758,451)	(3,375,273,294)
Remeasurement gain (Note 15)	—	—	—	—	—	112,182,432	—	112,182,432	(73,872)	112,108,560
Exchange difference on translation of foreign operations	—	—	—	—	—	(20,045,237)	—	(20,045,237)	—	(20,045,237)
Total comprehensive income (loss)	—	—	—	—	—	92,137,195	(3,363,514,843)	(3,271,377,648)	(11,832,323)	(3,283,209,971)
Dividend declaration (Note 16)	—	—	—	—	—	—	(551,453,442)	(551,453,442)	—	(551,453,442)
Purchase of treasury shares (Note 16)	—	—	—	(189,145,719)	—	—	—	(189,145,719)	—	(189,145,719)
Issuance of treasury shares for share-based payments (Note 16)	—	(497,795)	—	50,172,022	(49,674,227)	—	—	—	—	—
Share-based payments (Note 16)	—	—	—	—	59,940,619	—	—	59,940,619	—	59,940,619
Remeasurement gain on defined benefit plan transferred to retained earnings (Note 15)	—	—	—	—	—	(112,182,432)	112,182,432	—	—	—
Non-controlling interests arising from business combination (Note 3)	—	—	—	—	—	—	—	—	81,569,669	81,569,669
Balances at December 31, 2015	₱11,032,998,225	₱13,161,582,250	(₱27,138,558)	(₱216,422,356)	₱48,287,785	(₱20,045,237)	(₱2,252,737,223)	₱21,726,524,886	₱70,393,349	₱21,796,918,235

See accompanying Notes to Consolidated Financial Statements.



BLOOMBERRY RESORTS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2017	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Income (loss) before income tax	₱6,295,250,285	₱3,982,148,583	(₱1,543,039,120)
Adjustments for:			
Depreciation and amortization (Notes 10, 11 and 17)	4,353,852,334	4,855,041,542	4,856,402,627
Interest expense (Notes 12, 13, 17 and 18)	2,151,548,585	2,223,313,044	2,167,139,553
Unrealized foreign exchange gains - net	(871,109,503)	(381,009,023)	(257,598,545)
Loss on sale/write-off of property and equipment - net (Notes 10 and 17)	148,849,614	5,709,215	48,078,199
Share-based payment expense (Note 16)	145,803,700	84,548,479	59,940,619
Net change in retirement liability (Note 15)	72,260,970	43,673,324	74,678,266
Interest income (Notes 5, 6, 9 and 17)	(66,175,264)	(44,030,573)	(77,407,316)
Amortization of unearned rent (Note 18)	(9,055,673)	(6,697,154)	—
Other expenses (Notes 10, 11, 13 and 17)	279,187,362	20,408,783	(5,278,253)
Operating income before working capital changes	12,500,412,410	10,783,106,220	5,322,916,030
Decrease (increase) in:			
Receivables	706,313,442	(51,589,242)	1,782,332,721
Inventories	(44,518,564)	(52,542,489)	190,258
Prepayments and other current assets	(392,008,645)	(276,461,655)	48,841,180
Increase (decrease) in:			
Payables and other current liabilities	535,535,300	(2,886,370,780)	2,563,508,340
Other noncurrent liabilities	49,903,196	266,255,535	—
Net cash generated from operations	13,355,637,139	7,782,397,589	9,717,788,529
Income taxes paid	(1,201,630)	(1,474,648,086)	(2,959,906,344)
Interest received	65,778,730	44,791,151	138,414,123
Net cash provided by operating activities	13,420,214,239	6,352,540,654	6,896,296,308
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property and equipment (Note 10)	(1,801,912,337)	(1,480,641,639)	(8,833,188,766)
Proceeds from disposal of property and equipment	34,129,611	399,739	4,250,304
Decrease (increase) in:			
Restricted cash	890,738	300,003	20,773,013
Other noncurrent assets	(65,521,986)	157,695,195	(1,729,890,479)
Acquisition of a subsidiary, net of cash acquired (Notes 1 and 3)	—	—	(1,997,738,988)
Net cash used in investing activities	(1,832,413,974)	(1,322,246,702)	(12,535,794,916)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of:			
Long-term debt principal (Notes 13 and 23)	(1,807,002,500)	(3,047,730,000)	(2,034,050,000)
Interest	(2,048,983,641)	(2,108,629,505)	(2,161,810,086)
Short-term borrowing (Note 12 and 23)	(74,892,394)	(191,552,400)	(199,082,000)
Refinancing cost (Note 13)	—	(43,435,251)	—
Acquisition of treasury shares (Note 16)	—	(47,677,001)	(189,145,719)
Proceeds from subsidiary's issuance of capital stock to non- controlling interests	—	1,562,500	—
Dividend payment	—	—	(551,453,442)
Net proceeds from availment of loans (Note 13)	—	—	6,220,670,974
Net cash provided by (used in) financing activities	(3,930,878,535)	(5,437,461,657)	1,085,129,727
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(21,025,919)	237,157,908	(121,534,749)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	7,635,895,811	(170,009,797)	(4,675,903,630)

(Forward)



	Years Ended December 31		
	2017	2016	2015
CASH AND CASH EQUIVALENTS			
AT BEGINNING OF YEAR			
Cash and cash equivalents (Note 5)	₱14,325,511,167	₱14,495,520,964	₱14,747,804,181
Current portion of restricted cash (Notes 2 and 9)	—	—	4,423,620,413
	14,325,511,167	14,495,520,964	19,171,424,594
CASH AND CASH EQUIVALENTS			
AT END OF YEAR (Note 5)	₱21,961,406,978	₱14,325,511,167	₱14,495,520,964

See accompanying Notes to Consolidated Financial Statements.



BLOOMBERRY RESORTS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Organization and Business

a. Corporate Information

Bloomberry Resorts Corporation (referred to as “Bloomberry” or “Parent Company”), was incorporated in the Philippines and registered with the Securities and Exchange Commission (“SEC”) on May 3, 1999. The Parent Company’s corporate life is 50 years and can be extended for another 50 years on or within five years before the expiration of its term. The Parent Company’s primary purpose is to subscribe, acquire, hold, sell, assign or dispose shares stock and other securities of any corporation, including those engaged in hotel and/or gaming and entertainment business, without engaging in dealership in securities or in the stock brokerage business or in the business of an investment company, to the extent permitted by law, and to be involved in the management and operations of such investee companies; and to guarantee the obligations of its subsidiaries or affiliates or any entity in which the Parent Company has lawful interest.

Bloomberry’s shares of stock are publicly traded in the Philippine Stock Exchange (“PSE”).

The Parent Company’s registered office address is at The Executive Offices, Solaire Resort & Casino, 1 Asean Avenue, Entertainment City, Tambo, Parañaque City.

The consolidated financial statements have been approved and authorized for issuance by the Board of Directors (“BOD”) on April 4, 2018.

b. Subsidiaries of Bloomberry

Sureste Properties, Inc. (“Sureste”) and Bloomberry Resorts and Hotels Inc. (“BRHI”)
On February 6, 2012, Prime Metroline Holdings, Inc. (“PMHI”, the ultimate parent company) sold 100% of its ownership interest in Sureste to Bloomberry for ₱5.9 billion. Sureste owns 100% of BRHI.

Sureste was incorporated in the Philippines and was registered with the SEC on April 16, 1993. Its wholly-owned subsidiary, BRHI, was incorporated in the Philippines and registered with the SEC on February 27, 2008. BRHI holds 9.34% of the shares of Sureste. The primary purpose of Sureste and BRHI is to develop and operate tourist facilities, including hotel-casino entertainment complexes with hotel, retail, amusement areas and themed development components.

Solaire Korea Co., Ltd. (“Solaire Korea”), Golden & Luxury Co., Ltd. (“G&L”) and Muui Agricultural Corporation (“Muui”)

In December 2014, Solaire Korea was established by Bloomberry to hold the Parent Company’s investment in the leisure and entertainment business in Republic of Korea. On April 24, 2015, Solaire Korea acquired 77.26% of the outstanding shares of G&L. Subsequently on May 22, 2015, Solaire Korea acquired additional 18.97% of G&L, bringing its ownership in G&L to 96.23% (see Note 3). On August 20, 2015, Bloomberry acquired 10.00% of the outstanding shares of G&L from Solaire Korea. On March 8, 2016, Muui was established with a total capitalization of Korean Won (₩)200.0 million (₱8.2 million). Solaire Korea owns 80% of the outstanding shares of Muui.



Bloom Capital B.V. and Solaire de Argentina S.A.

On November 21, 2013, Bloomberry subscribed to 60% of the capital stock of Bloom Capital B.V., a financial holding entity incorporated in the Netherlands as a private company with limited liability under the Dutch law. On October 23, 2014, Bloomberry acquired the remaining 40% of the capital stock of Bloom Capital B.V. In 2014, Bloom Capital B.V. acquired 94% ownership interest in Solaire de Argentina S.A.

c. Status of Operations

Sureste and BRHI

The Philippine Amusement and Gaming Corporation (“PAGCOR”) has granted BRHI the Provisional License on April 8, 2009 to develop an integrated casino, hotel and entertainment complex within Entertainment City (the “Project”). BRHI is one of four licensees for Entertainment City. Prior to the development of integrated resorts in the Philippines, only PAGCOR-operated casinos and six private casinos in special economic zones were allowed to operate in the country. The Provisional License, as well as any regular license to be issued to replace it, is concurrent with PAGCOR’s congressional franchise. PAGCOR’s franchise will expire on July 11, 2033 and may be renewed when PAGCOR’s franchise is renewed by law. On May 5, 2015, BRHI’s Provisional License was replaced with a regular casino Gaming License upon full completion of the Project, referred to as “Solairé”. The Gaming License has the same terms and conditions as the Provisional License.

Solairé is one of the Philippines’ first premium/luxury hotel and gaming resort. The 16-hectare gaming and integrated resort complex along Asean Avenue in Parañaque City is the first casino to operate within Entertainment City. BRHI, as the license holder, operates the casino while Sureste operates the hotel business.

On March 16, 2013, BRHI and Sureste commenced commercial operations, upon completion of Phase 1 of Solairé, now referred to as the Bay Tower, along with the opening of the main gaming area and initial non-gaming amenities, such as Solairé’s hotel, food and beverage outlets.

On November 22, 2014, the Group opened the Sky Tower, which was previously referred to as Phase 1A development of Solairé. Contiguous to the existing Solairé Resort and Casino, the Sky Tower consists of a 312 all-suite hotel, additional 10 VIP gaming salons with 66 gaming tables and 223 slot machines, an exclusive House of Zhou Chinese restaurant and The Macallan Whisky and Cigar Bar for VIP gamers, state-of-the art meeting rooms (“The Forum”) and a lyrical theater (“The Theatre”). The Sky Tower also features two restaurants, the Waterside Restobar and Oasis Garden Café. The Theatre is a certified 1,760-seat lyric theatre designed to provide a superior audio-visual experience for wide range of theatre plays and musicals, dance performances, concerts, and amplified music and speech events. It is also accessible to a new multi-level parking garage that can accommodate and secure over 3,000 vehicles. The Forum is a 2,000 square meters of meeting facility with eight meeting rooms, two boardrooms and a column-free grand ballroom and a flexible pre-function area. In 2016, retail stores, including premium brand boutiques, were opened in The Shoppes in the Sky Tower.

G&L

G&L operated a hotel and casino property in Jeju, Korea under the brand name “T.H.E Hotel” and “LVegas Casino”. Upon takeover of operation by Bloomberry in 2015, the property was rebranded as “Jeju Sun Hotel & Casino” (“Jeju Sun”). The property consists of 202-room hotel with 5 Hibiscus rating, 2,000 square meters of gaming operation with 36 tables and 20 electronic gaming machines. The property has four food and beverage outlets to service its hotel guest and casino players. The casino operation of Jeju Sun was temporarily closed in May 2015 for the



renovation and expansion of the gaming area of the property. The casino operation resumed on September 15, 2015. However, the gaming regulator Casino Regulation Division (“CRD”) imposed a one-month suspension which started on November 16, 2015 due to the result of the CRD’s investigation of the gaming tax (tourism tax) payment practices of the casino under its old management and owners. On December 15, 2015, Jeju Sun opened its upgraded and expanded facilities.

2. Summary of Significant Accounting Policies and Disclosures

Basis of Preparation

The Group’s consolidated financial statements have been prepared in conformity with Philippine Financial Reporting Standards (“PFRS”). PFRS include statements named PFRS and Philippine Accounting Standards (“PAS”), and Philippine Interpretations based on equivalent interpretations of International Financial Reporting Interpretations Committee (“IFRIC”) issued by the Philippine Financial Reporting Standards Council (“FRSC”).

The consolidated financial statements have been prepared under the historical cost basis except for derivative assets and available-for-sale investment which have been measured at fair value. The consolidated financial statements are presented in Philippine Peso, the functional and presentation currency of the Group, and all values are rounded to the nearest peso, except when otherwise indicated.

Basis of Consolidation

The consolidated financial statements include the financial statements of Bloomberry and its subsidiaries (collectively referred to as the “Group”).

As of December 31, 2017 and 2016, direct and indirect subsidiaries of Bloomberry include:

	Effective Percentage of Ownership			
	2017		2016	
	Direct	Indirect	Direct	Indirect
Sureste	91	9	91	9
BRHI	—	100	—	100
Bloom Capital B.V.*	100	—	100	—
Solaire de Argentina S.A. (through Bloom Capital B.V.)*	—	94	—	94
Solaire Korea	100	—	100	—
G&L (through Solaire Korea)	—	96	—	96
Muui (through Solaire Korea)*	—	80	—	80

**has not started commercial operations*

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee, if and only if, the Group has:

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

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary



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

Profit or loss and each component of other comprehensive income (“OCI”) are attributed to the equity holders of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group’s accounting policies. The financial statements of subsidiaries are prepared for the same reporting period as the Group, using uniform accounting policies for like transactions and other events in similar circumstances. Intercompany balances and transactions are eliminated in full.

Non-Controlling Interests. Non-controlling interests represent the portion of profit or loss and net assets in the subsidiaries not held by the Group and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to equity holders of the Group.

Changes in Accounting Policies and Disclosures

The Group’s accounting policies are consistent with those of the previous financial year, except for the adoption of the following new accounting pronouncements effective January 1, 2017.

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

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

Adoption of these amendments did not have any impact on the consolidated financial statements.

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

The amendments require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses).

The Group has provided the required information in Note 23 to the financial statements. As allowed under the transition provisions of the standard, the Group did not present comparative information for the year ended December 31, 2016.

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

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



The Group applied the amendments retrospectively. However, their application has no effect on the Group's financial position and performance as the Group has no deductible temporary differences or assets that are in the scope of the amendments.

Standards Issued But Not Yet Effective

The Group will adopt the following new pronouncements when these become effective. Except as otherwise indicated, the Group does not expect the adoption of these new pronouncements to have a significant impact on the consolidated financial statements.

Effective January 1, 2018

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

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

On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and if other criteria are met. Early application of the amendments is permitted. The Group is currently assessing the potential effect of the amendments on its consolidated financial statements.

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

The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the 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.

- PFRS 15, *Revenue from Contracts with Customers*

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

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under PFRSs. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018. Early adoption is permitted. The Group is currently assessing the impact of adopting this standard.



- PFRS 9, *Financial Instruments*

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

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

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

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

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

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

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

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



initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

Effective January 1, 2019

- PFRS 16, *Leases*

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

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

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

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

Early application is permitted, but not before an entity applies PFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

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

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

The amendments to PFRS 9 allow debt instruments with negative compensation prepayment features to be measured at amortized cost or fair value through other comprehensive income. An entity shall apply these amendments for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted.

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

The amendments to PAS 28 clarify that entities should account for long-term interests in an associate or joint venture to which the equity method is not applied using PFRS 9. An entity shall apply these amendments for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted.



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

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

The interpretation specifically addresses the following:

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

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

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

Deferred Effectivity

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

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

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

The Group has not early adopted the previously mentioned pronouncements. The Group continues to assess the impact of the above new pronouncements effective subsequent to December 31, 2017 on its consolidated financial statements in the period of initial application. Additional disclosures required by these amendments will be included in the consolidated financial statements when these amendments are adopted.

Significant Accounting Policies

Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the



proportionate share of the acquiree's identifiable net assets. Acquisition-related costs incurred are recognized as expense and included in administrative expenses.

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

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss. It is then considered in the determination of goodwill. Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognized in accordance with PAS 39 in profit or loss. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss. If the initial accounting for business combination can be determined only provisionally by the end of the period by which the combination is effected because either the fair values to be assigned to the acquiree's identifiable assets, liabilities or contingent liabilities or the cost of the combination can be determined only provisionally, the Group accounts the combination using provisional values. Adjustments to these provisional values as a result of completing the initial accounting shall be made within 12 months from the acquisition date. The carrying amount of an identifiable asset, liability or contingent liability that is recognized as a result of completing the initial accounting shall be calculated as if its fair value at the acquisition date had been recognized from that date and goodwill or any gain recognized shall be adjusted from the acquisition date by an amount equal to the adjustment to the fair value at the acquisition date of the identifiable asset, liability or contingent liability being recognized or adjusted.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

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

The seller in a business combination may contractually indemnify the acquirer for the outcome of a contingency or uncertainty related to all or part of a specific asset or liability. As a result, the acquirer obtains an indemnification asset. The acquirer shall recognize an indemnification asset at the same time that it recognizes the indemnified item measured on the same basis as the indemnified item, subject to the need for a valuation allowance for uncollectible amounts. Therefore, if the indemnification relates to an asset or a liability that is recognized at the acquisition date and measured



at its acquisition-date fair value, the acquirer shall recognize the indemnification asset at the acquisition date measured at its acquisition-date fair value.

In some circumstances, the indemnification may relate to an asset or a liability that is an exception to the recognition or measurement principles. In those circumstances, the indemnification asset shall be recognized and measured using assumptions consistent with those used to measure the indemnified item, subject to management's assessment of the collectibility of the indemnification asset and any contractual limitations on the indemnified amount.

At the end of each subsequent reporting period, the acquirer shall measure an indemnification asset that was recognized at the acquisition date on the same basis as the indemnified liability or asset, subject to any contractual limitations on its amount and, for an indemnification asset that is not subsequently measured at its fair value, management's assessment of the collectibility of the indemnification asset. The acquirer shall derecognize the indemnification asset only when it collects the asset, sells it or otherwise loses the right to it.

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 normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as noncurrent.

A liability is current when:

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

The Group classifies all other liabilities as noncurrent.

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

Fair Value Measurement

The Group measures financial instruments such as derivatives at fair value at each reporting date. Fair value related disclosures for financial instruments that are measured at fair value or where fair values are disclosed are summarized in Note 21.

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

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



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

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

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

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

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

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

For 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 reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Financial Instruments

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.

Date of recognition

Financial instruments within the scope of PAS 39 are recognized in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the trade date.

Initial recognition and measurement

All financial instruments are initially recognized at fair value. The initial measurement of financial instruments includes transaction costs, except for financial instruments at fair value through profit or loss ("FVPL"). The Group classifies its financial assets in the following categories: financial assets at FVPL, held-to-maturity ("HTM") investments, available-for-sale ("AFS") financial assets, and loans and receivables. Financial liabilities are classified as either financial liabilities at FVPL or other financial liabilities. The classification depends on the purpose for which the investments were acquired or liabilities incurred and whether they are quoted in an active market. Management determines the classification of its instruments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every financial reporting date.



“Day 1” difference

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

Financial assets and liabilities at FVPL

Financial assets and liabilities at FVPL include financial assets and liabilities held for trading purposes and financial assets and liabilities designated upon initial recognition as at FVPL.

Financial assets and liabilities are classified as held for trading if these are acquired for the purposes of selling and repurchasing in the near term.

Derivatives, including any separated embedded derivatives, are also classified under financial assets or liabilities at FVPL, unless these are designated as hedging instruments in an effective hedge.

Financial assets or liabilities may be designated by management on initial recognition at FVPL when any of the following criteria are met:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis;
- the assets and liabilities are part of a group of financial assets, liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- the financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

Financial assets and liabilities at FVPL are recorded in the consolidated statement of financial position at fair value. Subsequent changes in fair value are recognized in the consolidated statement of comprehensive income. Interest earned or incurred is recorded as interest income or expense, respectively, while dividend income is recorded as other income when the right to receive payment has been established.

The Group has not designated any financial assets or financial liabilities at FVPL.

Derivatives embedded in host contracts are accounted for as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not carried at fair value. These embedded derivatives are measured at fair value with gains or losses arising from changes in fair value recognized in the consolidated statement of comprehensive income. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of FVPL.



The Group's derivative asset arising from the loan prepayment option is classified as financial assets at FVPL as of December 31, 2017 and 2016 (see Notes 8 and 21). The Group has no financial liability at FVPL as of December 31, 2017 and 2016 (see Note 21).

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified or designated as AFS financial assets or financial assets at FVPL. Loans and receivables are classified as current assets if maturity is within 12 months from financial reporting date. Otherwise, these are classified as noncurrent assets.

After initial recognition, loans and receivables are subsequently measured at amortized cost using the effective interest rate ("EIR") method, less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR. Interest earned or incurred is recognized as "Interest income" in the consolidated statement of comprehensive income. Gains and losses are recognized in the consolidated statement of comprehensive income when the loans and receivables are derecognized and impaired, as well as through the amortization process.

The Group's cash and cash equivalents, receivables, restricted cash and security deposits are classified as loans and receivables (see Note 21).

AFS financial assets

AFS financial assets are those non-derivative financial assets which are designated as such or do not qualify to be classified in any of the three preceding categories. These are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions. AFS financial assets are classified as current assets if management intends to sell these financial assets within 12 months from financial reporting date. Otherwise, these are classified as noncurrent assets.

After initial recognition, AFS financial assets are subsequently measured at fair value, with unrealized gains and losses being recognized as OCI account until the investment is derecognized or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in OCI reserve account is recognized in profit or loss in the consolidated statement of comprehensive income. The Group uses the specific identification method in determining the cost of securities sold. Interest earned on holding AFS debt securities is included under "Interest income" using the EIR method in the consolidated statement of comprehensive income. Dividends earned on holding AFS equity investments are recognized in the consolidated statement of comprehensive income when the right of payment has been established.

The Group's investment in club shares is classified as AFS financial assets as of December 31, 2017 and 2016 (see Note 21).

Other financial liabilities

This category pertains to financial liabilities that are not held for trading or not designated as at FVPL upon the inception of the liability. These include liabilities arising from operations or borrowings. Other financial liabilities are initially recognized at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the EIR method.

Gains and losses are recognized in the consolidated statement of comprehensive income when the liabilities are derecognized as well as through the EIR amortization process. Amortized cost is



calculated by taking into account any discount or premium on acquisition and fees or costs that are integral part of the EIR. The EIR amortization is included the consolidated statement of comprehensive income.

Other financial liabilities include payables and other current liabilities (excluding statutory payables), long-term debt and tenants' security deposits as of December 31, 2017 and 2016 (see Note 21).

Offsetting of financial instruments

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

Impairment of Financial Assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that the debtor will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortized cost

For financial assets at amortized cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The estimated future cash flows is discounted at the financial asset's original EIR. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assess them for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the consolidated statement of comprehensive income. Interest income continues to be accrued on the reduced carrying amount based on the original EIR of the asset. The financial asset together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because



of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account.

Any subsequent reversal of an impairment loss is recognized in the consolidated statement of comprehensive income, to the extent that the carrying value of the asset does not exceed its original amortized cost at the reversal date. If a future write off is later recovered, the recovery is recognized in profit or loss in the consolidated statement of comprehensive income.

AFS Investment

For AFS financial assets, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as AFS, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. ‘Significant’ is evaluated against the original cost of the investment and ‘prolonged’ against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the statement of comprehensive income, is removed from OCI and recognized in the statement of profit or loss. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognized in OCI.

The determination of what is ‘significant’ or ‘prolonged’ requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

Derecognition of Financial Assets and Liabilities

Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when: (1) the rights to receive cash flows from the asset have expired; or (2) the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a “pass-through” arrangement; and either: (a) the Group has transferred substantially all the risks and rewards of the asset; or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a “pass-through” arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, a new asset is recognized to the extent of the Group’s continuing involvement in the asset.

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.

When continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group’s continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Group’s continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.



Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the carrying amount of a financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in the consolidated statement of comprehensive income.

Cash and Cash Equivalents

Cash includes cash on hand and in banks, including bank accounts maintained by the Group as collateral for its long-term debt. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from the date of acquisition, and for which there is an insignificant risk of change in value.

Restricted Cash

Restricted cash represents cash in escrow account which are restricted as to withdrawal and use as required by a lending bank of Sureste.

Inventories

Inventories are valued at the lower of cost or Net Realizable Value (NRV). Cost is determined using the moving average method except for table card inventories (presented as part of operating supplies) where the first in, first out method is being utilized. NRV is based on estimated selling prices less estimated costs to be incurred on completion and disposal. NRV of operating and other supplies is the current replacement cost.

Prepayments

Prepayments are carried at cost and are amortized on a straight-line basis, over the period of intended usage, which is equal to or less than 12 months or within the normal operating cycle.

Advances to Suppliers

Advances to suppliers primarily represent advance payments made to a service provider for the Group's aircraft operation and management. Advances to Suppliers is presented under the "Prepayments and other current assets" account in the consolidated statement of financial position.

Creditable Withholding Taxes ("CWT")

CWT represents the amount of tax withheld by counterparties from the Group. These are recognized upon collection and are utilized as tax credits against income tax due as allowed by the Philippine taxation laws and regulations. CWT is presented under the "Prepayments and other current assets" account in the consolidated statement of financial position. CWT is stated at its estimated NRV.

Property and Equipment

Property and equipment are carried at cost, excluding the costs of day-to-day servicing, less accumulated depreciation, amortization and any impairment in value.

The initial cost of property and equipment comprises its construction cost or purchase price and any directly attributable costs in bringing the property and equipment to its working condition and location for its intended use. Expenditures incurred after the property and equipment have been put into operations, are normally charged to income in the year the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future



economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, such expenditures are capitalized as additional costs of property and equipment. When assets are sold or retired, their costs and accumulated depreciation, amortization and impairment losses, if any, are eliminated from the accounts and any gain or loss resulting from their disposal is included in the consolidated statement of comprehensive income of such period.

The useful lives and depreciation and amortization method are reviewed at least at each financial year-end to ensure that the periods and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment.

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

Land improvements	10 years
Building and improvements	40 years
Machineries	10 years
Gaming equipment	5 years
Office furniture and fixtures	5 years
Transportation equipment	5 years
Leasehold improvements	3 years or lease term, whichever is shorter
Office and communication equipment	5 years

During the fourth quarter of 2016, the Group changed the estimated useful life for depreciation of the building and improvements from 20 years (remaining term for the lease of land with PAGCOR) to 40 years (expected utility of the building based on the technical study) (see Note 4).

Property and equipment includes costs incurred in the construction of the hotel and casino entertainment complex classified under “Construction in progress”. These include costs of construction, equipment and other direct costs such as borrowing costs. Upon completion, these costs will be depreciated and amortized over the life of the asset. During the period of construction, construction in progress is tested for impairment if any impairment indicators are present.

Intangible Assets

Intangible assets, such as the casino license and goodwill, acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses.

The useful lives of intangible assets are assessed as either finite or indefinite.

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

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

Operating Equipment

Operating equipment (shown as part of “Intangible and other noncurrent assets” account) includes



linen, china, glassware, silver, and other kitchen wares, which are carried at cost. Items of operating equipment with expected period of consumption of one year or less are classified as current. Bulk purchases of items of operating equipment with expected usage period of beyond one year are classified as noncurrent assets and are amortized over two to three years. Subsequent purchases of operating equipment upon start of business operations are recognized in profit or loss in the consolidated statement of comprehensive income.

Impairment of Nonfinancial Assets

The Group assesses at each reporting date whether there is any indication that its nonfinancial assets, excluding goodwill and casino license with indefinite useful life, may be impaired. When an indicator of impairment exists or when an annual impairment testing for an asset is required, the Group makes a formal estimate of the recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is assessed as part of the cash generating unit to which it belongs. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. 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.

An impairment loss is charged to operations in the year in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is charged to the revaluation increment of the said asset.

For nonfinancial assets, excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of comprehensive income unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation and amortization expense is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining life.

Intangible assets with indefinite useful lives are tested for impairment annually, at the cash-generating unit (CGU) level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

Goodwill and casino license with indefinite useful life are tested for impairment annually, and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill and casino license with indefinite useful life by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized in profit or loss in the consolidated statement of comprehensive income. Impairment losses relating to goodwill cannot be reversed in future periods.

Equity

Capital stock is measured at par value for all shares issued. Incremental costs incurred directly attributable to the issuance of new shares are shown in equity as a deduction of proceeds, net of tax.



Proceeds and/or fair value of considerations received in excess of par value are recognized as additional paid-in capital (“APIC”).

Equity reserve pertains to costs incurred in 2011, in connection with the issuance of capital stock such as taxes and legal fees. The account also includes the effect of the reverse acquisition when Bloomberry acquired Sureste from the ultimate parent in 2012.

Treasury shares are the Group’s own equity instruments which are reacquired and are recognized at cost and presented as reduction in equity. No gain or loss is recognized in the consolidated statement of comprehensive income on the purchase, sale, reissuance or cancellation of the Group’s own equity instruments. Any difference between the carrying amount and the consideration upon reissuance or cancellation of shares is recognized as APIC.

Retained earnings (deficit) represents the Group’s cumulative net earnings (losses), net of dividends declared.

Share-based Payment Plan

Certain qualified officers and employees of the Group and subsidiaries receive remuneration for their services in the form of equity shares of the Group (“equity-settled transactions”).

The cost of equity-settled transactions with officers and employees is measured by reference to the fair value of the stock at the date on which these are granted.

The cost of equity-settled transactions is recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (‘the vesting date’).

The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group’s best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the consolidated statement of comprehensive income for a period represents the movement in cumulative expense recognized at the beginning and end of that period and is recognized as share-based payment expense as part of “Salaries and benefits” under operating costs and expenses.

No expense is recognized for awards that do not ultimately vest, except for equity-settled transaction for which vesting is conditional upon a market or non-vesting condition. These are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Foreign Currency Transactions and Translations

The Group’s financial statements are presented in Philippine Peso. The Philippine Peso is the currency of the primary economic environment in which the Group operates.

Transactions and Balances

Transactions in foreign currencies are initially recorded by the Group’s entities at their respective functional currency spot rates prevailing at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognized in profit or loss in the consolidated statement of comprehensive income.



Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognized in OCI or profit or loss are also recognized in OCI or profit or loss, respectively).

Group Companies

On consolidation, the assets and liabilities of foreign operations are translated into Philippine peso at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at the average exchange rates for the year. The exchange differences arising on translation for consolidation are recognized in OCI and taken directly to a separate component of equity as translation adjustments. On disposal of these subsidiaries, the amount of deferred cumulative translation adjustments recognized in equity relating to subsidiaries shall be recognized in profit or loss in the consolidated statements of comprehensive income.

Revenue Recognition

The Group recognizes revenue when the amount of revenue can be reliably measured, it is possible that future economic benefits will flow into the entity and specific criteria have been met for each of the Group's activities described below. The amount of revenue is not considered to be reliably measured until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

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

Gaming revenue

Gaming revenue is measured by the aggregate net difference between gaming wins and losses, with liabilities recognized for funds deposited by customers before gaming play occurs, chips in customers' possession and points earned in customer loyalty programs. Revenues are recognized net of certain sales incentives. Accordingly, the Group's gaming revenues are reduced by discounts, rebates paid through the gaming promoters, progressive jackpot liabilities and points earned in customer loyalty programs totaling to ₱11,544.6 million, ₱10,486.9 million and ₱9,238.9 million for 2017, 2016 and 2015, respectively.

Hotel, food and beverage, retail and other operating revenues

Hotel, food and beverage, retail and other operating revenues are recognized when services are performed or the retail goods are sold. Deposits received from customers in advance on rooms or other services are recorded as liabilities until services are provided to the customers.

The retail value of accommodation, food and beverage, and other services furnished to guests without charge is excluded from total operating revenues in the accompanying consolidated statement of comprehensive income. The amounts of such promotional allowances excluded from total operating revenues for the years ended December 31, 2017, 2016 and 2015 are as follows:

	2017	2016	2015
Hotel, food and beverage	₱1,651,711,683	₱1,476,893,714	₱1,519,886,348
Retail and others	160,685,257	185,709,694	159,342,075
	₱1,812,396,940	₱1,662,603,408	₱1,679,228,423

Retail and other revenue includes sale of various merchandise, communication and transportation services to Solaire guests and players.



Interest income

Interest income is recognized as it accrues on a time proportion basis taking into account the principal amount outstanding and the EIR. Interest income represents interest earned from cash and cash equivalents and restricted cash comprising of cash in escrow and cash allocated to the Project.

Costs and Expenses

Costs and expenses are recognized in the consolidated statement of comprehensive income upon utilization of the service or at the date they are incurred.

Costs incurred prior to obtaining the license were expensed as incurred.

Gaming Taxes

Being a PAGCOR licensee, BRHI is required to pay license fees on its gross gaming revenues on a monthly basis starting from the date the casino commences operations. These license fees are reported as part of “Taxes and licenses” account under “Operating costs and expenses” in the consolidated statements of comprehensive income.

Retirement expense

The Group has an unfunded, non-contributory defined benefit plan covering all of its regular employees.

The cost of employee benefits under the defined benefit plan is determined using the projected unit credit method.

Remeasurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognized immediately in the statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognized in profit or loss on the earlier of:

- The date of the plan amendment or curtailment, and
- The date that the Group recognizes related restructuring costs

Interest is calculated by applying the discount rate to the defined benefit liability. The Group recognized the change in defined benefit obligation such as service cost and interest costs as part of “Salaries and benefits” account under “Operating costs and expenses” in profit or loss in the consolidated statement of comprehensive income.

Provisions

Provisions are recognized when the Group has present obligations, legal or constructive, as a result of past events, when 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. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statement of comprehensive income, net of any reimbursements. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where



discounting is used, the increase in the provision due to passage of time is recognized as interest expense.

Borrowing Costs

Borrowing costs are capitalized if they are directly attributable to the acquisition, construction or production of a qualifying asset. Qualifying assets are assets that necessarily take a substantial period of time to get ready for its intended use or sale. Capitalization of borrowing costs commences when the activities necessary to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the assets are available for their intended use. If the resulting carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognized. Borrowing costs include interest charges and other costs incurred in connection with the borrowing of funds, as well as exchange differences arising from foreign currency borrowings used to finance these projects to the extent that they are regarded as an adjustment to interest cost.

All other borrowing costs are expensed as incurred.

Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception date of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset even if that right is not explicitly specified in an arrangement.

As a lessee

Leases where the lessor retains substantially all the risks and benefits of ownership of the assets are classified as operating leases. Operating lease payments are recognized as expense in the consolidated statement of comprehensive income or capitalized in the consolidated statement of financial position (in case of leases directly related to construction) on a straight-line basis over the lease term.

As a lessor

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

Taxes

Current income tax

Current income tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting period.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the profit or loss.

Deferred income tax

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



Deferred tax liabilities are recognized for all taxable temporary differences except: (1) when the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and (2) in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carryforward benefits of unused tax credits from excess minimum corporate income tax ("MCIT") over regular corporate income tax ("RCIT") and unused net operating loss carry-over ("NOLCO") to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carryforward benefit of unused tax credits and unused tax losses can be utilized except: (1) when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and (2) in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

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

Deferred income tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity.

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

Value-Added Tax ("VAT")

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

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

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of the "Prepayments and other current assets" or "Payables and other current liabilities" accounts in the consolidated statements of financial position.



Contingencies

Contingent liabilities are not recognized in the consolidated financial statements. These are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but are disclosed in the notes to consolidated financial statements when an inflow of economic benefits is probable.

Events After the Reporting Period

Post year-end events that provide additional information about the Group's financial position at the end of the reporting period (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to consolidated financial statements when material.

Earnings (Loss) Per Share

The Group presents basic and diluted earnings (loss) per share rate for its shares.

Basic earnings (loss) per share ("EPS") is calculated by dividing net income (loss) for the year attributable to equity holders of the Group by the weighted average number of shares outstanding during the year after giving retroactive effect to any stock dividend declarations.

Diluted earnings (loss) per share is computed in the same manner, adjusted for the effect of the shares issuable to qualified officers and employees under the Group's stock incentive plan which are assumed to be exercised at the date of grant. Where the effect of the vesting of stock under the stock incentive plan is anti-dilutive, basic and diluted earnings per share are stated at the same amount.

Segment Reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services within a particular economic environment subject to risks and rewards that are different from those of other segments, which operating results are regularly reviewed by the chief operating decision maker to make decisions about how resources are to be allocated to each of the segments and to assess their performances, and for which discrete financial information is available. Management views the hotel and casino business as one integrated business segment, i.e., an integrated resort facility. A single management team for each geographical area reports to the chief operating decision-maker. The Group operates in two geographical areas in 2017 and 2016 where it derives its revenue. Financial information on segment reporting is presented in Note 24.

3. Business Combination

On February 17, 2015, Solaire Korea entered into a Share Sale and Purchase Agreement ("SSPA") with various shareholders (collectively referred to as the "Sellers") to acquire a majority shareholding in G&L at ~~₩~~3,923 per share. As discussed in Note 1, on April 24, 2015, Solaire Korea acquired 12,725,544 shares or 77.26% of the outstanding shares of G&L at the agreed purchase price. Subsequently on May 22, 2015, Solaire Korea acquired additional 3,125,472 shares or 18.97% of G&L for the same purchase price, bringing its ownership in G&L to 96.23%. The Group acquired G&L to expand the Group's casino-hotel business in Korea.

The total consideration for these acquisitions of ~~₩~~62,183.5 million or ~~₱~~2,518.4 million includes an amount of ~~₩~~13.0 billion or ~~₱~~526.5 million (referred to here as "holdback") which shall be held in full by Solaire Korea (subject to the reductions for G&L's liabilities arising from ongoing legal proceedings enumerated in the SSPA) until 2.5 years from the first closing date (i.e., April 24, 2015), which is the payment date of the remaining holdback amount to the Sellers. Solaire Korea recognized



a liability for the holdback at acquisition date representing its obligation to the Sellers for the remaining amount of the consideration.

Solaire Korea also recognized an indemnification asset at acquisition date amounting to ~~₩~~1,526.1 million or ₱61.8 million representing the reimbursement of the payments that Solaire Korea will eventually make upon settlement of the liabilities of G&L covered by the holdback as the Sellers effectively indemnify Solaire Korea for the outcome of G&L's legal contingencies. Solaire Korea will recognize the indemnification asset at the same time that it recognizes the indemnified liability measured on the same basis as the indemnified liability. In 2015, ~~₩~~973.5 million or ₱39.2 million of G&L's liabilities were paid by Solaire Korea from the holdback. As of December 31, 2017, certain legal proceedings are still ongoing. The indemnification asset was offset against the holdback liability in the 2017 and 2016 consolidated statements of financial position as the reimbursement will come from the consideration held by Solaire Korea (i.e., holdback). As of December 31, 2017 and 2016, the holdback liability (net of the indemnification asset) amounting to ₱364.9 million and ₱347.7 million, respectively, is presented in the consolidated statements of financial position under "Payables and other current liabilities" (see Note 12).

The acquisition of G&L is accounted for as business combination using the acquisition method. The April 2015 and May 2015 acquisitions are assessed to be linked transactions, with April 24, 2015 as the acquisition date, the date when control in G&L was obtained by Solaire Korea.

The fair value of the identifiable assets and liabilities of G&L at acquisition date and the corresponding carrying amounts immediately before the acquisition were as follows:

	Fair Value Recognized on Acquisition	Carrying Value
Cash and cash equivalents	₱23,588,127	₱23,588,127
Receivables	42,676,160	42,676,160
Inventories	2,396,030	2,396,030
Prepayments and other current assets	18,410,596	18,410,596
Property and equipment	1,966,665,350	1,616,347,258
Casino license	1,559,412,000	–
Other noncurrent assets	41,130,141	41,130,141
Payables and other current liabilities	(1,306,231,466)	(1,306,231,466)
Retirement liability (see Note 15)	(140,196,225)	(140,196,225)
Deferred tax liabilities - net	(37,653,009)	–
Other noncurrent liabilities	(3,847,499)	(3,847,500)
Net assets	2,166,350,205	₱294,273,121
Non-controlling interests (3.77% of fair value of net assets)	(81,569,669)	
Net assets acquired	2,084,780,536	
Goodwill	371,844,023	
Indemnification asset	61,808,639	
Consideration	₱2,518,433,198	



As of December 31, 2015, net cash flow on the acquisition follows:

Cash acquired with the subsidiary	₱23,588,127
Cash paid*	(2,021,327,115)
	(₱1,997,738,988)

*Includes cash amounting to ~~₱~~973.5 million (₱39.2 million) paid from the holdback during the period.

The fair value of the casino license is determined based on income approach, specifically the Multi-period Excess Earnings Method (“MEEM”). The principle behind the MEEM is that the value of an intangible asset is equal to the after-tax cash flows attributable only to that intangible asset. This involved applying an appropriate EBITDA margin rate and contributory assets charges (“CAC”). The fair value estimate is based on the following key assumptions: (i) growth rate of 1.00%, (ii) discount rate of 12.17% (with a risk premium of 3%), (iii) EBITDA margin ranging from 21% to 24% for each year and (iv) CAC rate at an average of 7.94% as a percentage of sales. No tax amortization benefit is considered in the valuation as the life of the casino license is assessed to be indefinite (see Note 4).

The net deferred tax liabilities pertain to the net tax effect of the excess of fair value over the carrying amount of tangible and intangible assets and unused tax losses.

The Group has elected to measure the non-controlling interests in the acquiree using the proportionate share method, i.e., the share of non-controlling interests in the fair value of G&L’s net assets as of acquisition date.

The goodwill comprises the value of expected synergies from combining the operations of Solaire Korea and G&L.

Revenues and net loss attributable to equity holders of the parent of G&L from acquisition date to December 31, 2015 amounted to ~~₱~~6,184.3 million (₱249.2 million) and ~~₱~~8,095.6 million (₱326.3 million), respectively. If the acquisition had taken place at the beginning of the year, impact to consolidated revenues and net income attributable to equity holders of the parent is not material to the Group.

4. Management’s Use of Judgments, Estimates and Assumptions

The preparation of the consolidated financial statements in conformity with PFRS requires the Group to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and disclosure of contingent liabilities at the reporting date. The uncertainties inherent in these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the assets or liabilities affected in the future years.

Judgments

In the process of applying the Group’s accounting policies, management has made the following judgments apart from those including estimations and assumptions, which has the most significant effect on the amounts recognized in the consolidated financial statements.

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



Group as a Lessee

The Group has entered into various operating lease agreements as a lessee. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that the lessor retains all the significant risks and rewards of ownership of these properties because the lease agreements do not transfer to the Group the ownership over the assets at the end of the lease term and do not provide the Group with a bargain purchase option over the leased assets and so accounts for the contracts as operating leases (see Note 18).

Determination of Casino License's Useful Life. The Group's casino license has been acquired through a business combination. The license has no expiration and renewal is not necessary. Further, it may only be cancelled under specific rare circumstances. Accordingly, management has assessed that the Group's casino license has an indefinite useful life (see Note 11).

Estimates and assumptions

The key estimates and assumptions concerning the future and other key sources of estimation uncertainty at reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities recognized in the consolidated financial statements within the next financial year are discussed as follows:

Contingencies. On April 13, 2013, the Bureau of Internal Revenue ("BIR") issued Revenue Memorandum Circular ("RMC") No. 33-2013, which may affect the tax exemption of BRHI. On June 4, 2014, BRHI filed a petition with the Supreme Court to annul the provision of RMC No. 33-2013 which subjects PAGCOR licensees to corporate income tax. In a decision dated August 10, 2016, the Supreme Court ruled in favour of BRHI and nullified the questioned provision of RMC No. 33-2013 (see Notes 19 and 20). Also, the Group is involved with a legal case relative to its terminated agreement with Global Gaming Philippines LLC ("GGAM") (see Note 19). The Group's estimate of the probable cost for the implication of these matters has been developed in consultation with its legal counsels and is based upon an analysis of potential results. Management and its legal counsels do not believe these will have a material adverse effect on its financial position or performance. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of strategies relating to this matter.

Estimating Allowance for Doubtful Accounts. The Group reviews its receivables at each reporting date to assess whether an allowance for doubtful accounts should be recorded in the consolidated statement of financial position. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance. In addition to specific allowance against individually significant receivables, the Group also makes a collective impairment allowance against exposures which, although not specifically identified as requiring specific allowance, have a greater risk of default than when originally granted.

Management evaluates the allowance for doubtful accounts based on a specific review of customer accounts as well as experience with collection trends in the casino industry and current economic and business conditions. As customer payment experience evolves, management will continue to refine the estimated allowance for doubtful accounts. Accordingly, the associated doubtful accounts expense charge may fluctuate. Because individual customer account balances can be significant, the allowance and the expense can change significantly between periods, as information about a certain customer becomes known or as changes in a region's economy or legal systems occur.



Provision (reversal of allowance) for doubtful accounts for the years ended December 31, 2017, 2016 and 2015 amounted to (P32.9 million), P203.8 million, and P2,568.7 million, respectively (see Note 17). The carrying amount of receivables amounted to P2,283.4 million and P2,957.5 million as of December 31, 2017 and 2016, respectively (see Note 6).

Estimating Useful Lives of Property and Equipment. Management determines the estimated useful lives and the related depreciation and amortization charges for its property and equipment based on the period over which the property and equipment are expected to provide economic benefits. Management's estimation of the useful lives of property and equipment is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. These estimations are reviewed periodically and could change significantly due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. Management will increase the depreciation and amortization charges where useful lives are less than the previously estimated useful lives.

In 2016, the Group reassessed the estimated useful life of the building and improvements in view of the developments in the casino industry which consequently impacts the Group's expectation to extend the lease. Accordingly, during the fourth quarter of 2016, the Group changed the estimated useful life of the building and improvements from 20 years (remaining term for the lease of land with PAGCOR) to 40 years (expected utility of the building based on technical study) to better reflect the estimated period during which the building and improvements are expected to remain in service. The change in estimated useful life was accounted for prospectively. Depreciation for the year ended December 31, 2016 would have been higher by P188.0 million had the change in useful life not taken place. Annual depreciation will be lower by P752.1 million in future years. The aggregate net book value of the Group's property and equipment (excluding construction in progress) amounted to P42,302.4 million and P43,827.9 million as of December 31, 2017 and 2016, respectively (see Note 10).

Impairment of Nonfinancial Assets. PFRS requires that an impairment review be performed when certain impairment indicators are present. In the case of goodwill and intangible assets with indefinite useful life, at a minimum, such assets are subject to an impairment test annually and whenever there is an indication that such assets may be impaired. This requires an estimation of the value in use of the CGU to which these assets are allocated. The value-in-use calculation requires us to make an estimate of the expected future cash flows from the CGU and to choose a suitable discount rate in order to calculate the present value of those cash flows. See Note 11 for the key assumptions used to determine the value-in-use of the relevant CGU.

Determining the recoverable amount of property and equipment, advances to contractors, intangible assets, and operating equipment, requires the Group to make estimates and assumptions in the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets. Future events could cause the Group to conclude that property and equipment, intangible assets and other noncurrent assets associated with an acquired business are impaired. Any resulting impairment loss could have a material adverse impact on the Group's financial position and financial performance.

Management is required to make estimates and assumptions to determine the recoverable amounts. While the Group believes that the assumptions used are reasonable and appropriate, these estimates and assumptions can materially affect the consolidated financial statements. Future adverse events may cause the management to conclude that the affected assets are impaired and may have a material impact on the Group's financial condition and results of operations.



The Group has recognized an impairment loss on its goodwill and casino license amounting to ₱271.6 million in 2017. The impairment loss is presented as part of “Other expenses” in the 2017 consolidated statement of comprehensive income (see Note 17).

As of December 31, 2017 and 2016, the carrying values of nonfinancial assets subject to impairment review are as follows:

	2017	2016
Property and equipment (see Note 10)	₱42,470,677,934	₱44,491,457,520
Casino license and goodwill (see Note 11)	1,942,408,693	1,959,867,224
Advances to contractors (see Note 11)	117,840,549	43,785,965
Operating equipment (see Note 11)	7,019,640	97,218,364
	₱44,537,946,816	₱46,592,329,073

Recognition of Gaming Promoters’ Expense. The Group pays the gaming promoters, who introduce VIP players to Solaire, a percentage of the gross gaming win generated by each gaming promoter. Approximately 80% of the amount paid to gaming promoters are netted against casino revenues, because such approximates the amount of rebates returned to the VIP players through the gaming promoters, which will be used by the players to purchase additional chips and will eventually form part of the casino revenue, and approximately 20% are included in operating expenses, which approximate the amount ultimately retained by the gaming promoters for their compensation.

Gaming promoters’ expense which was netted against revenue and the amount presented as part of “Advertising and promotions” account under operating costs and expenses amounted to ₱7,869.9 million and ₱1,967.5 million, respectively, for the year ended December 31, 2017, ₱7,236.6 million and ₱1,809.2 million, respectively, for the year ended December 31, 2016 and ₱5,810.0 million and ₱1,452.5 million, respectively, for the year ended December 31, 2015 (see Notes 17 and 19).

Determining Retirement Benefits Liability. The determination of the Group’s obligation and cost for retirement benefits is dependent on the selection of certain assumptions used by the Group’s actuaries in calculating such amounts. While it is believed that the Group’s assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions may materially affect the Group’s retirement liabilities.

Retirement liability amounted to ₱449.6 million and ₱289.6 million as of December 31, 2017 and 2016, respectively (see Note 15).

Recognition of Deferred Tax Assets and Liabilities. The Group reviews the carrying amounts at the end of each reporting period and reduced the deferred tax assets to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized. The Group’s assessment on the recognition of deferred tax assets on deductible temporary differences is based on the level and timing of forecasted taxable income of the subsequent reporting periods. The forecast is based on past results and future expectations on revenues and expenses as well as future tax planning strategies. However, there is no assurance that the Group will generate sufficient taxable income to allow all or part of its deferred income tax assets to be utilized.

As of December 31, 2015, despite the recent ruling RMC No. 33-2013 issued by the BIR, clarifying that PAGCOR and its contractees and licensees are subject to 30% RCIT on their gaming and non-gaming revenues, management still believes that the tax benefits granted to PAGCOR under its charter inure to the benefit of, and extend to BRHI in accordance with section 13 (2) (b) of Presidential Decree No. 1869. The Supreme Court has affirmed the correctness of the position of



management. In a decision dated August 10, 2016, the Supreme Court granted BRHI's petition and ordered the BIR to cease and desist from imposing corporate income tax on the gaming operation of BRHI. Thus, effective July 1, 2016, the Group no longer recognized a provision for income tax on its gaming operations (see Notes 19 and 20). Subsequently, on November 28, 2016, the Supreme Court denied the BIR's motion for reconsideration with finality.

The Group recognized deferred tax assets amounting to ₱456.9 million and ₱637.0 million as of December 31, 2017 and 2016, respectively (see Note 20). The Group's unused tax losses and MCIT for which no deferred tax asset have been recognized amounted ₱8,794.3 million and ₱8,042.6 million as of December 31, 2017 and 2016, respectively, resulting from the Group's assessment that it will not have sufficient profits in the future in which it could utilize its deferred tax assets (see Note 20).

5. Cash and Cash Equivalents

This account consists of:

	2017	2016
Cash on hand	₱1,776,561,344	₱1,802,949,568
Cash in banks	17,583,055,499	10,700,776,309
Temporary cash investments	963,002,888	410,942,813
Debt collateral accounts (see Note 13)	1,638,787,247	1,410,842,477
	₱21,961,406,978	₱14,325,511,167

Cash in banks earn interest at the prevailing bank deposit rates. Temporary cash investments are made for varying periods of up to three months depending on the immediate cash requirements of the Group and earn interest at the prevailing short-term investment rates.

Debt collateral accounts are bank accounts maintained by the Group as collateral for its long-term debt (see Note 13).

Interest income earned from cash and cash equivalents amounted to ₱37.8 million, ₱31.2 million and ₱48.7 million for the years ended December 31, 2017, 2016 and 2015, respectively (see Note 17).

6. Receivables

This account consists of:

	2017	2016
Casino (see Note 19)	₱2,290,513,611	₱4,198,751,920
Hotel	132,109,525	260,478,488
Receivables from officers and employees (see Note 14)	117,241,378	210,002,794
Others	83,806,686	10,529,999
	2,623,671,200	4,679,763,201
Less allowance for doubtful accounts	340,247,452	1,722,238,785
	₱2,283,423,748	₱2,957,524,416



Casino receivables mainly include casino markers issued to gaming promoters and VIP premium casino players. Casino markers pertain to credits granted to registered casino players. These markers are noninterest-bearing and are normally collected within 90 days.

Hotel receivables pertain to various food, beverage, and hotel service fees receivable from hotel guests which are collected upon check-out. This includes credit card transactions and lease receivables from tenants at The Shoppes, which are normally collected within one month (see Note 18).

Receivables from officers and employees primarily pertain to cash advances which are normally settled within one year through salary deduction (see Note 14). Interest income earned from receivables from officers and employees amounted to ₱1.8 million, ₱2.7 million and nil in 2017, 2016 and 2015, respectively (see Note 17).

Accrued interest, presented as part of "Others", pertains to interest from temporary cash investments and restricted cash account which are normally received within one year.

Allowance for doubtful accounts pertain to casino markers that the Group assessed as doubtful on an individual and collective basis.

The movements in the allowance for doubtful accounts on casino receivables are summarized below:

	2017	2016
Balance at beginning of year	₱1,722,238,785	₱2,904,989,626
Provision (reversal) - net (see Note 17)	(32,873,711)	203,752,624
Write-off	(1,355,826,237)	(1,499,605,241)
Revaluation	6,708,615	113,101,776
Balance at end of year	₱340,247,452	₱1,722,238,785
Individual impairment	₱89,701,531	₱1,521,541,679
Collective impairment	250,545,921	200,697,106
Gross amount of receivables individually impaired, before deducting any individually assessed impairment allowance	₱1,099,506,382	₱1,696,199,612

7. Inventories

This account consists of:

	2017	2016
At cost:		
Food and beverage	₱202,859,717	₱101,188,096
Operating supplies	110,179,893	164,152,317
Retail merchandise	7,796,756	10,977,389
	₱320,836,366	₱276,317,802

Inventories charged to cost of sales amounted to ₱910.6 million, ₱713.9 million and ₱703.5 million for the years ended December 31, 2017, 2016 and 2015, respectively (see Note 17).



8. Prepayments and Other Current Assets

This account consists of:

	2017	2016
Prepaid rent (see Note 18)	₱396,017,074	₱371,189,714
Advances to suppliers (see Note 14)	203,825,253	121,980,124
Creditable withholding tax	145,802,119	103,783,545
Fund held in trust (see Note 19)	110,651,903	111,023,615
Prepaid taxes	105,211,357	91,049,188
Promo merchandise	100,173,053	–
Prepaid maintenance	79,765,384	42,234,926
Prepaid insurance	79,278,622	57,897,942
Security deposits classified as current (see Note 18)	66,000,864	18,294,663
Derivative asset (see Note 13)	1,554,870	9,168,147
Others (see Note 19)	52,538,018	29,801,285
	₱1,340,818,517	₱956,423,149

Advances to suppliers pertains to advance payments made by the Group to third party entities for goods and services such as table playing cards, guaranteed flight services and aircraft maintenance.

Promo merchandise pertains to items to be provided by the Group to its patrons as giveaways at different marketing events.

Security deposits mainly pertains to deposit made by the Group for the guaranteed flight services that the Group has entered into in 2017. It also includes security deposit for the Group's various lease agreements (see Note 18).

9. Restricted Cash

Under the Provisional License granted by PAGCOR, the Group is required to set up and maintain an escrow account amounting to US\$100.0 million with a universal bank mutually agreed by PAGCOR and the Group. All funds for the construction of the Project (see Note 1) shall pass through the escrow account and all drawdowns of funds from the said escrow account must be applied to the Project. The escrow account should have a maintaining balance of US\$50.0 million. PAGCOR released BRHI from the requirement to maintain the escrow account upon completion of the Project and grant of a regular casino Gaming License on May 5, 2015 (see Note 1).

The Group still maintains the escrow account as security for Sureste's loan (to be fully settled in 2026) (see Note 13). As of December 31, 2017 and 2016, the escrow account amounting to ₱2,250.9 million and ₱2,251.8 million is presented as "Restricted cash" under the noncurrent assets section in the consolidated statements of financial position.

Interest income on the restricted cash amounted to ₱26.6 million, ₱10.1 million and ₱28.7 million for the years ended December 31, 2017, 2016 and 2015, respectively (see Note 17).



10. Property and Equipment

This account consists of:

	2017									
	Land and Land Improvements	Building and Improvements	Machineries	Gaming Equipment	Office Furniture and Fixtures	Transportation Equipment	Leasehold Improvements	Office and Communication Equipment	Construction in Progress	Total
Cost										
Balances at beginning of year	₱6,668,653,627	₱28,676,936,589	₱8,328,703,309	₱2,416,653,683	₱3,672,972,705	₱1,488,720,539	₱199,636,305	₱5,989,935,811	₱663,595,806	₱58,105,808,374
Additions	1,502,785	136,590,532	287,804,508	555,558,307	122,666,903	43,037,991	7,130,689	373,077,538	274,543,084	1,801,912,337
Reclassification from construction in progress	—	769,327,750	517,032	—	—	—	—	—	(769,844,782)	—
Disposal/retirement	—	—	(6,358,292)	—	(99,256,068)	(443,241,524)	—	(11,524,110)	—	(560,379,994)
Translation adjustment	449,190,510	394,070,541	310,897,958	—	382,246,711	(7,329,910)	24,895	6,329,855	—	1,535,430,560
Balances at end of year	7,119,346,922	29,976,925,412	8,921,564,515	2,972,211,990	4,078,630,251	1,081,187,096	206,791,889	6,357,819,094	168,294,108	60,882,771,277
Accumulated Depreciation										
Balances at beginning of year	2,950,588	3,919,352,419	2,233,537,063	1,416,166,289	2,088,872,993	483,423,657	9,755,515	3,460,292,330	—	13,614,350,854
Depreciation (see Note 17)	1,227,716	705,823,304	960,433,926	461,625,868	744,038,353	122,166,913	60,713,370	1,203,143,171	—	4,259,172,621
Disposal/retirement	—	—	(2,468,700)	—	(97,888,697)	(266,886,631)	—	(10,156,741)	—	(377,400,769)
Translation adjustment	—	497,425,799	49,408,112	—	394,144,851	2,681,873	21,158	(27,711,156)	—	915,970,637
Balances at end of year	4,178,304	5,122,601,522	3,240,910,401	1,877,792,157	3,129,167,500	341,385,812	70,490,043	4,625,567,604	—	18,412,093,343
	₱7,115,168,618	₱24,854,323,890	₱5,680,654,114	₱1,094,419,833	₱949,462,751	₱739,801,284	₱136,301,846	₱1,732,251,490	₱168,294,108	₱42,470,677,934

	2016									
	Land and Land Improvements	Building and Improvements	Machineries	Gaming Equipment	Office Furniture and Fixtures	Transportation Equipment	Leasehold Improvements	Office and Communication Equipment	Construction in Progress	Total
Cost										
Balances at beginning of year	₱6,429,298,057	₱28,013,117,073	₱8,176,923,112	₱2,339,627,460	₱3,614,445,663	₱1,368,498,866	₱9,386,742	₱5,744,313,884	₱916,561,925	₱56,612,172,782
Additions	168,254,149	30,467,937	148,446,505	71,126,325	103,606,897	121,207,541	—	212,575,911	624,956,374	1,480,641,639
Reclassification from construction in progress	—	606,648,710	—	—	5,312,265	—	190,248,083	75,713,435	(877,922,493)	—
Disposal/retirement	—	—	—	—	(56,293,154)	(1,323,000)	—	(42,724,362)	—	(100,340,516)
Translation adjustment	71,101,421	26,702,869	3,333,692	5,899,898	5,901,034	337,132	1,480	56,943	—	113,334,469
Balances at end of year	6,668,653,627	28,676,936,589	8,328,703,309	2,416,653,683	3,672,972,705	1,488,720,539	199,636,305	5,989,935,811	663,595,806	58,105,808,374
Accumulated Depreciation										
Balances at beginning of year	1,810,534	2,646,221,684	1,393,393,828	929,613,840	1,393,900,463	299,661,746	8,447,111	2,327,368,812	—	9,000,418,018
Depreciation (see Note 17)	1,140,054	1,264,903,595	839,776,272	486,183,098	741,283,352	184,708,793	1,307,968	1,175,458,958	—	4,694,762,090
Disposal/retirement	—	—	—	—	(50,675,719)	(1,014,300)	—	(42,541,543)	—	(94,231,562)
Translation adjustment	—	8,227,140	366,963	369,351	4,364,897	67,418	436	6,103	—	13,402,308
Balances at end of year	2,950,588	3,919,352,419	2,233,537,063	1,416,166,289	2,088,872,993	483,423,657	9,755,515	3,460,292,330	—	13,614,350,854
	₱6,665,703,039	₱24,757,584,170	₱6,095,166,246	₱1,000,487,394	₱1,584,099,712	₱1,005,296,882	₱189,880,790	₱2,529,643,481	₱663,595,806	₱44,491,457,520



Construction in progress represents costs incurred in the improvement of Solaire property. Costs incurred mainly include raw materials procurement, general construction works, architectural design services, engineering consultancy and construction supervision services and interior design services.

In 2017, the Group wrote off an aircraft (included in the transportation equipment) and sold the related spare parts, with carrying value of ₱172.2 million. Loss on write-off/sale amounted to ₱150.0 million (see Note 17).

Fully depreciated assets still in use in operations as of December 31, 2017 and 2016 amounted to ₱440.2 million and ₱349.2 million, respectively. The Group has no idle property and equipment as of December 31, 2017 and 2016.

As of December 31, 2017 and 2016, BRHI's and Sureste's property and equipment under mortgage have carrying values of ₱35.6 billion and ₱37.4 billion, respectively (see Note 13).

11. Intangible and Other Noncurrent Assets

a. Intangible Assets

The movements in the goodwill and casino license follow:

	2017	2016
Balance at beginning of year	₱1,959,867,224	₱1,931,256,023
Impairment loss	(271,574,086)	—
Translation adjustment	254,115,555	28,611,201
Balance at end of year	₱1,942,408,693	₱1,959,867,224

Impairment Testing of Goodwill and Casino License with Indefinite Useful Life

The Group's goodwill and casino license with indefinite useful life acquired through a business combination, as discussed in Note 3, are allocated to a single CGU, i.e., casino-hotel business in the Republic of Korea.

The recoverable amount of the CGU has been determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. Management determined the financial budgets based on past performance and its expectations for market development. Cash flows beyond the five-year period are extrapolated using the estimated growth rate stated below.

The calculation of value-in-use is most sensitive to the following assumptions:

Revenue Growth Rate

Revenue growth is based on the expected operating results of casino and hotel businesses. Management estimated that revenue will grow at a compounded annual growth rate of 16.9% from 2018 to 2022. An annual revenue growth slower by 1.0% will result in further impairment while an annual growth rate that is 1.0% faster from what was initially projected year-on-year will result in no impairment.

Long-term Growth Rate

Weighted average growth rate is used to extrapolate cash flows beyond the budget period which does not exceed the historical trend of the CGUs. A long-term growth rate of 1.0% was used in the forecast. The weighted average growth rates used are consistent with the forecasts included in



industry reports. A long-term growth rate of less than 1.0% will result in further impairment while there will be no impairment when long-term growth rate is at least 3.8%.

Discount Rate

A post-tax discount rate of 9.8% has been applied to the cash flow projections, the pre-tax equivalent of which is 11.7%. The discount rate reflects specific risks relating to the Group and is derived from its weighted average cost of capital ("WACC"). The WACC takes into account both debt and equity. As casino license is regulated by the government with risk arising with changes in the tourism policy, discount rate is greater than the average business risk. An increase in the discount rate to 10.3% (i.e., +0.5%) will result in further impairment while a decrease of 1.0% will not result in an impairment loss, keeping other variables constant.

The Group has recognized an impairment loss on its goodwill and casino license in 2017 amounting to ₱271.6 million and is presented as part of "Other expenses" in the 2017 consolidated statement of comprehensive income (see Note 17).

b. Other Noncurrent Assets

This account consists of:

	2017	2016
Advances to contractors	₱117,840,549	₱43,785,965
Security deposits classified as noncurrent	66,684,841	79,906,364
Available-for-sale investment	16,350,000	13,500,000
Operating equipment	7,019,640	97,218,364
Others	8,077,905	7,869,967
	₱215,972,935	₱242,280,660

Advances to contractors pertain to advance payments to various contractors for gaming equipment, hotel furniture and fixtures, operating equipment and other gaming and hotel equipment related to the development of hotel and gaming facility of Solaire. As of December 31, 2017 and 2016, advances to contractors primarily pertain to advance payments for hotel furnitures and fixtures and other gaming and hotel equipment and for construction costs related to the Sky Tower, respectively.

Security deposits classified as noncurrent primarily pertain to deposits to utility companies which are refundable upon service termination.

Available-for-sale investment represents the Group's investment in quoted Manila Polo Club shares.

Operating equipment pertains to linen, china, glassware, kitchen wares and uniforms purchased by the Group to be amortized over a period of two to three years. Purchases in 2017, 2016 and 2015, amounted to ₱4.5 million, ₱7.2 million and ₱193.9 million, respectively. Amortization amounted to ₱94.7 million, ₱160.3 million and ₱280.8 million for the years ended December 31, 2017, 2016 and 2015, respectively (see Note 17).



12. Payables and Other Current Liabilities

This account consists of:

	2017	2016
Outstanding chips and other gaming liabilities	₱3,243,586,534	₱3,286,127,992
Customers' deposits	2,051,971,869	1,533,348,034
Gaming taxes payable (see Notes 14 and 19)	777,978,820	689,374,146
Payable to contractors and suppliers (see Note 14)	688,558,899	940,902,017
Holdback liability (net of indemnification asset) (see Note 3)	364,865,130	347,666,595
Retention payable	239,898,757	265,730,430
Output VAT and other taxes payable	212,138,397	129,097,909
Short-term borrowing	207,815,000	251,943,000
Tenants' security deposits classified as current (see Note 18)	16,764,233	7,125,887
Accrued expenses:		
Interest	364,817,203	343,708,469
Outside services and charges	360,963,736	201,693,599
Advertising and promotions	237,267,595	156,877,271
Utilities	58,261,736	55,314,003
Rent (see Note 18)	50,203,192	74,545,244
Salaries and benefits	41,539,287	207,305,572
Repairs and maintenance	26,813,874	8,751,475
Communication and transportation	10,081,980	14,993,112
Others	292,410,750	256,389,920
	₱9,245,936,992	₱8,770,894,675

Outstanding chips and other gaming liabilities include outstanding chips, slot tickets as well as provision for progressive jackpot on slots and for points earned from customer loyalty programs. Outstanding chips as of December 31, 2017 and 2016 amounting to ₱2,501.5 million and ₱2,289.5 million, respectively, pertain to chips purchased by the players which are not yet converted into cash. Other gaming liabilities mainly include liability for points earned from customer loyalty programs amounting to ₱353.6 million and ₱442.7 million as of December 31, 2017 and 2016, respectively; junket program rebates amounting to ₱283.8 million and ₱231.2 million as of December 31, 2017 and 2016, respectively; progressive jackpot liability amounting to ₱77.9 million and ₱300.2 million as of December 31, 2017 and 2016, respectively; and slot payout voucher and tickets liability amounting to ₱26.8 million and ₱22.5 million as of December 31, 2017 and 2016, respectively.

Customers' deposits pertain to casino players' funds deposited directly to the casino's bank accounts or over the cage cashier counter for future purchase of chips or redemption of credit markers and advance payments for retail space lease, hotel accommodations and events services.

Gaming taxes payable mainly pertains to license fees payable to PAGCOR, which are normally settled within one month.

Short-term borrowing pertains to borrowings of G&L from banks payable within a year with interest rate of 6.5% and 7.9% per annum as of December 31, 2017 and 2016, respectively. Interest charges related to this borrowing, recognized as part of "Interest expense" account in the consolidated statements of comprehensive income, amounted to ₱22.9 million, ₱32.6 million and ₱29.2 million in



2017, 2016 and 2015, respectively. Principal amount paid in 2017, 2016 and 2015 amounted to ₱74.9 million, ₱191.6 million and ₱199.1 million, respectively.

Accrued rent arises from the recognition of various leases on a straight-line basis.

Other accrued expenses include accrual for insurance and other outside services.

Payables and other current liabilities are normally settled within one year.

13. Long-term Debt

This account consists of:

	2017	2016
Principal:		
Original facility	₱8,252,697,500	₱8,687,050,000
Expansion facility	12,789,920,000	14,048,320,000
Corporate notes	11,310,750,000	11,425,000,000
	32,353,367,500	34,160,370,000
Less unamortized debt discount	252,547,904	334,389,914
	32,100,819,596	33,825,980,086
Less current portion of long-term debt*	2,727,330,526	1,713,578,275
	₱29,373,489,070	₱32,112,401,811

*Net of unamortized debt discount of ₱87.8 million and ₱93.4 million as of December 31, 2017 and 2016, respectively.

The movements in unamortized debt discount follow:

	2017	2016
Unamortized debt discount at beginning of year	₱334,389,914	₱403,606,254
Additions	–	43,435,251
Amortization (net of prepayment option value accretion)	(81,842,010)	(112,651,591)
Unamortized debt discount at end of year	₱252,547,904	₱334,389,914

Future repayment of the principal follows:

	2017	2016
Within one year	₱2,815,152,500	₱1,807,002,500
After one year but not more than five years	25,194,690,000	27,141,137,500
Beyond five years	4,343,525,000	5,212,230,000
	₱32,353,367,500	₱34,160,370,000

a. Original Facility

On January 24, 2011, Sureste and BRHI entered into an aggregate of ₱9.87 billion (₱7.62 billion for Sureste and ₱2.25 billion for BRHI), seven-year term loan facilities (“Original Facility”) with Banco de Oro Unibank, Inc. (“the Lender” or “BDO”) as the lender to finance the construction of the hotel, gaming and entertainment facility, including but not limited to purchase of furniture, fixture and equipment and payment of consultants. Sureste’s loan has an escrow portion in the amount of ₱2.25 billion, which is secured by the assignment and hold-out on the escrow account maintained by BRHI as previously required under the Provisional License from PAGCOR (see



Note 9). On April 4, 2012, Sureste's loan agreement with BDO was amended to, among others, provide for an additional ₱4.73 billion loan facility, making an aggregate available facility for Sureste of ₱12.35 billion.

The Original Facility is payable over seven years in 16 consecutive quarterly installments on each repayment date commencing on the 39th month from the initial drawdown date while the interest on the unpaid principal amount shall be paid in quarterly payments from the initial drawdown date. The loan bears an interest rate based on a spread of 1% over the 3-month PDST-R1 rate with respect to the escrow portion of Sureste's loan in the amount of ₱2.25 billion and 3% over the 3-month PDST-F rate with respect to the portion not constituting the escrow portion in the amount of ₱12.35 billion.

On December 22, 2016, the Group and the Lender agreed to restructure the terms of the loan facility. Under the revised agreement, the Original Facility is payable over 16 years in 50 consecutive quarterly installments on each repayment date commencing on the 39th month from the initial drawdown date. The loan bears an interest rate on a spread of 1.0% over the 10-year PDST-R2 rate as of December 22, 2016 with respect to the escrow portion of the Group's loan in the amount of ₱2.25 billion and 1.75% over the 10-year PDST-R2 rate as of December 22, 2016 with respect to the portion not constituting the escrow portion in the amount of ₱12.35 billion. The amendment of the terms of the Original Facility was accounted for as a modification, rather than an extinguishment of debt. Thus, the fees incurred on the loan refinancing amounting to ₱43.4 million was adjusted to the carrying value of the Original Facility and will be amortized over the remaining term of the modified liability.

Sureste and BRHI are obliged to pay, on each date of drawdown, for the first three years of the facilities, a commitment fee equivalent to 0.8% per annum for the first year and 0.5% per annum for the second and third years, based on the undrawn portion of the commitment.

As of December 31, 2017 and 2016, this facility has been fully drawn. Loan principal amounting to ₱434.4 million and ₱2,796.1 million was paid in 2017 and 2016, respectively. Outstanding long-term debt amounted to ₱8,181.5 million and ₱8,617.3 million as of December 31, 2017 and 2016, respectively, net of unamortized debt discount of ₱71.2 million and ₱69.7 million as of December 31, 2017 and 2016, respectively.

The Original Facility provides that Sureste/BRHI is permitted to make optional prepayments anytime until maturity. Upon prepayment, Sureste/BRHI shall pay the principal, accrued interest and penalty based on the amount prepaid in the following percentages: (i) 3% for years 1 to 3 from the initial borrowing date; (ii) 2% for year 4; (iii) 1% for year 5; and (iv) 0.5% for year 6.

The prepayment option was assessed as not clearly and closely related to the loan. As at inception date, the value of the prepayment option is not material. Upon additional drawdowns, the option was bifurcated at each drawdown date of the loan, resulting to a value of the bifurcated prepayment option which was offset against additions to capitalized debt issue costs. Accretion of interest on the option amounting to ₱13.5 million, ₱20.9 million and ₱21.0 million in 2017, 2016 and 2015, respectively, were offset against amortization of debt issue costs. Fair value loss on the prepayment option amounting to ₱7.6 million and ₱20.4 million in 2017 and 2016, respectively, and fair value gain amounting to ₱5.3 million in 2015, are recognized as part of "Others" under Other income (expenses) in the consolidated statements of comprehensive income.



b. Expansion Facility

In March 2013, the Group executed a second amendment to the loan agreement to provide for an additional ₱14.3 billion loan facility (“Expansion Facility”) with BDO Unibank Inc., China Banking Corp., and Philippine National Bank as expansion lenders.

The Expansion Facility of ₱14.3 billion is payable over seven years in 16 consecutive quarterly installments on each repayment date commencing on the 39th month from the initial drawdown date while the interest on the unpaid principal amount shall be paid in quarterly payments from the initial drawdown date. The loan bears an interest rate based on a spread of 2% over the 30-day BSP reverse purchase agreement rate, unless a substitute benchmark rate has been requested 20 banking days prior to an interest payment date.

Similar with the original facility, Sureste is obliged to pay, on each date of drawdown, for the first three years of the facilities, a commitment fee equivalent to 0.8% per annum for the first year and 0.5% per annum for the second and third years, based on the undrawn portion of the commitment.

As of December 31, 2017 and 2016, this facility has been fully drawn. Loan principal amounting ₱1,258.4 million and ₱251.6 million was paid in 2017 and 2016, respectively. Outstanding long-term debt amounted to ₱12,651.3 million and ₱13,838.5 million as of December 31, 2017 and 2016, respectively, net of unamortized debt discount of ₱138.6 million and ₱209.8 million as of December 31, 2017 and 2016, respectively.

The Expansion Facility provides that Sureste is permitted to make optional prepayments anytime until maturity, but without penalty.

The embedded prepayment option on the Expansion Facility was assessed as clearly and closely related to the loan, thus, not for bifurcation.

c. Corporate Notes

On February 10, 2014, the Group issued ₱11.425 billion unsecured corporate notes (“Corporate Notes”) to fund Phase 1A of Solaire. Sureste and BRHI signed a corporate notes facility agreement with BDO Unibank Inc., BDO Leasing and Finance Inc., BDO Private Bank Inc., China Banking Corp., Robinsons Bank Corp. and United Coconut Planters Bank. BRHI served as an issuer, Sureste as surety and BDO Capital & Investment Corp. as the lead arranger and sole bookrunner for the facility.

The Corporate Notes of ₱11.425 billion is payable over seven years in 8 consecutive semi-annual installments on each repayment date commencing on the 36th month from the initial drawdown date while the interest on the unpaid principal amount shall be paid in semi-annual payments from the initial drawdown date. The Corporate Notes bears a fixed interest rate of 6.75% per annum.

Loan principal amounting to ₱114.2 million was paid in 2017. Outstanding long-term debt amounted to ₱11,268.0 million and ₱11,370.1 million as of December 31, 2017 and 2016, respectively, net of unamortized debt discount of ₱42.8 million and ₱54.9 million as of December 31, 2017 and 2016, respectively.



The Corporate Notes provide that BRHI is permitted to make optional prepayments anytime until maturity. Upon prepayment, BRHI shall pay the principal, accrued interest and penalty based on the amount prepaid in the following percentages: (i) 0.5% from the first to third anniversary; (ii) 0.25% after the third anniversary to the fifth anniversary; and (iii) no prepayment penalty after the fifth anniversary.

The embedded prepayment option on the Corporate Notes was assessed as clearly and closely related to the loan, thus, not for bifurcation.

All legal and professional fees, including commitment fee, totaling ₱794.5 million as of December 31, 2017 and 2016 were capitalized. Debt issue costs were amortized using EIR method. For the years ended December 31, 2017, 2016 and 2015, amortization of debt issue costs (net of interest accretion on the option) amounting to nil, nil and ₱7.6 million, respectively; and interest charges amounting to nil, nil and ₱77.0 million, respectively, were capitalized as part of “Property and equipment” (see Note 10).

In 2017, 2016 and 2015, borrowing costs related to these loan facilities recognized as expense in the consolidated statements of comprehensive income amounted to ₱2,120.3 million, ₱2,189.3 million and ₱2,138.0 million, respectively. This comprises of interest expense amounting to ₱2,038.4 million, ₱2,076.7 million and ₱2,042.4 million and amortization of debt discount (net of interest accretion on the option) amounting to ₱81.9 million, ₱112.6 million and ₱95.6 million in 2017, 2016 and 2015, respectively.

Unamortized debt discount, representing capitalized debt issue costs and the value of the bifurcated derivatives arising from embedded prepayment option, is presented as deduction from the Group’s long-term debt.

Debt Covenant

The Group’s original and expansion facilities and corporate notes contain certain restrictive covenants that require the Group to comply with specified financial ratios and other financial tests at quarterly measurement dates. The Group’s loan agreements include compliance with certain financial ratios such as debt-to-equity ratio (computed as total liabilities divided by total equity) and debt service coverage ratio (computed as net income less interest expense; depreciation and amortization; Debt Service Payment Account (“DSPA”) and Debt Service Reserve Account (“DSRA”) divided by current portion of long-term debt and interest payable). In February 2017, the definition of the debt-to-equity ratio requirement for the Expansion Facility was amended to exclude liabilities backed by cash in the total liabilities.

As of December 31, 2017 and 2016, the Group is in compliance with these debt covenants.

Collateral

Under the original and expansion facilities, collateral includes the following:

i) Assignment of Accounts and Receivables

To ensure the payment by Sureste/BRHI of the Loan, Sureste/BRHI shall assign, convey, set over and transfer unto the Security Trustee absolutely and unconditionally all of its respective right, title and interest in all monies standing in its DSPA and DSRA required to be maintained by the Group to service interest and principal payments, all monies standing in the Escrow Account (see Note 9), project receivables, as well as the proceeds, products and fruits of the said accounts.



The level of funds standing in the DSRA on any date commencing on the initial drawdown date shall be at least equal to the amount of principal due on an immediately succeeding repayment date and two times the interest payable on an immediately succeeding interest payment date. The level of funds standing in the DSPA commencing on the initial drawdown date shall be at least equal to (i) on the 60th day from the start of the relevant interest period, at least fifty percent (50%) of all amounts payable on an immediately succeeding payment date; and (ii) on or before 10:00 am of a payment date, at least one hundred percent (100%) of all amounts payable on such payment date.

In the event the funds in the DSPA fall below the DSPA maintaining balance, and as a result thereof, the funds standing in the DSPA becomes insufficient to cover payments for the relevant payment date, Banco de Oro Unibank, Inc. - Trust and Investment Group (the Security Trustee) shall, not later than 12:00 pm on such relevant payment date, debit from the DSRA such amount as would be necessary to pay for the interest or principal falling due on such payment date.

As of December 31, 2017 and 2016, the Group's debt collateral accounts balances are as follows (see Note 5):

	2017	2016
Debt service reserve account	₱1,504,481,863	₱1,270,522,481
Debt service payment account	134,305,384	140,319,996
	₱1,638,787,247	₱1,410,842,477

ii) Assignment of Project Agreements

Sureste/BRHI shall assign, convey, set over and transfer absolutely to the Security Trustee all of its rights, title and interest, present and future, in and into the Future Project Agreements, the (a) benefit of all claims for damages for the breach by any Counterparty of any term of any of the Project Agreements and all warranties and indemnities contained therein; (b) the right to terminate any of the Project Agreements or agree to the suspension thereof; (c) the right to compel performance of any of the Project Agreements; (d) the right to agree to any variation of the terms of any of the Project Agreements; and (e) the right to pursue any action, proceeding, suit or arbitration arising in relation to any of the rights assigned and to enforce such rights in the name of Sureste/BRHI.

iii) Mortgage

As a security for timely payment, discharge, observance and performance of the loan, Sureste/BRHI (a) establishes in favor of the Security Trustee for the benefit of the Lender, a first ranking real estate mortgage on the Present Real Assets, i.e., leasehold rights over the Phase 1 PAGCOR Land covered by the PAGCOR Lease (see Note 18), and Future Real Assets, i.e., the hotel and gaming facilities; and (b) establish in favor of the Security Trustee for the benefit of the Lender, a first ranking Chattel Mortgage on the Present and Future Chattels. As of December 31, 2017 and 2016, BRHI's and Sureste's property and equipment under mortgage have carrying values of ₱35.6 billion and ₱37.4 billion, respectively (see Note 10).

iv) Continuing Suretyship

In consideration of the loan and for other valuable consideration receipt of which the Surety, i.e., Sureste/BRHI, acknowledges, Sureste/BRHI agrees that it shall be solidarily liable with BRHI/Sureste to the Lender and the Security Trustee for the payment of the loan.



v) Pledge

The Pledgor, i.e., BRHI shareholders, shall assign, transfer, deliver, set over and grant to the Security Trustee, a continuing security interest of first priority in, all of its right, title and interest in and to the Pledged Shares, i.e., BRHI shares, and the Additional Pledged Shares, whether now owned or existing or hereafter acquired.

14. Related Party Transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. This includes: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Group; (b) subsidiaries; and (c) individuals owning, directly or indirectly, an interest in the voting power of the Group that give them significant influence over the Group and close members of the family of any such individual.

Related party receivables and payables are generally settled in cash.

The Group's related party balances are as follows:

Related Party	Nature/Terms of Transaction	Transaction Amounts			Outstanding Receivable (Payable)	
		2017	2016	2015	2017	2016
Global Gaming Philippines, LLC (GGAM), <i>stockholder</i>	Management fees; payable within 30 days; noninterest-bearing (see Notes 12 and 19)	P—	P—	P—	(P4,742,260)	(P4,742,260)
Eaglesight Investments Limited*	Aircraft lease and maintenance reimbursements; payable within 1 month; noninterest-bearing (see Note 12)	223,165,380	206,849,560	250,281,781	—	—
Bloomerry Cultural Foundation**	1. 2% of non-junket casino revenue; unsecured; payable within one year; noninterest-bearing (see Notes 12 and 19)	386,172,965	343,846,510	278,236,200	(32,184,947)	(37,675,958)
	2. Noninterest-bearing and unsecured advances (to be settled within 1 year); no impairment (see Notes 8 and 19)	10,529,574	3,057,456	609,805	14,196,835	3,667,261
Officers and employees	Interest-bearing and unsecured cash advances to be settled through salary deduction within 1 year; no impairment (see Note 6)	107,971,339	115,403,914	270,762,047	117,241,378	210,002,794
Other affiliates*	1. Aircraft maintenance reimbursements; noninterest-bearing (see Note 12)	69,981,994	275,597,906	—	(74,175,711)	(144,157,705)
	2. Noninterest-bearing and unsecured cash advances to be settled through liquidation; no impairment (see Note 8)	16,477,310	60,355,738	—	43,878,428	60,355,738
Key management personnel	Short-term employee benefits	123,401,810	120,241,011	64,515,089	—	—

*Under common control

**Corporate social responsibility sector of the Group



15. Retirement Cost

The Group has an unfunded and noncontributory defined benefit pension plan covering substantially all of its regular employees. The cost of providing benefits is valued every year by a professional qualified independent actuary in compliance with PAS 19. Benefits are dependent on the years of service and the respective employees' compensation and are determined using the projected unit credit method.

The following tables summarize the components of retirement expense recognized in the consolidated statements of comprehensive income and the retirement liability recognized in the consolidated statements of financial position as of and for the years ended December 31, 2017, 2016 and 2015:

	2017	2016	2015
Retirement expense:			
Current service cost	₱80,854,884	₱81,574,466	₱106,315,911
Interest cost	11,639,906	7,551,492	6,061,164
Balance at end of year	₱92,494,790	₱89,125,958	₱112,377,075
Retirement liability:			
Balance at beginning of year	₱289,563,876	₱226,935,194	₱131,478,600
Effect of business combination (see Note 3)	—	—	140,196,225
Retirement expense	92,494,790	89,125,958	112,377,075
Benefits paid	(20,233,820)	(45,452,634)	(37,698,809)
Remeasurement loss (gain)	67,637,458	16,963,379	(119,417,897)
Translation adjustment	20,095,312	1,991,979	—
Balance at end of year	₱449,557,616	₱289,563,876	₱226,935,194
Changes in the present value of defined benefit obligation:			
Balance at beginning of year	₱289,563,876	₱226,935,194	₱131,478,600
Effect of business combination (see Note 3)	—	—	140,196,225
Current service cost	80,854,884	81,574,466	106,315,911
Interest cost	11,639,906	7,551,492	6,061,164
Benefits paid	(20,233,820)	(45,452,634)	(37,698,809)
Remeasurement loss (gain) in other comprehensive income:			
Experience adjustments	42,995,024	(18,095,940)	(47,648,286)
Changes in demographic assumptions	26,190,236	—	—
Changes in financial assumptions	(1,547,802)	35,059,319	(71,769,611)
Translation adjustment	20,095,312	1,991,979	—
Balance at end of year	₱449,557,616	₱289,563,876	₱226,935,194

The principal assumptions used in determining the Group's retirement liability as of December 31, 2017 and 2016 are shown below:

	2017				2016			
	Sureste	BRHI	G&L	Solaire Korea	Sureste	BRHI	G&L	Solaire Korea
Discount rate	5.80%	5.80%	2.77%	3.01%	5.63%	5.57%	2.39%	2.63%
Future salary rate increase	6.00%	6.00%	5.00%	2.00%	5.00%	5.00%	5.00%	2.00%
Mortality rate	2017 PICM		KIDI		1994 GAM		KIDI	
Disability rate	1952 disability study, period 2, benefit 5				1952 disability study, period 2, benefit 5			
Turnover rate	A scale ranging from 13% at age 18 decreasing to 0% at age 60		A scale ranging from the age 30 decreasing to retirement		A scale ranging from 13% at age 18 decreasing to 0% at age 60		A scale ranging from the age 30 decreasing to retirement	



Shown below is the maturity profile of the Group's undiscounted benefit payments:

Plan Year	Expected Benefit Payments	
	2017	2016
Less than one year	₱12,461,244	₱1,926,722
More than one year to five years	31,008,556	15,936,481
More than five years to 10 years	114,577,079	64,942,034
More than 10 years to 15 years	482,165,841	303,620,507
More than 15 years to 20 years	710,772,170	458,471,349
More than 20 years	4,517,427,838	2,957,713,580

The average duration of the defined benefit obligation at the end of the reporting period is 26.32 years.

The retirement liability is subject to several key assumptions. To help illustrate the impact of each key assumption, a sensitivity analysis is provided below, which has been determined based on reasonably possible changes of each significant assumption on the retirement benefit obligation as of the end of the reporting period, assuming all other assumptions were held constant:

a. Sureste

	2017 Effect on Present Value of Obligation
Discount rate	
6.80% Actual + 1.00%	(₱7,595,724)
4.80% Actual - 1.00%	9,520,672
Salary increase rate	
7.00% Actual + 1.00%	9,622,756
5.00% Actual - 1.00%	(7,799,438)

b. BRHI

	2017 Effect on Present Value of Obligation
Discount rate	
6.80% Actual + 1.00%	(₱32,801,132)
4.80% Actual - 1.00%	40,653,125
Salary increase rate	
7.00% Actual + 1.00%	41,202,082
5.00% Actual - 1.00%	(33,783,739)

c. G&L

	2017 Effect on Present Value of Obligation
Discount rate	
7.60% Actual + 1.00%	(₱12,951,419)
8.90% Actual - 1.00%	15,096,372
Salary increase rate	
8.80% Actual + 1.00%	14,921,486
7.70% Actual - 1.00%	(13,054,747)



d. Solaire Korea

	2017 Effect on Present Value of Obligation
Discount rate	
2.80% Actual + 1.00%	(₱91,144)
3.30% Actual - 1.00%	107,653
Salary increase rate	
3.30% Actual + 1.00%	107,798
2.80% Actual - 1.00%	(92,908)

16. Equity

Capital Stock

Capital stock consists of:

	2017		2016	
	Shares	Amount	Shares	Amount
Capital stock - ₱1 par value				
Authorized	15,000,000,000	₱15,000,000,000	15,000,000,000	₱15,000,000,000
Issued	11,032,998,225	11,032,998,225	11,032,998,225	11,032,998,225
Issued and outstanding	11,010,495,000	10,907,806,076	10,999,098,410	10,818,408,247

Stock Incentive Plan

The Stockholders of the Group approved on June 25, 2012 a Stock Incentive Plan (“SIP”) for directors, officers, and employees of the Group, effective for a period of ten years unless extended by the BOD. The Participants to the SIP are: permanent and regular employees of the Group or its affiliates with at least one year tenure; officers and directors of the Group; officers and directors of affiliates of the Group; and other persons who have contributed to the success and profitability of the Group or its affiliates.

The SIP shall be administered by the Stock Incentive Committee (“SIC”) composed of three directors or officers to be appointed by the BOD. The SIC shall determine the number of shares to be granted to a participant and other terms and conditions of the grant.

Unissued shares from the authorized capital stock or treasury shares, together with shares already granted under the SIP, which are equivalent to seven percent (7%) of the resulting total outstanding shares of the Group, shall be allocated for the SIP.

The grant of shares under the SIP does not require an exercise price to be paid by the awardee. The shares awarded shall vest in two years: 50% on the first anniversary date of the award; and the other 50% on the second anniversary date of the award. Vesting grants the participant absolute beneficial title and rights over the shares, including full dividend and voting rights.



Stock awards granted by the SIC to officers and employees of the Group are shown below:

	Number of Shares Granted	Fair Value per Share at Grant Date
October 1, 2013	5,792,700	₱10.02
July 1, 2014	4,318,589	10.84
October 27, 2014*	4,486,000	14.98
April 28, 2015	922,645	11.36
August 13, 2015	1,157,403	8.95
October 23, 2015	1,105,842	6.59
February 16, 2016	18,986,490	4.49
June 28, 2016	558,289	5.80
April 18, 2017	26,748,522	8.38

*50 percent of the total granted shares has a 3-year vesting period.

Fair value per share was based on the market price of stock at the date of grant.

Movements in the stock awards granted (number of shares) follow:

	2017	2016	2015
Balance at beginning of year	21,885,389	7,962,017	10,855,539
Stock awards granted	26,748,522	19,544,779	3,185,890
Stock awards vested	(11,396,590)	(4,546,197)	(3,981,907)
Stock awards of resigned/terminated employees	(716,410)	(1,075,210)	(2,097,505)
	36,520,911	21,885,389	7,962,017

Total compensation expense on the stock awards recognized in 2017, 2016 and 2015 as part of “Salaries and benefits” under “Operating costs and expenses” in the consolidated statements of comprehensive income amounted to ₱145.8 million, ₱84.5 million and ₱59.9 million, respectively. Reduction in share-based payment plan and treasury shares arising from the issuance of treasury shares for vested stock awards amounted to ₱64.4 million and ₱89.4 million, respectively, in 2017; ₱54.5 million and ₱49.5 million, respectively, in 2016; and ₱49.7 million and ₱50.2 million, respectively, in 2015. Such issuance of treasury shares resulted to decrease in APIC amounting to ₱25.0 million in 2017, increase in APIC amounting to ₱5.0 million in 2016 and decrease in APIC amounting to ₱0.5 million in 2015.

The stock incentive obligation recognized as “Share-based payment plan” in the consolidated statements of financial position amounted to ₱159.7 million and ₱78.3 million as of December 31, 2017 and 2016, respectively.

Treasury Shares

The movement in treasury shares follows:

	2017		2016		2015	
	Shares	Amount	Shares	Amount	Shares	Amount
Balance at beginning of year	33,899,815	₱214,589,978	24,446,012	₱216,422,356	6,146,719	₱77,448,659
Acquisition	—	—	14,000,000	47,677,001	22,281,200	189,145,719
Issuance for share-based payments	(11,396,590)	(89,397,829)	(4,546,197)	(49,509,379)	(3,981,907)	(50,172,022)
Balance at end of year	22,503,225	₱125,192,149	33,899,815	₱214,589,978	24,446,012	₱216,422,356

In 2017, 2016 and 2015, a total of 11,396,590; 4,546,197 and 3,981,907 treasury shares, respectively, were reissued for vested stock awards.



At various dates in 2016 and 2015, Bloomberg acquired a total of 14,000,000 and 22,281,200, respectively, as of its own shares to cover the number of shares granted to certain officers and employees under the SIP that will vest in the future. The shares which were acquired by Bloomberg at the market price on the dates of buy-back amounted to ₱47.7 million and ₱189.1 million in 2016 and 2015, respectively.

Set out below is Bloomberg's track record of issuance of its securities:

Date of Approval	Number of Shares		Issue/ Offer Price
	Authorized	Issued/ Subscribed	
May 3, 1999*	120,000,000	80,000,000	₱1.00
February 27, 2012**	15,000,000,000	9,211,840,556	1.00
May 2, 2012***	15,000,000,000	1,179,963,700	7.50
May 31, 2012***	15,000,000,000	117,996,300	7.50
November 10, 2014****	15,000,000,000	435,000,000	13.00
December 18, 2014****	15,000,000,000	8,197,669	12.60

*Date when the registration statement covering such securities was rendered effective by the SEC

**SEC approval of the increase in the authorized capital stock; Offer Shares sold at ₱7.50 on May 2, 2012

***Transaction date per SEC Form 23-B; Includes Offer Shares and Over-Allotment Option

****Transaction date per SEC Form 17-C

As of December 31, 2017 and 2016, Bloomberg has total shareholders of 97 and 98, respectively, on record. For this purpose, public shares held under PCD Nominee are counted as two (one for PCD Nominee - Filipino and another for PCD Nominee - Foreign). As of December 31, 2016, 1,364,381,725 shares are not yet listed in the stock exchange. These shares are subsequently listed in the stock exchange in 2017.

Dividend Declaration

On March 18, 2015, the Parent Company's BOD approved the declaration of cash dividend of ₱0.05 per share or an aggregate amount of ₱551.5 million to stockholders on record date of April 7, 2015 payable on May 5, 2015.

17. Income and Expenses

a. Operating Costs and Expenses

This account consists of:

	2017	2016	2015
Taxes and licenses (see Notes 14 and 19)	₱9,583,935,124	₱6,687,879,131	₱4,943,499,761
Advertising and promotions (see Notes 4, 18 and 19)	5,418,971,820	4,222,766,775	3,175,645,659
Depreciation and amortization (see Notes 10 and 11)	4,353,852,334	4,855,041,542	4,856,402,627
Salaries and benefits (see Notes 15 and 16)	3,829,214,503	3,703,033,689	3,825,444,872
Outside services and charges	1,160,822,955	956,956,628	1,419,760,062
Office expenses	1,033,615,386	1,039,716,434	1,094,655,100
Cost of sales (see Note 7)	910,631,119	713,913,833	703,503,642
Utilities	852,772,486	823,686,103	826,954,903

(Forward)



	2017	2016	2015
Rent (see Note 18)	₱531,393,781	₱510,748,156	₱522,613,170
Repairs and maintenance	402,837,572	324,346,006	243,085,264
Communication and transportation (see Note 14)	212,290,929	189,168,928	181,384,851
Provision for (reversal of) allowance for doubtful accounts (see Note 6)	(32,873,711)	203,752,624	2,568,720,145
Others	465,528,757	456,088,126	429,658,950
	₱28,722,993,055	₱24,687,097,975	₱24,791,329,006

Office expenses mainly consist of supplies amounting to ₱550.7 million, ₱522.1 million and ₱509.8 million; team member expenses amounting to ₱309.8 million, ₱322.4 million and ₱427.6 million; and insurance expense amounting to ₱88.4 million, ₱101.0 million and ₱129.2 million in 2017, 2016 and 2015, respectively.

b. Interest Income

Sources of the Group's interest income are as follows:

	2017	2016	2015
Cash and cash equivalents (see Note 5)	₱37,758,430	₱31,231,942	₱48,732,074
Receivables from officers and employees (see Note 6)	1,832,566	2,727,180	—
Restricted cash (see Note 9)	26,584,268	10,071,451	28,675,242
	₱66,175,264	₱44,030,573	₱77,407,316

c. Interest Expense

Sources of the Group's interest expense are as follows:

	2017	2016	2015
Short-term borrowing (see Note 12)	₱22,938,015	₱32,573,482	₱29,164,063
Long-term debt (see Note 13)	2,120,251,416	2,189,334,849	2,137,975,490
Amortization of tenants' security deposit (see Note 18)	8,359,154	1,404,713	—
	₱2,151,548,585	₱2,223,313,044	₱2,167,139,553

d. Other Income (Expenses) - Others

This account consists of:

	2017	2016	2015
Impairment loss (see Note 11)	(₱271,574,086)	₱—	₱—
Loss on sale/write-off of property and equipment (see Note 10)	(149,947,080)	—	—
Mark-to-market gain (loss) (see Note 13)	(7,613,277)	(20,408,783)	5,278,253
	(₱429,134,443)	(₱20,408,783)	₱5,278,253



18. Lease Agreements

As a Lessee

On May 7, 2010, BRHI entered into a contract of lease with PAGCOR to lease 83,084 square meters of land for the construction of the hotel, gaming and entertainment facility. The lease period shall be for about 23 years which shall commence upon the execution of the contract and shall be co-terminus with the term of lessor as provided in the PAGCOR charter which will expire on July 11, 2033, unless sooner revoked, rescinded or cancelled. The annual lease rental is based on the schedule provided for in the agreement. No annual lease payments are due during the first two (2) years of the lease period. Rental shall have 5% annual escalation rate starting on the 18th year of the lease period.

On May 20, 2011, BRHI and Sureste entered into a deed of assignment whereby BRHI assigned to Sureste all its rights and interest as a lessee under the contract of lease with PAGCOR. Such deed of assignment was approved by PAGCOR on May 26, 2011. Pursuant to the deed of assignment, Sureste undertakes and commits that it will faithfully observe and fully comply with (a) all of the representations, covenants and undertakings of BRHI contained in the contract of lease and (b) the rules and regulations of PAGCOR, to the extent that such representations, covenants, undertakings, rules and regulations are, or may be, applicable to the lessee under the contract of lease. BRHI shall remain solidarily liable to PAGCOR for Sureste's compliance with all the obligations and liabilities of the lessee under the contract of lease.

In December 2012, BRHI and Sureste agreed to amend the above deed of assignment. Pursuant to the amended deed of assignment and with the consent of PAGCOR, BRHI assigned 89% of its leasehold rights over the leased land to Sureste and retained the 11% of such rights. In 2013, an addendum to the contract of lease covering an additional 3,733 square meters of PAGCOR land, was executed. In December 2014, a second addendum to the contract of lease covering an additional 73,542 square meters of PAGCOR land was also executed.

Rent expense amounting to ₱462.8 million, ₱459.2 million and ₱464.5 million was recognized as part of "Rent expense" account under operating costs and expenses in the 2017, 2016 and 2015 consolidated statements of comprehensive income (see Note 17).

Accrued rent on the original lease contract and prepaid rent on the addendum to the lease contract arising from straight-line amortization amounted to ₱43.4 million and ₱384.9 million, respectively, as of December 31, 2017 and ₱70.2 million and ₱364.5 million, respectively, as of December 31, 2016 (see Notes 8 and 12).

Future minimum lease payments under this operating lease with PAGCOR follow:

	2017	2016
Within one year	₱497,473,303	₱507,238,243
Beyond one year but not later than five years	1,868,352,962	1,906,087,289
Beyond five years	4,397,361,045	4,825,383,296
	₱6,763,187,310	₱7,238,708,828

In 2012, BRHI entered into a lease contract for suites in the SM Arena for three years commencing May 21, 2012 until May 21, 2015 renewable upon the joint written agreement of the parties under terms and conditions mutually agreed by the parties. BRHI renews the contract annually. Rent expense related to this lease, which was primarily used to provide additional incentive to casino players, amounting to ₱21.6 million, ₱21.3 million and ₱20.9 million, was recognized as part of "Advertising and promotions" account under operating costs and expenses in the 2017, 2016 and 2015 statements of comprehensive income, respectively (see Note 17).



Future minimum lease payment under this operating lease which is due within one year amounted to ₱21.6 and ₱21.3 million as of December 31, 2017 and 2016, respectively.

The Group also entered into other various lease contracts for a period of one year renewable annually.

Rental charges related to these leases, presented as part of “Rent expense” account under operating costs and expenses in the 2017, 2016 and 2015 consolidated statements of comprehensive income amounted to ₱68.6 million, ₱51.5 million and ₱58.1 million, respectively (see Note 17).

Security deposits related to the leases discussed above amounted to ₱12.6 million and ₱16.2 million as of December 31, 2017 and 2016, respectively (see Note 8).

As a Lessor

The Group entered into operating leases with various premium brand boutiques in The Shoppes (see Note 1). These leases have terms between 1 to 6 years. Rent income amounting to ₱376.3 million and ₱181.1 million was recognized as part of “Retail and others” account in the 2017 and 2016, respectively.

Rent receivable on these operating leases arising from straight-line amortization amounting to ₱5.8 million and ₱0.7 million as of December 31, 2017 and 2016, respectively, is presented under “Hotel receivable” (see Note 6).

Tenants’ security deposits classified as noncurrent, presented under “Other noncurrent liabilities”, amounted to ₱285.4 million and ₱234.2 million as of December 31, 2017 and 2016. These are carried at amortized cost using the EIR method. Discount amortization, included as part of the “Interest expense” account in the consolidated statement of comprehensive income, amounted to ₱8.4 million and ₱1.4 million in 2017 and 2016, respectively. Tenants’ security deposit classified as current amounting to ₱16.8 million and ₱7.1 million as of December 31, 2017 and 2016, respectively, is presented under “Payables and other current liabilities” in the consolidated statements of financial position (See Note 12).

Unearned rent amounting to ₱16.4 million and ₱26.8 million as of December 31, 2017 and 2016, respectively, presented under “Other noncurrent liabilities”, represents the excess of the principal amount of the deposit over its fair value and will be amortized on a straight-line basis over the lease term. Amortization of unearned rent amounting to ₱9.1 million and ₱6.7 million was recognized as part of “Retail and others” account in the 2017 and 2016 consolidated statement of comprehensive income, respectively.

Future minimum lease payments under these operating leases as of December 31, 2017 and 2016 are as follows:

	2017	2016
Within one year	₱300,121,206	₱262,802,787
Beyond one year but not later than five years	573,421,724	772,411,870
	₱873,542,930	₱1,035,214,657



19. Commitments and Contingencies

- a. Under the license agreement with PAGCOR, BRHI has the following commitments, among others:
- Seven days prior to commencement of operation of the Casino, to secure a surety bond in favor of PAGCOR in the amount of ₱100.0 million to ensure prompt and punctual remittance/payment of all license fees.
 - License fees must be remitted on a monthly basis, in lieu of all taxes with reference to the income component of the Gross Gaming Revenues: (a) 15% of the gross gaming revenues generated by high roller tables; (b) 25% of the gross gaming revenues generated by non-high roller tables; (c) 25% of the gross gaming revenues generated by slot machines and electronic gaming machines; and (d) 15% of the gross gaming revenues generated by junket operation. PAGCOR agreed to the temporary reduction of these license fees effective April 1, 2014 to 5% (from 15%) and 15% (from 25%) on application by BRHI and other licensees during the pendency of the resolution of the issue on the validity of BIR's imposition of income tax on PAGCOR's licensees under RMC 13-2013. The parties agree to revert to the original license fee structure under the Provisional License in the event the BIR action to collect income tax from PAGCOR licensees is permanently restrained, corrected or withdrawn by order of the BIR or the courts or under a new law. The parties reverted to the original license fee structure in July 2016 on instruction by PAGCOR. The Supreme Court nullified the questioned provision of RMC No. 33-2013. The license fees are inclusive of the 5% franchise tax under the PAGCOR Charter. On September 5, 2016, the Supreme Court released a decision dated August 10, 2016 which ordered the BIR to cease and desist from imposing corporate income tax on income from gaming operations of BRHI as a casino duly licensed by the PAGCOR. The High Court granted the certiorari petition of BRHI against the BIR. Accordingly, effective July 1, 2016, the license fees being charged by PAGCOR reverted to its original rate. Subsequently, on November 28, 2016, the Supreme Court denied the BIR's motion for reconsideration with finality.
 - In addition to the above license fees, BRHI is required to remit 2% of casino revenues generated from non-junket operation tables to a foundation devoted to the restoration of Philippine cultural heritage, as selected by the BRHI and approved by PAGCOR. BRHI has established Bloomberry Cultural Foundation Inc. ("BCF") for this purpose. Amount due to BCF, recognized as part of "Taxes and licenses" account amounted to ₱386.2 million, ₱343.8 million, ₱278.2 million in 2017, 2016, and 2015, respectively. Outstanding amount payable to BCF as of December 31, 2017 and 2016, presented as part of "Gaming taxes payable", amounted to ₱32.2 million and ₱36.4 million, respectively. Furthermore, the Group has made advances to BCF amounting to ₱14.2 million and ₱3.7 million as of December 31, 2017 and 2016, respectively, presented as part of "Others" under "Prepayments and other current assets" account in the consolidated statements of financial position (see Note 8).
 - PAGCOR may collect a 5% fee of non-gaming revenue received from food and beverage, retail and entertainment outlets. All revenues of hotel operations should not be subject to the 5% except rental income received from retail concessionaires.
 - Grounds for revocation of the license, among others, are as follows: (a) failure to comply with material provision of this license; (b) failure to remit license fees within 30 days from receipt of notice of default; (c) has become bankrupt, insolvent; (d) delay in construction of more than 50% of the schedule; and (e) if debt-to-equity ratio is more than 70:30. As of



December 31, 2017 and 2016, BRHI has not committed any of the grounds for revocation of the license.

Total PAGCOR license fee recognized (including the amount due to BCF), shown as part of “Taxes and licenses” account, amounted to ₱9,396.1 million, ₱6,534.0 million and ₱4,706.8 million for the years ended December 31, 2017, 2016 and 2015, respectively (see Note 17). Outstanding amount payable to PAGCOR and BCF, presented as “Gaming taxes payable”, amounted to ₱778.0 million and ₱689.4 million as of December 31, 2017 and 2016 (see Note 12).

- b. BRHI and G&L entered into junket operator agreements with junket operators who have the primary responsibility of directing gaming patrons to the casino. Based on these agreements, these junket operators are compensated based on a certain percentage of the wins or rolling chips. Gaming promoters’ expense for the years ended December 31, 2017, 2016 and 2015 amounted to ₱9,837.4 million, ₱9,045.8 million and ₱7,262.5 million, respectively (see Note 4). Receivable from junket operators as of December 31, 2017 and 2016 amounted to ₱1,086.7 million and ₱2,049.0 million, respectively (see Note 6).
- c. On September 9, 2011, Sureste and BRHI jointly entered into a Management Services Agreement (“MSA”) with Global Gaming Philippines LLC (“GGAM”) for the technical assistance on all aspects of planning, design, layout, and construction of an integrated casino, hotel and entertainment complex (the “Project”) within Entertainment City and for services related to recruitment, selection, and hiring of employees for the Project. GGAM through the Management Team shall also provide management and other related services upon commencement of the Project’s commercial operations. Fees per contract amounts to US\$100,000 per month for the technical assistance and US\$75,000 monthly for services related to the preopening operations. Upon commencement of the commercial operations and five years thereafter (after which the contract expires unless GGAM extends it for another five years), the Group will pay GGAM annual fees equivalent to certain percentages of Sureste’s and BRHI’s earnings before interest, taxes, depreciation and amortization.

Sureste and BRHI terminated the MSA effective September 12, 2013 because of material breach of the MSA by GGAM after prior notice and failure of discussions to settle their dispute. Accordingly, the Group has accrued annual fees due to GGAM up to September 12, 2013 only. GGAM denies having breached the MSA and alleges that it is BRHI and Sureste who breached the MSA. The parties have submitted their dispute to arbitration before a 3-member arbitral tribunal in Singapore under the arbitration rules of the United Nations Commission on International Trade Law (“UNCITRAL”) using Philippine law as the governing law.

Under the MSA, GGAM was granted the option, from the date of execution of the MSA, to purchase up to 921.2 million shares, equivalent to 9.91% of Bloomberg’s outstanding shares (prior to Bloomberg’s top-up equity offering) from PMHI at a purchase price equivalent to ₱1.00 per share plus US\$15 million. On December 21, 2012, GGAM exercised its option to purchase 921.2 million shares of Bloomberg from PMHI at the agreed option strike price of ₱1.67 per share and was crossed through the Philippine Stock Exchange on December 28, 2012. On February 25, 2014, the Makati Regional Trial Court (“MRTC”) granted BRHI’s and PMHI’s application for measures of protection for the Bloomberg in the form of writs of preliminary attachment and preliminary injunction to restrain GGAM from disposing the Bloomberg shares to maintain the status quo. GGAM has filed a petition for review on certiorari with the Court of Appeals against the decision of the MRTC.



On December 9, 2014, the tribunal issued its Order in Respect of Claimants' Interim Measures of Protection, declaring among others, that the February 25 Order of MRTC is superseded and that parties are restored to their status quo ante as of January 15, 2014 and allowed GGAM to sell the shares.

Following the order of the arbitral tribunal, GGAM filed a Manifestation with the MRTC informing the order of the arbitral tribunal and seeking assistance in the enforcement thereof. BRHI, Sureste and PMHI filed a Counter-Manifestation stating among others, the impropriety of the Manifestation given its non-compliance with requirements of the Special Rules of Court and Alternative Dispute Resolution (Special ADR Rules) for enforcement of judgement/interim measures of protection. GGAM also filed a Manifestation and Motion with the Court of Appeals seeking the same relief as that filed with the MRTC. BRHI, Sureste and PMHI filed a Comment/Opposition arguing against the grant of the Motion with the Court of Appeals for non-compliance with the Special ADR Rules as well as for forum-shopping. In a resolution dated May 29, 2015 and affirmed on November 27, 2015, the Court of Appeals remanded back the case to the MRTC for further proceedings.

On September 20, 2016, the arbitral tribunal issued a partial award on liability. It declared that GGAM has not misled BRHI/Sureste (Respondents) into signing MSA, and Respondents were not justified to terminate the MSA because the services rendered by the Respondents Management Team should be considered as services rendered by GGAM under the MSA; rejected GGAM's claim that GGAM was defamed by the publicized statements of the Chairman of BRHI/Sureste; that there is no basis for Respondents to challenge GGAM's title to the 921,184,056 Bloomberry shares because the grounds for termination were not substantial and fundamental, thus GGAM can exercise its rights in relation to those shares, including the right to sell them; reserved its decision on reliefs, remedies and costs to the Remedies Phase which is to be organized in consultation with the Parties; reserved for another order its resolution on the request of GGAM: (a) for the Award to be made public, (b) to be allowed to provide a copy of the Award to Philippine courts, government agencies and persons involved in the sale of the shares, and (c) to require BRHI/Sureste and Bloomberry to inform Deutsche Bank AG that they have no objection to the immediate release of all dividends paid by Bloomberry to GGAM. The arbitration proceedings is still on going on the Remedies Phase.

On August 31, 2017, BRHI and Sureste filed a request for reconsideration of the partial award in the light of U.S. DOJ and SEC findings of violations of the Foreign Corrupt Practices Act by certain GGAM officers, and for false statements and fraudulent concealment by GGAM in the arbitration. GGAM opposed the request on September 29, 2017. In a decision dated November 22, 2017, the tribunal denied the request for reconsideration saying it has no authority to reconsider the partial award under Singapore law. The tribunal said that the courts might be the better forum to look into the allegations of fraud.

On December 21, 2017, BRHI and Sureste filed a petition in the High Court of Singapore to set aside the June 20, 2017 judgment of the Court and to either remit the partial award to the tribunal for correction, or otherwise set aside the partial award based the fraud allegations previously raised in the request for reconsideration. This case is still pending in the Singapore court.

In a resolution dated November 23, 2017, the MRTC affirmed the continuing validity of its February 25, 2014 order and the writ of preliminary injunction and attachment issued pursuant thereto. GGAM then filed a petition for review with the Court of Appeals to question this MRTC order. This case is still pending with the Court of Appeals.



BRHI and Sureste were advised by Philippine counsel that an award of the Arbitral Tribunal can only be enforced in the Philippines through an order of a Philippine court of proper jurisdiction after appropriate proceedings taking into account applicable Philippine law and public policy.

No further details were provided as required under PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, because these may prejudice the Group's position in relation to this matter.

- d. Section 13(2)(a) of PD No. 1869 ("the PAGCOR Charter") grants PAGCOR an exemption for tax, income or otherwise, as well as exemption from any form of charges, fees, levies, except a 5% franchise tax on the gross revenue or earnings derived by PAGCOR on its operations.

On April 23, 2013, the BIR issued RMC No.33-2013, clarifying that PAGCOR and its contractees and licensees are subject to 30% RCIT on their gaming and non-gaming revenues. Such RMC may affect the tax exemption of BRHI.

Despite this RMC, however, management still believes that the tax benefits granted under the PAGCOR charter inure to the benefit of, and extend to corporations, associations and agencies, individuals with whom PAGCOR has any contractual agreement in accordance with Section 13(2)(b) of the PAGCOR Charter which provides that the exemptions granted for earnings derived from the operations conducted under the franchise specifically from the payment of any tax, income or otherwise, as well as any form of charges, fees or levies, shall inure to the benefit of and extend to the corporations, associations, agencies or individuals with whom PAGCOR, or operator has any contractual relationship in connection with the operations of the casino authorized to be conducted under this franchise and to those receiving compensation of other remuneration from PAGCOR or operator as a result of essential facilities furnished and/or technical services rendered to PAGCOR or operator.

BRHI, together with other Entertainment City licensees, have filed a request for common administrative relief with PAGCOR from the adverse effect of RMC No. 33-2013. Granting this request, PAGCOR has temporarily reduced the license fees by 10 percentage points effective April 1, 2014 pending the settlement of this issue which is now pending in the Supreme Court in a petition filed by BRHI against the BIR. Consequently, BRHI paid RCIT effective April 1, 2014. To comply with this PAGCOR directive, BRHI started paying corporate income tax to the BIR. The parties agreed to revert to the original license fee structure under the Provisional License in the event the BIR action to collect income tax from PAGCOR is permanently restrained, corrected or withdrawn by order of the BIR or the courts or under a new law. This happened effective July 1, 2016 when PAGCOR ordered the parties to revert to the original license fee structure. On August 1, 2016, the Supreme Court nullified the questioned provision of RMC No. 33-2013 as explained below.

On June 4, 2014, BRHI filed with the Supreme Court a Petition for Certiorari and Prohibition under Rule 65 of the Rules of Court. The petition sought to annul the issuance by the BIR of an unlawful governmental regulation, specifically the provision in RMC 33-2013 dated April 17, 2013 subjecting the contractees and licensees of PAGCOR to income tax under the NIRC, as it violates the tax exemption granted to contractees of PAGCOR under Section 13(2)(b) of P.D. 1869.

Earlier, the Supreme Court en banc decision dated December 10, 2014 in PAGCOR v. BIR (G.R. No. 215427), had effectively reversed the legal basis for BIR's issuance of RMC 33-2013. The Supreme Court declared that PAGCOR's tax privilege of paying only the 5% franchise tax in lieu of all other taxes under its charter has not been repealed by RA 9337



(which deleted PAGCOR from the list of tax exempt GOCC's in the National Internal Revenue Code). The Supreme Court ordered the BIR, among others, to cease and desist the implementation of RMC No. 33-2013 imposing corporate income tax on PAGCOR's income derived from its gaming operation.

On August 10, 2016, the Supreme Court granted BRHI's petition against the BIR (G.R. No. 212530) which ordered the BIR to cease and desist from imposing corporate income tax on the gaming operations of BRHI as a licensee of PAGCOR. Moreover, the same decision confirmed that PAGCOR's tax exemption extends to its contractees and licensees. Hence, BRHI's income from gaming operations is subject to 5% franchise tax only and its income from other related services, if any, is subject to corporate income tax. Accordingly, BRHI paid income tax only up to June 2016.

- e. On March 15, 2016, the Court of Appeals ("CA") issued a 30-day freeze order on one of BRHI's bank accounts upon the petition filed by Anti-Money Laundering Council ("AMLC") in relation to their ongoing investigation. The freeze order of the CA on the bank account was lifted on April 14, 2016. Subsequently, on request of the AMLC, the Supreme Court reinstated the freeze order on the account, which contained the amount of ₱109.3 million that was frozen from the accounts of those patrons subject to the investigation. BRHI has moved for the lifting of the freeze order. This motion is still pending with the Supreme Court. As of December 31, 2017 and 2016, the balance of this bank account amounting to ₱110.7 million and ₱111.0 million, respectively, is presented as "Fund held in trust" under the "Prepayments and other current assets" account in the statements of financial position (see Note 8).

20. Income Taxes

- a. Provision for income tax consists of:

	2017	2016	2015
Current	₱1,597,045	₱1,481,815,523	₱1,995,765,532
Deferred	231,035,458	177,267,625	(163,531,358)
	₱232,632,503	₱1,659,083,148	₱1,832,234,174

The provision for current income tax in 2017 pertains to Bloomberg's MCIT, while the provision for current income tax in 2016 and 2015 represents Bloomberg's MCIT and BRHI's RCIT. In 2016, BRHI's RCIT pertains to the tax due prior to the promulgation of the Supreme Court decision confirming BRHI's income tax exemption (see Note 19).

The reconciliation of provision for income tax computed at the statutory income tax rate to provision for income tax as shown in the consolidated statements of comprehensive income is summarized as follows:

	2017	2016	2015
Provision for (benefit from) tax at statutory tax rate of 30%	₱1,888,575,086	₱1,194,644,575	(₱462,911,736)
Tax effects of:			
Income subject to final tax, non-taxable income and non-deductible expenses	253,398,788	(414,097,546)	614,634,874
Net movement in unrecognized deferred income tax assets and other adjustments	(1,909,341,371)	878,536,119	1,680,511,036
	₱232,632,503	₱1,659,083,148	₱1,832,234,174



- b. The components of the Group's recognized net deferred tax asset and net deferred tax liabilities are as follows:

Net deferred tax asset

	2017	2016
Deferred tax asset -		
NOLCO	₱-	₱519,732,713
Deferred tax liability -		
Excess of fair value over carrying value of net assets acquired in business combination	-	(466,001,876)
	₱-	₱53,730,837

Net deferred tax liabilities

	2017	2016
Deferred tax assets:		
NOLCO	₱435,474,539	₱93,978,675
Retirement liability	13,579,460	7,405,355
MCIT	2,798,675	1,905,457
Capitalized interest on option	2,160,224	2,143,741
Accrued rent under PAS 17	1,904,238	11,360,978
Points accrual	729,052	57,806
Unrealized foreign exchange loss	269,831	-
Prepayment option	26,791	389,313
	456,942,810	117,241,325
Deferred tax liabilities:		
Excess of fair value over carrying value of net assets acquired in business combination	(527,548,483)	-
Unrealized forex exchange gain	(187,999,075)	(86,180,376)
Capitalized rent	(90,000,048)	(197,586,889)
Capitalized interest	(51,919,151)	(55,305,182)
Unrealized gain on AFS investment	(855,000)	-
	(₱401,378,947)	(₱221,831,122)

- c. Deferred tax assets on the following NOLCO and carryforward benefits of excess MCIT were not recognized since management believes that it is not probable that sufficient future taxable income will be available against which these can be utilized:

	2017	2016
NOLCO	₱8,793,623,837	₱8,042,579,697
MCIT	703,827	-
	₱8,794,327,664	₱8,042,579,697

- d. As of December 31, 2017, the NOLCO of Bloomberry and Sureste that can be carried forward and claimed as deduction from regular taxable income are as follows:

Year Incurred	Expiry Year	Amount	Applied	Expired	Balance
2017	2020	₱2,635,726,995	₱-	₱-	₱2,635,726,995
2016	2019	3,091,221,294	-	-	3,091,221,294
2015	2018	3,419,198,579	-	-	3,419,198,579
2014	2017	1,845,422,074	-	1,845,422,074	-
		₱10,991,568,912	₱-	₱1,845,422,074	₱9,146,146,868



As of December 31, 2017, the NOLCO of Solaire Korea and G&L that can be carried forward and claimed as deduction from regular taxable income are as follows:

Year Incurred	Expiry Year	Amount	Applied	Expired	Balance
2017	2027	₱330,039,327	₱—	₱—	₱330,039,327
2016	2026	1,137,773,323	60,366,755	—	1,077,406,568
2015	2025	1,617,786,233	565,329,924	—	1,052,456,309
2014	2024	4,592,320	—	—	4,592,320
2013	2023	693,535,799	—	—	693,535,799
2012	2022	680,177,478	—	—	680,177,478
2011	2021	644,368,434	—	—	644,368,434
2010	2020	390,973,860	—	—	390,973,860
2009	2019	982,972,881	—	—	982,972,881
		₱6,482,219,655	₱625,696,679	₱—	₱5,856,522,976

- e. As of December 31, 2017 and 2016, the Group's unused MCIT that can be carried forward and used as deduction from income tax due are as follows:

Year Incurred	Expiry Year	Amount	Applied	Expired	Balance
2017	2020	₱1,597,045	₱—	₱—	₱1,597,045
2016	2019	1,201,630	—	—	1,201,630
2015	2018	703,827	—	—	703,827
		₱3,502,502	₱—	₱—	₱3,502,502

- f. Sureste is registered with the PEZA as an Ecozone Tourism Enterprise. The scope of registered activity is limited to the construction, development, management and operation of a hotel and entertainment complex at the Bagong Nayong Pilipino – Entertainment City Manila, to take over and undertake the project originally approved by the PEZA Board for BRHI and the importation of raw materials, machinery, equipment, tools, goods, wares, articles or merchandise directly used in its registered operations.

Under the PEZA Registration Agreement, Sureste is entitled to:

- Four-year income tax holiday ("ITH") on income solely derived from servicing foreign clients for its operations limited to accommodation and other special interest and attraction activities/ establishments. Upon expiry of the ITH period, Sureste shall pay 5% Gross Income Tax ("GIT"), in lieu of all national and local taxes; and
- Tax and duty-free importation of capital equipment required for the technical viability and operation of the registered facilities/activities.

Any income from activities of Sureste outside of the PEZA-registered activities is subject to regular corporate income tax.

On December 6, 2013, Sureste decided to waive the ITH incentive and be subjected instead to GIT (with exemption from real property tax). Sureste has obtained confirmation of the said waiver with PEZA and therefore now subject to GIT.



21. Financial Assets and Liabilities and Financial Risk Management Objectives and Policies

Fair Value

The carrying values of cash and cash equivalents, receivables, security deposits classified as current and payables and other current liabilities (except statutory payables) approximate their fair values at reporting date due to the relatively short-term nature of the transactions.

The carrying value of restricted cash and long-term debt (excluding fixed rate Corporate Facility and Corporate Notes) approximates fair value because of regular repricing based on market conditions. The Group's variable rate long-term debt is repriced on a quarterly basis.

The table below set forth the carrying values and the estimated fair values of the Group's financial assets and liabilities for which fair values are determined for measurement and/or disclosure as of December 31, 2017 and 2016:

	2017		2016	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets				
Loans and receivables -				
Security deposits classified as noncurrent ⁽¹⁾	₱66,684,841	₱150,817,801	₱79,906,364	₱69,833,771
Financial assets at FVPL -				
Derivative asset ⁽²⁾	1,554,870	1,554,870	9,168,147	9,168,147
AFS financial assets -				
Investment in club shares	16,350,000	16,350,000	13,500,000	13,500,000
	84,589,711	168,722,671	102,574,511	92,501,918
Financial Liabilities				
Other financial liabilities:				
Long-term debt	19,449,467,306	20,720,913,243	19,987,439,967	22,164,412,359
Tenants' security deposit ⁽³⁾	301,810,616	264,750,020	234,202,199	228,497,235
	19,751,277,922	20,985,663,263	20,221,642,166	22,392,909,594
	(₱19,666,688,211)	(₱20,816,940,692)	(₱20,119,067,655)	(₱22,300,407,676)

⁽¹⁾ Presented under "Intangible asset and other noncurrent assets" account.

⁽²⁾ Included under "Prepayments and other current assets" account.

⁽³⁾ Included under "Other noncurrent liabilities" account.

Security Deposits classified as Noncurrent. The fair value of security deposit is the estimated future cash flows, discounted to present value using a credit-adjusted discount rate.

Derivative Asset. The fair value of derivative asset is determined using Binomial Option Pricing Model which allows for the specification of points in time until the option expiry date. This valuation incorporates inputs such as interest rates and volatility.

Fixed Rate Long-term Debt. The estimated fair value is based on the discounted value of future cash flows using the applicable PDST-R1 rate of 2.7%.

Tenants' Security Deposits. The estimated fair value is based on the discounted value of future cash flows using the applicable PDST-R2 rates ranging from 3.2% to 5.7%.



Fair Value Hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by source of inputs:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 - Unobservable inputs for the asset or liability.

The table below summarizes the classification of the Group's financial assets and liabilities as of December 31, 2017 and 2016 based on fair value measurement hierarchy.

		Level 1	Level 2	Level 3	Total
Asset measured at fair value -					
Derivative asset	2017	₱—	₱1,554,870	₱—	₱1,554,870
	2016	—	9,168,147	—	₱9,168,147
Investment in club shares	2017	16,350,000	—	—	16,350,000
	2016	13,500,000	—	—	13,500,000
Assets and liabilities for which fair value is disclosed:					
Security deposits classified as noncurrent	2017	—	150,817,801	—	150,817,801
	2016	—	69,833,771	—	69,833,771
Long-term debt	2017	—	—	20,720,913,243	20,720,913,243
	2016	—	—	22,164,412,359	22,164,412,359
Tenants' security deposits	2017	—	—	264,750,020	264,750,020
	2016	—	—	228,497,235	228,497,235

In 2017 and 2016, there were no transfers between Level 1 and Level 2 fair value measurements and transfers into and out of the Level 3 fair value measurement.

Financial Risk Management Objectives and Policies

The Group's principal financial instruments consist mainly of borrowings from local financial institutions, proceeds of which were used for financing the Group's capital expenditures and operations. The Group has other financial assets and financial liabilities such as cash and cash equivalents, receivables, restricted cash, payables and other accrued liabilities which arise directly from the Group's operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign exchange risk, liquidity risk and credit risk. The BOD reviews and approves policies for managing each of these risks and they are summarized below.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to market risk for changes in interest rates relates primarily to its long-term debt with floating interest rates.

Variable or floating rate debt is subject to cash flow interest rate risk. Repricing of variable rate debt is done on quarterly intervals.

The following table demonstrates the sensitivity of the Group's income (loss) before income tax (through the impact on floating rate borrowings) in 2017, 2016 and 2015 to a reasonably possible change in interest rates, with all other variables held constant.



There is no impact on the Group's equity other than those already affecting the net income (loss).

	2017	2016	2015
Increase by 2%	₱43,030,972	₱44,466,261	₱(43,342,791)
Decrease by 2%	(43,030,972)	(44,466,261)	43,342,791

Foreign Exchange Risk

Foreign exchange risk is the risk that the value of the Group's financial instrument will fluctuate due to changes in foreign exchange rates. The Group has recognized in the consolidated statements of comprehensive income net foreign exchange gains of ₱882.2 million, ₱482.4 million and ₱292.8 million in 2017, 2016 and 2015, respectively, on the revaluation of its foreign currency-denominated cash and cash equivalents, receivables, restricted cash, payables and accrued expenses.

In the revaluation of its foreign currency-denominated financial assets and liabilities, the Group used the following exchange rates as of December 31, 2017, 2016 and 2015:

Currency	2017	2016	2015
USD	49.930	49.720	47.166
HKD	6.388	6.421	6.086
EUR	59.613	51.840	51.741
SGD	37.323	34.354	33.518
AUD	38.905	35.776	34.265
JPY	0.442	0.425	0.392

The Group's foreign currency-denominated monetary assets and liabilities as of December 31, 2017 and 2016, and their Philippine peso equivalent follow:

	Original Currency						Peso
	USD	HKD	EUR	SGD	AUD	JPY	Equivalent
December 31, 2017							
Financial assets:							
Cash and cash equivalents	6,303,409	882,829,379	49,293	12,898,692	534,838	1,648,409,146	₱7,188,004,384
Receivables	—	34,295,170	—	—	—	—	219,077,546
Financial liabilities -							
Payables and other current liabilities	(1,284,759)	(78,142,868)	—	—	(1,125)	—	(563,368,426)
Net foreign currency - denominated financial assets	5,018,650	838,981,681	49,293	12,898,692	533,713	1,648,409,146	₱6,843,713,504
December 31, 2016							
Financial assets:							
Cash and cash equivalents	5,912,059	771,801,036	49,230	10,030,853	534,838	1,294,004,101	₱6,165,920,140
Receivables	—	57,497,651	—	—	—	—	369,192,417
Financial liabilities -							
Payables and other current liabilities	(10,937,971)	(75,699,357)	—	—	—	—	(1,029,901,489)
Net foreign currency - denominated financial assets	(5,025,912)	753,599,330	49,230	10,030,853	534,838	1,294,004,101	₱5,505,211,068

(Forward)



	Original Currency						Peso
	USD	HKD	EUR	SGD	AUD	JPY	Equivalent
December 31, 2015							
Financial assets:							
Cash and cash equivalents	11,351,623	630,654,789	54,913	6,754,869	682,715	648,759,000	₱4,880,533,406
Receivables	—	253,382,628	—	—	—	—	1,542,086,674
Financial liabilities -							
Payables and other current liabilities	(3,853,624)	(269,649,570)	—	—	—	—	(1,822,847,313)
Net foreign currency - denominated financial assets	7,497,999	614,387,847	54,913	6,754,869	682,715	648,759,000	₱4,599,772,767

The following table demonstrates the sensitivity to a reasonably possible change in the foreign exchange rates, with all other variables held constant, of the Group's income or loss before income tax at December 31, 2017, 2016 and 2015. There is no other impact on the Group's equity other than those affecting other income or loss before income tax.

	USD	HKD	EUR	SGD	AUD	JPY
December 31, 2017						
Increase by 3%	₱7,517,436	₱160,782,449	₱88,155	₱14,442,536	₱622,923	₱21,857,905
Decrease by 3%	(7,517,436)	(160,782,449)	(88,155)	(14,442,536)	(622,923)	(21,857,905)
December 31, 2016						
Increase by 3%	(₱7,496,650)	₱145,165,839	₱76,562	₱10,337,998	₱574,031	₱16,498,552
Decrease by 3%	7,496,650	(145,165,839)	(76,562)	(10,337,998)	(574,031)	(16,498,552)
December 31, 2015						
Increase by 3%	₱10,609,519	₱112,174,933	₱85,238	₱6,792,291	₱701,797	₱7,629,406
Decrease by 3%	(10,609,519)	(112,174,933)	(85,238)	(6,792,291)	(701,797)	(7,629,406)

The change in currency rate is based on the Group's best estimate of expected change considering historical trends and experiences. Positive change in currency reflects a stronger peso against foreign currency. On the other hand, a negative change in currency rate reflects a weaker peso against foreign currency.

Liquidity Risk

Liquidity risk is the potential of not meeting obligations as they become due because of an inability to liquidate assets or obtain funding. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans.

As part of its liquidity strategy, the Group will set aside cash to ensure that financial obligations will be met as they fall due. The Group has cash and cash equivalents amounting to ₱21,961.4 million and ₱14,325.5 million as of December 31, 2017 and 2016, respectively, that are allocated to meet the Group's liquidity needs.



The table below summarizes the maturity profile of the Group's financial assets and liabilities as of December 31, 2017 and 2016 based on contractual undiscounted payments.

2017						
	Within 1 Year	1-2 Years	2-3 Years	3-4 Years	More than 4 Years	Total
Financial assets:						
Cash and cash equivalents:						
Cash on hand	₱1,776,561,344	₱-	₱-	₱-	₱-	₱1,776,561,344
Cash in banks	17,583,055,499	-	-	-	-	17,583,055,499
Temporary cash investments	963,002,888	-	-	-	-	963,002,888
Debt collateral accounts	1,638,787,247	-	-	-	-	1,638,787,247
Receivables:						
Casino	2,290,513,611	-	-	-	-	2,290,513,611
Hotel	132,109,525	-	-	-	-	132,109,525
Receivables from officers and employees	117,241,378	-	-	-	-	117,241,378
Others	83,806,686	-	-	-	-	83,806,686
Security deposits	66,000,864	66,684,841	-	-	-	132,685,705
Restricted cash	-	-	2,250,906,354	-	-	2,250,906,354
Derivative asset	1,554,870	-	-	-	-	1,554,870
	₱24,652,633,912	₱66,684,841	₱2,250,906,354	₱-	₱-	₱26,970,225,107
Financial liabilities:						
Outstanding chips and other gaming liabilities:						
Outstanding chips liability	₱2,501,532,525	₱-	₱-	₱-	₱-	₱2,501,532,525
Progressive jackpot liability	77,905,359	-	-	-	-	77,905,359
Liability for customer loyalty	353,594,359	-	-	-	-	353,594,359
Other gaming liabilities	310,554,291	-	-	-	-	310,554,291
Customers' deposits	2,051,971,869	-	-	-	-	2,051,971,869
Payable to contractors and suppliers	688,558,899	-	-	-	-	688,558,899
Retention payable	239,898,757	-	-	-	-	239,898,757
Short-term borrowing	207,815,000	-	-	-	-	207,815,000
Holdback liability	364,865,130	-	-	-	-	364,865,130
Accrued expenses:						
Interest	364,817,203	-	-	-	-	364,817,203
Outside services and charges	360,963,736	-	-	-	-	360,963,736
Advertising and promotions	237,267,595	-	-	-	-	237,267,595
Rent	50,203,192	-	-	-	-	50,203,192
Utilities	58,261,736	-	-	-	-	58,261,736
Salaries and benefits	41,539,287	-	-	-	-	41,539,287
Communication and transportation	10,081,980	-	-	-	-	10,081,980
Repairs and maintenance	26,813,874	-	-	-	-	26,813,874
Others	292,410,750	-	-	-	-	292,410,750
Long-term debt						
Principal	2,815,152,500	4,260,515,000	8,228,765,000	11,836,705,000	5,212,230,000	32,353,367,500
Interest	1,964,611,649	1,813,792,593	1,404,976,054	452,291,181	909,543,081	6,545,214,558
	₱13,018,819,691	₱6,074,307,593	₱9,633,741,054	₱12,288,996,181	₱6,121,773,081	₱47,137,637,600

2016						
	Within 1 Year	1-2 Years	2-3 Years	3-4 Years	More than 4 Years	Total
Financial assets:						
Cash and cash equivalents:						
Cash on hand	₱1,802,949,568	₱-	₱-	₱-	₱-	₱1,802,949,568
Cash in banks	10,700,776,309	-	-	-	-	10,700,776,309
Temporary cash investments	410,942,813	-	-	-	-	410,942,813
Debt collateral accounts	1,410,842,477	-	-	-	-	1,410,842,477
Receivables:						
Casino	4,198,751,920	-	-	-	-	4,198,751,920
Hotel	260,478,488	-	-	-	-	260,478,488
Receivables from officers and employees	210,002,794	-	-	-	-	210,002,794
Others	10,529,999	-	-	-	-	10,529,999
Security deposits	18,294,663	79,906,364	-	-	-	98,201,027
Restricted cash	-	-	2,251,797,092	-	-	2,251,797,092
Derivative asset	9,168,147	-	-	-	-	9,168,147
	₱19,032,737,178	₱79,906,364	₱2,251,797,092	₱-	₱-	₱21,364,440,634

(Forward)



2016						
	Within 1 Year	1-2 Years	2-3 Years	3-4 Years	More than 4 Years	Total
Financial liabilities:						
Outstanding chips and other gaming liabilities:						
Outstanding chips liability	₱2,289,515,069	₱—	₱—	₱—	₱—	₱2,289,515,069
Progressive jackpot liability	300,210,847	—	—	—	—	300,210,847
Liability for customer loyalty	442,670,686	—	—	—	—	442,670,686
Other gaming liabilities	253,731,390	—	—	—	—	253,731,390
Customer Deposits	1,533,348,034	—	—	—	—	1,533,348,034
Payable to contractors and suppliers	940,902,017	—	—	—	—	940,902,017
Retention Payable	265,730,430	—	—	—	—	265,730,430
Short-term borrowing	251,943,000	—	—	—	—	251,943,000
Tenants' security deposit	7,125,887	504,919	1,499,887	227,968,579	4,228,814	241,328,086
Accrued expenses:						
Interest	343,708,469	—	—	—	—	343,708,469
Outside services and charges	201,693,599	—	—	—	—	201,693,599
Advertising and promotions	156,877,271	—	—	—	—	156,877,271
Rent	74,545,244	—	—	—	—	74,545,244
Utilities	55,314,003	—	—	—	—	55,314,003
Salaries and benefits	207,305,572	—	—	—	—	207,305,572
Communication and transportation	14,993,112	—	—	—	—	14,993,112
Repairs and maintenance	8,751,475	—	—	—	—	8,751,475
Others	256,389,920	—	—	—	—	256,389,920
Long-term debt						
Principal	1,807,002,500	2,815,152,500	4,260,515,000	8,228,765,000	17,048,935,000	34,160,370,000
Interest	2,148,675,127	1,964,611,649	1,813,792,593	1,404,976,054	1,361,834,262	8,693,889,685
	₱11,560,433,652	₱4,780,269,068	₱6,075,807,480	₱9,861,709,633	₱18,414,998,076	₱50,693,217,909

Credit Risk

Credit risk is the risk that the Group will incur a loss arising from customers, clients or counterparties that fail to discharge their contracted obligations. The Group manages and controls credit risk by setting limits on the amount of risk that the Group is willing to accept for individual counterparties and by monitoring exposures in relation to such limits.

The Group's maximum exposure to credit risk is equal to the carrying amount of its financial instruments. The Group has no concentration of credit risk.

The table below shows the maximum exposure to credit risk for the components of the consolidated statements of financial position as of December 31, 2017 and 2016 for which the net maximum exposure is not equal to the gross maximum exposure.

	Gross Maximum Exposure		Net Maximum Exposure*	
	2017	2016	2017	2016
Cash and cash equivalents:				
Cash in banks	₱17,583,055,499	₱10,700,776,309	₱17,536,105,407	₱10,697,776,309
Temporary cash investments	963,002,888	410,942,813	962,002,889	410,442,813
Debt collateral accounts	1,638,787,247	1,410,842,477	1,636,035,458	1,410,842,477
	₱20,184,845,634	₱12,522,561,599	₱20,134,143,754	₱12,519,061,599

* Net financial assets after taking into account insurance on bank deposits.



The following table shows the aging analysis of past due but not impaired receivables per class that the Group held as of December 31, 2017 and 2016. A financial asset is past due when a counterparty has failed to make a payment when contractually due.

	Neither Past Due nor Impaired	2017 Past due but not impaired		Impaired	Total
		Less than 30 Days	30 Days and Over		
Trade receivables:					
Casino	₱693,581,968	₱1,159,602,202	₱104,175,940	₱339,432,127	₱2,296,792,237
Hotel	139,015,600	38,063,872	1,715,086	815,325	179,609,883
Receivables from officers and employees	117,241,378	—	—	—	117,241,378
Others	30,027,702	—	—	—	30,027,702
	₱979,866,648	₱1,197,666,074	₱105,891,026	₱340,247,452	₱2,623,671,200
	Neither Past Due nor Impaired	2016 Past due but not impaired		Impaired	Total
		Less than 30 Days	30 Days and Over		
Trade receivables:					
Casino	₱2,416,302,040	₱34,339,782	₱25,871,313	₱1,722,238,785	₱4,198,751,920
Hotel	260,478,488	—	—	—	260,478,488
Receivables from officers and employees	210,002,794	—	—	—	210,002,794
Others	10,529,999	—	—	—	10,529,999
	₱2,897,313,321	₱34,339,782	₱25,871,313	₱1,722,238,785	₱4,679,763,201

The evaluation of the credit quality of the Group's financial assets considers the payment history of the counterparties.

- High grade - counterparties that have good paying history and are not expected to default in settling their obligations. Credit exposure from these financial assets is considered to be minimal. This normally includes deposits and placements with top tier banks and counterparties with good credit rating.
- Standard grade - counterparties for which sufficient credit history has not been established.

As of December 31, 2017 and 2016, all financial assets are viewed by management as 'high grade', except for impaired financial assets, considering the collectability of the receivables and the credit history of the counterparties.

Capital Management

The primary objective of the Group's capital management is to ensure that the Group has sufficient funds in order to support its business, pay existing obligations and maximize shareholder value. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To manage or adjust the capital structure, the Group may obtain advances from stockholders, return capital to shareholders or issue new shares.

The Group considers equity attributable to equity holders of the Parent Company as its capital, which amounted to ₱30,256.4 million and ₱24,107.0 million as of December 31, 2017 and 2016, respectively.

The Group monitors capital on the basis of debt-to-equity ratio in order to comply with PAGCOR requirement and loan debt covenant (see Notes 13 and 19).

The Group's strategy is to maintain a sustainable debt-to-equity ratio.



22. Basic/Diluted Earnings (Loss) Per Share on Net Income (Loss) Attributable to Equity Holders of the Group

The following table presents information necessary to calculate earnings (loss) per share:

	2017	2016	2015
(a) Net income (loss) attributable to equity holders of the Parent Company	₱6,070,718,652	₱2,357,140,560	(₱3,363,514,843)
(b) Weighted average number of issued shares	11,032,998,225	11,032,998,225	11,032,998,225
Treasury shares at beginning of year	(33,899,815)	(24,446,012)	(6,146,719)
Weighted average number of:			
5,000,000 treasury shares acquired by the Parent Company in March 2015	—	—	(3,916,667)
5,313,700 treasury shares acquired by the Parent Company in June 2015	—	—	(3,019,731)
1,275,000 shares acquired by the Group in July 2015	—	—	(605,625)
10,692,500 shares acquired by the Group in August 2015	—	—	(4,001,568)
1,497,550 treasury shares issued for vested stock awards on October 1, 2015	—	—	378,547
615,190 treasury shares issued for vested stock awards on July 1, 2015	—	—	331,022
1,869,167 treasury shares issued for vested stock awards on October 27, 2015	—	—	337,488
14,000,000 shares acquired by the Group in January 2016	—	(14,000,000)	—
461,323 treasury shares issued for vested stock awards on April 28, 2016	—	312,183	—
1,469,807 treasury shares issued for vested stock awards on July 1, 2016	—	736,917	—
192,979 treasury shares issued for vested stock awards on August 13, 2016	—	74,019	—
1,869,167 treasury shares issued for vested stock awards on October 27, 2016	—	466,011	—
552,921 treasury shares issued for vested stock awards on October 1, 2016	—	137,852	—
9,326,994 treasury shares issued for vested stock awards on February 28, 2016	9,326,994	—	—
461,323 treasury shares issued for vested stock awards on April 28, 2016	461,323	—	—
115,508 treasury shares issued for vested stock awards on June 28, 2016	115,508	—	—
192,979 treasury shares issued for vested stock awards on August 13, 2016	192,179	—	—
1,869,167 treasury shares issued for vested stock awards on October 27, 2016	466,011	—	—
552,921 treasury shares issued for vested stock awards on October 1, 2016	137,852	—	—
(c) Weighted average number of treasury shares	(23,199,948)	(36,719,030)	(16,643,253)
(d) Weighted average number of issued shares, net of treasury shares [(b)+(c)]	11,009,798,277	10,996,279,195	11,016,354,972
Weighted average number of:			
Unvested stock awards at beginning of year	22,949,388	6,071,218	4,776,127
922,645 stock awards granted on April 28, 2015	—	—	633,037
1,157,403 stock awards granted on August 13, 2015	—	—	450,101
1,105,842 stock awards granted on October 23, 2015	—	—	211,953
18,986,490 stock awards granted on February 16, 2016	—	16,593,672	—
558,289 stock awards granted on June 28, 2016	—	284,498	—
26,748,522 stock awards granted on April 18, 2017	17,832,368	—	—
(e) Weighted average number of stock awards granted	40,781,756	22,949,388	6,071,218
Basic earnings (loss) per share (a)/(d)	₱0.551	₱0.214	(₱0.305)
Diluted earnings per (loss) share (a)/[(d)+(e)]	₱0.549	₱0.214	(₱0.305)

Basic and diluted earnings (loss) per share in 2016 and 2015 are stated at the same amount as the effect of the vesting of stock awards under the SIP is anti-dilutive.



23. Note to Consolidated Statements of Cash Flows

The Group had no material non-cash investing nor non-cash financing activity-related transactions for the years ended December 31, 2017, 2016 and 2015, except for the following:

- The Group recognized share-based payment accruals amounting to ₱145.8 million, ₱84.5 million and ₱59.9 million in 2017, 2016 and 2015, respectively (see Note 16).
- Treasury shares were reissued for vested stock awards amounting to ₱89.4 million, ₱49.5 million and ₱50.2 million in 2017, 2016 and 2015, respectively (see Note 16).

The changes in the Group's liabilities arising from financing activities are as follows:

	January 1, 2017	Cash flows	Reclassification from current to non-current	Amortization of debt discount	Translation adjustment	December 31, 2017
Current portion of long-term debt	₱1,713,578,275	(₱1,807,002,500)	₱2,815,152,500	₱5,602,251	₱—	₱2,727,330,526
Long-term debt - net of current portion	32,112,401,811	—	(2,815,152,500)	76,239,759	—	29,373,489,070
Short-term borrowing	251,943,000	(74,892,394)	—	—	30,764,394	207,815,000
Total liabilities from financing activities	₱34,077,923,086	(₱1,881,894,894)	₱—	₱81,842,010	₱30,764,394	₱32,308,634,596

24. Segment Information

For management purposes, the Group is organized into two geographical segments (i.e., Philippines and Korea). Both segments derive its revenues from operating a casino-hotel business.

Management monitors the operating results of its geographical segment separately for making decisions about resource allocation and performance assessment. The Group evaluates segment performance based on contributions to EBITDA, which is not a measure of operating performance or liquidity defined by PFRS and may not be comparable to similarly titled measures presented by other entities. The Group's EBITA is computed as the Group's consolidated net income/loss before interest expense, provision for/benefit from income tax, net foreign exchange gains/losses, mark-to-market gain/loss, depreciation and amortization and non-recurring expense such as impairment loss.



The results of the Group's reportable geographical segments for the years ended December 31, 2017, 2016 and 2015 are as follows:

	Philippines			Korea			Eliminations			Consolidated		
	2017	2016	2015	2017	2016	2015	2017	2016	2015	2017	2016	2015
Consolidated EBITDA	₱12,681,384,898	₱11,231,404,358	₱5,997,417,462	(₱258,759,793)	(₱575,366,755)	(₱779,842,542)	(₱75,074,929)	(₱57,518,586)	(₱35,178,429)	₱12,347,550,175	₱10,598,519,017	₱5,182,396,491
Depreciation and amortization (see Note 18)	(4,174,509,563)	(4,681,364,583)	(4,795,771,810)	(179,342,772)	(173,676,959)	(60,630,817)	—	—	—	(4,353,852,334)	(4,855,041,542)	(4,856,402,627)
Interest expense (see Notes 13 and 14)	(2,128,610,570)	(2,190,739,561)	(2,137,975,490)	(97,649,314)	(90,092,069)	(64,342,492)	74,711,299	57,518,586	35,178,429	(2,151,548,585)	(2,223,313,044)	(2,167,139,553)
Foreign exchange gains (losses) - net	34,649,063	692,795,424	562,142,171	847,586,409	(210,402,489)	(269,313,855)	—	—	—	882,235,472	482,392,935	292,828,316
Other income (expense)	(157,560,357)	(20,408,783)	5,278,253	(271,574,086)	—	—	—	—	—	(429,134,443)	(20,408,783)	5,278,253
Benefit from (provision for) income tax (see Note 21)	14,491,274	(1,571,754,022)	(2,008,167,145)	(247,123,777)	(87,329,126)	175,932,971	—	—	—	(232,632,503)	(1,659,083,148)	(1,832,234,174)
Consolidated net income (loss)	₱6,269,844,745	₱3,459,932,833	(₱2,377,076,559)	(₱206,863,333)	(₱1,136,867,398)	(₱998,196,735)	(₱363,630)	₱—	₱—	₱6,062,617,782	₱2,323,065,435	(₱3,375,273,294)

	Philippines			Korea			Eliminations			Consolidated		
	2017	2016	2015	2017	2016	2015	2017	2016	2015	2017	2016	2015
Revenue	₱36,042,022,602	₱30,072,027,939	₱24,762,709,574	₱608,493,030	₱314,516,938	₱277,205,980	—	₱—	₱—	₱36,650,515,632	₱30,386,544,877	₱25,039,915,554
Operating costs and expenses	(27,673,981,580)	(23,623,248,401)	(23,670,944,145)	(1,049,011,475)	(1,063,849,574)	(1,120,384,861)	—	—	—	(28,722,993,055)	(24,687,097,975)	(24,791,329,006)
Other income (expenses):												
Interest expense	(2,128,610,570)	(2,190,739,561)	(2,137,975,490)	(97,649,314)	(90,092,069)	(64,342,492)	(₱75,074,929)	57,518,586	35,178,429	(2,151,548,585)	(2,223,313,044)	(2,167,139,553)
Foreign exchange gains (losses) - net	34,649,063	692,795,424	562,142,171	847,586,409	(210,402,489)	(269,313,855)	—	—	—	882,235,472	482,392,935	292,828,316
Interest income	138,834,313	101,260,237	109,880,223	2,415,880	288,922	2,705,522	74,711,299	(57,518,586)	(35,178,429)	66,175,264	44,030,573	77,407,316
Other	(157,560,357)	(20,408,783)	5,278,253	(271,574,086)	—	—	—	—	—	(429,134,443)	(20,408,783)	5,278,253
Benefit from (provision for) income tax	14,491,274	(1,571,754,022)	(2,008,167,145)	(247,123,777)	(87,329,126)	175,932,971	—	—	—	(232,632,503)	(1,659,083,148)	(1,832,234,174)
Consolidated net income (loss)	₱6,269,844,745	₱3,459,932,833	(₱2,377,076,559)	(₱206,863,333)	(₱1,136,867,398)	(₱998,196,735)	(₱363,630)	₱—	₱—	₱6,062,617,782	₱2,323,065,435	(₱3,375,273,294)

The assets and liabilities of the Group's reportable geographical segments as of December 31, 2017 and 2016 are as follows:

	Philippines			Korea			Total			Eliminations			Consolidated		
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2016
Assets:															
Segment assets	₱180,997,246,620	₱66,978,445,031	₱7,566,872,029	₱7,117,086,577	₱188,564,118,649	₱74,095,531,608	(₱115,777,667,124)	(₱6,634,352,578)	₱72,786,451,525	₱67,461,179,030					
Deferred tax assets - net	—	—	237,318,261	53,730,837	237,318,261	53,730,837	(237,318,261)	—	—	—					
Total assets	₱180,997,246,620	₱66,978,445,031	₱7,804,190,290	₱7,170,817,414	₱188,801,436,910	₱74,149,262,445	(₱116,014,985,385)	(₱6,634,352,578)	₱72,786,451,525	₱67,514,909,867					
Liabilities:															
Segment liabilities	₱48,493,392,673	₱42,089,381,995	₱8,160,029,136	₱7,672,403,601	₱56,653,421,809	₱49,761,785,596	(₱14,553,699,943)	(₱6,613,182,235)	₱42,099,721,866	₱43,148,603,361					
Deferred tax liabilities - net	151,628,952	221,831,122	—	—	151,628,952	221,831,122	249,749,995	—	401,378,947	221,831,122					
Total liabilities	₱48,645,021,625	₱42,311,213,117	₱8,160,029,136	₱7,672,403,601	₱56,805,050,761	₱49,983,616,718	(₱14,303,949,948)	(₱6,613,182,235)	₱42,501,100,813	₱43,370,434,483					

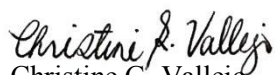


INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
Bloomberry Resorts Corporation
The Executive Offices, Solaire Resort & Casino
1 Asean Avenue, Entertainment City, Tambo
Parañaque City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Bloomberry Resorts Corporation and its subsidiaries as at December 31, 2017 and 2016 and for each of the three years in the period ended December 31, 2017, included in this Form 17-A, and have issued our report thereon dated April 4, 2018. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with Securities Regulation Code Rule 68, As Amended (2011), and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Christine G. Vallejo

Partner

CPA Certificate No. 99857

SEC Accreditation No. 1402-AR-1 (Group A),

March 2, 2017, valid until March 1, 2020

Tax Identification No. 206-384-906

BIR Accreditation No. 08-001998-105-2017,

January 31, 2017, valid until January 30, 2020

PTR No. 6621338, January 9, 2018, Makati City

April 4, 2018



COVER SHEET

for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

A	1	9	9	9	0	4	8	6	4
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COMPANY NAME

B	L	O	O	M	B	E	R	R	Y		R	E	S	O	R	T	S		C	O	R	P	O	R	A	T	I	O	N
A	N	D		S	U	B	S	I	D	I	A	R	I	E	S														

PRINCIPAL OFFICE (No. / Street / Barangay / City / Town / Province)

T	h	e		E	x	e	c	u	t	i	v	e		O	f	f	i	c	e	s	,		S	o	l	a	i	r	e
R	e	s	o	r	t		&		C	a	s	i	n	o	,		1		A	s	e	a	n		A	v	e	n	u
e	,		E	n	t	e	r	t	a	i	n	m	e	n	t		C	i	t	y	,		T	a	m	b	o	,	
P	a	r	a	n	a	q	u	e		C	i	t	y																

Form Type

1	7	-	Q
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Department requiring the report

C	R	M	D
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Secondary License Type, If Applicable

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COMPANY INFORMATION

Company's Email Address

investorrelations@bloomberry.ph

Company's Telephone Number

888-8888

Mobile Number

No. of Stockholders

97

Annual Meeting (Month / Day)

Any Day in June

Fiscal Year (Month / Day)

December 31

CONTACT PERSON INFORMATION

The designated contact person MUST be an Officer of the Corporation

Name of Contact Person

Gerard Angelo Emilio J. Festin

Email Address

gerardfestin@solaireresort.com

Telephone Number/s

883-8921

Mobile Number

CONTACT PERSON'S ADDRESS

The Executive Offices, Solaire Manila Resort & Casino, 1 Asean Avenue, Entertainment City, Tambo Parañaque City

NOTE 1 : In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

2 : All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.

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 quarter ended **31 March 2018**
2. SEC Identification Number **A1999-04864** 3. BIR Tax Identification No. **204-636-102-000**
4. Exact name of issuer as specified in its charter **BLOOMBERRY RESORTS CORPORATION**
5. **Philippines** 6. (SEC Use Only)
Province, Country or other jurisdiction of Industry Classification Code:
incorporation or organization
7. **The Executive Offices, Solaire Resort & Casino, 1 Asean Avenue,
Entertainment City, Tambo Parañaque City 1701**
Address of principal office Postal Code
8. **(02) 883-8921**
Issuer's telephone number, including area code
9. **Unit 601 6th Floor Ecoplaza Bldg. Chino Roces Avenue Ext. Makati City**
Former name, former address, and former fiscal year, if changed since last report.
10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA

Title of Each Class	Number of Shares Outstanding
Unclassified Shares, P1.00 par value	11,027,315,226 Shares
11. Are any or all of these securities listed on a Stock Exchange.
Yes ☒ No ☐
If yes, state the name of such stock exchange and the classes of securities listed therein:
Philippine Stock Exchange
Unclassified Shares
12. Check whether the issuer:
(a) has filed all reports required to be filed by Section 17 of the SRC and [SRC Rule 17.1](#) thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports);
Yes ☒ No ☐
(b) has been subject to such filing requirements for the past ninety (90) days.
Yes ☒ No ☐

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

The unaudited condensed consolidated financial statements as of March 31, 2018 and for the three months ended March 31, 2018 and 2017 and the audited consolidated statement of financial position as of December 31, 2017 and the related notes to unaudited condensed consolidated financial statements of Bloomberry Resorts Corporation and Subsidiaries (collectively referred to as “the Group”) are filed as part of this Form 17-Q on pages 5 to 60.

There is no other material events subsequent to the end of this interim period that had not been reflected in the unaudited condensed consolidated financial statements filed as part of this report.

Bloomberry Resorts Corporation and Subsidiaries
Condensed Consolidated Financial Statements
March 31, 2018 (Unaudited) and December 31, 2017 (Audited)
and For The Three Months Ended March 30, 2018 and 2017
(Unaudited)

BLOOMBERRY RESORTS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
MARCH 31, 2018 AND DECEMBER 31, 2017

	March 31, 2018 <i>(Unaudited)</i>	December 31, 2017 <i>(Audited)</i>
ASSETS		
Current Assets		
Cash and cash equivalents	P27,067,335,146	P21,961,406,978
Receivables	2,374,968,906	2,283,423,748
Inventories	297,017,812	320,836,366
Prepayments and other current assets	1,373,195,092	1,340,818,517
Total Current Assets	31,112,516,956	25,906,485,609
Noncurrent Assets		
Restricted cash	2,249,887,594	2,250,906,354
Property and equipment	41,804,071,374	42,470,677,934
Intangible assets	2,021,436,028	1,942,408,693
Other noncurrent assets	177,443,543	215,972,935
Total Noncurrent Assets	46,252,838,539	46,879,965,916
	P77,365,355,495	P72,786,451,525
LIABILITIES AND EQUITY		
Current Liabilities		
Payables and other current liabilities	P10,861,902,880	P9,245,936,992
Current portion of long-term debt	3,290,608,841	2,727,330,526
Income tax payable	1,597,045	1,597,045
Total Current Liabilities	14,154,108,766	11,974,864,563
Noncurrent Liabilities		
Long-term debt - net of current portion	28,162,281,428	29,373,489,070
Deferred tax liabilities – net	408,536,502	401,378,947
Retirement liability	481,119,111	449,557,616
Other noncurrent liability	313,716,590	301,810,617
Total Noncurrent Liabilities	29,365,653,631	30,526,236,250
Total Liabilities	43,519,762,397	42,501,100,813
Equity Attributable to Equity Holders of the Parent Company		
Capital stock	11,032,998,225	11,032,998,225
Additional paid-in capital	13,103,098,168	13,141,571,978
Equity reserve	(27,138,558)	(27,138,558)
Treasury shares	(73,460,194)	(125,192,149)
Share-based payment plan	161,125,382	159,743,028
Other comprehensive loss	(163,861,209)	(18,821,215)
Retained earnings	9,790,617,746	6,093,273,408
Total Equity Attributable to Equity Holders of the Parent Company	33,823,379,560	30,256,434,717
Equity Attributable to Non-controlling Interests	22,213,538	28,915,995
Total Equity	33,845,593,098	30,285,350,712
	P77,365,355,495	P72,786,451,525

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

BLOOMBERRY RESORTS CORPORATION AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THREE MONTHS ENDED MARCH 31, 2018 AND 2017

	2018	2017
REVENUES		
Gaming	₱10,699,966,919	₱7,811,185,912
Hotel, food and beverage	579,022,950	578,722,602
Retail and others	222,864,007	193,657,536
	11,501,853,876	8,583,566,050
OPERATING COSTS AND EXPENSES	8,052,836,047	6,520,756,473
INCOME BEFORE OTHER INCOME (EXPENSE) AND INCOME TAX	3,449,017,829	2,062,809,577
OTHER INCOME (EXPENSES)		
Interest expense	(512,591,283)	(557,777,958)
Foreign exchange gains – net	738,249,767	637,333,403
Interest income	13,903,543	13,411,937
Mark-to-market losses	(1,548,628)	(4,290,144)
	238,013,399	88,677,238
INCOME BEFORE INCOME TAX	3,687,031,228	2,151,486,815
BENEFIT FROM INCOME TAX	(3,610,654)	(1,852,167)
NET INCOME	3,690,641,882	2,153,338,982
OTHER COMPREHENSIVE INCOME		
Items that will be reclassified to profit or loss in subsequent period:		
Exchange difference on translation of foreign operations	(145,189,992)	133,158,255
Revaluation of AFS	150,000	–
TOTAL OTHER COMPREHENSIVE INCOME	(145,039,992)	133,158,255
TOTAL COMPREHENSIVE INCOME	₱3,545,601,890	₱2,286,497,237
Net Income (Loss) Attributable To		
Equity holders of the Parent Company	₱3,697,344,339	₱2,141,154,620
Non-controlling interests	(6,702,457)	12,184,362
	₱3,690,641,882	₱2,153,338,982
Total Comprehensive Income (Loss) Attributable To		
Equity holders of the Parent Company	₱3,552,304,347	₱2,274,312,875
Non-controlling interests	(6,702,457)	12,184,362
	₱3,545,601,890	₱2,286,497,237
Earnings Per Share on Net Income Attributable to Equity Holders of the Parent Company		
Basic	₱0.336	₱0.195
Diluted	₱0.335	₱0.194

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

BLOOMBERRY RESORTS CORPORATION AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED MARCH 31, 2018 AND 2017

	Equity Attributable to										
	Capital Stock	Additional Paid-in Capital	Equity Reserve	Treasury Shares	Share-based Payment Plan	Comprehensive Income/(losses)	Other	Retained Earnings	Total	Non- controlling Interests	Total Equity
Balances at January 1, 2018 (Audited)	₱11,032,998,225	₱13,141,571,978	(₱27,138,558)	(₱125,192,149)	₱159,743,029	(₱18,821,217)		₱6,093,273,407	₱30,256,434,715	₱28,915,995	₱30,285,350,710
Net income	-	-	-	-	-	-		3,697,344,339	3,697,344,339	(6,702,457)	3,690,641,882
Exchange difference on translation of foreign operations	-	-	-	-	-	(145,189,992)		-	(145,189,992)	-	(145,189,992)
Unrealized gain on available-for-sale investment	-	-	-	-	-	150,000		-	150,000	-	150,000
Total comprehensive income	-	-	-	-	-	(145,039,992)		3,697,344,339	3,552,304,347	(6,702,457)	3,545,601,890
Share-based payments	-	-	-	-	43,260,498	-		-	43,260,498	-	43,260,498
Purchase of treasury shares	-	-	-	(28,620,000)	-	-		-	(28,620,000)	-	(28,620,000)
Issuance of treasury shares for share-based payments	-	(38,473,810)	-	80,351,955	(41,878,145)	-		-	-	-	-
Balances at March 31, 2018 (Unaudited)	₱11,032,998,225	₱13,103,098,168	(₱27,138,558)	(₱73,460,194)	₱161,125,382	(₱163,861,209)		₱9,790,617,746	₱33,823,379,560	₱22,213,538	₱33,845,593,098
Balances at January 1, 2017 (Audited)	₱11,032,998,225	₱13,166,617,236	(₱27,138,558)	(₱214,589,978)	₱78,291,899	(₱15,862,820)		₱86,713,263	₱24,107,029,267	₱37,446,117	₱24,144,475,384
Net income	-	-	-	-	-	-		2,141,154,620	2,141,154,620	12,184,362	2,153,338,982
Other comprehensive income	-	-	-	-	-	133,158,255		-	133,158,255	-	133,158,255
Total comprehensive income	-	-	-	-	-	133,158,255		2,141,154,620	2,274,312,875	12,184,362	2,286,497,237
Share-based payments	-	-	-	-	11,432,118	-		-	11,432,118	-	11,432,118
Issuance of treasury shares for share-based payments	-	(32,447,776)	-	74,325,980	(41,878,204)	-		-	-	-	-
Balances at March 31, 2017 (Unaudited)	₱11,032,998,225	₱13,134,169,460	(₱27,138,558)	(₱140,263,998)	₱47,845,813	₱117,295,435		₱2,227,867,883	₱26,392,774,260	₱49,630,479	₱26,442,404,739

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

BLOOMBERRY RESORTS CORPORATION AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	₱3,687,031,228	₱2,151,486,815
Adjustments for:		
Unrealized foreign exchange gains - net	(738,249,767)	(637,333,403)
Interest income	(13,903,543)	(13,411,937)
Retirement expense	21,765,412	13,713,017
Interest expense	512,591,283	557,777,958
Share-based payment expense	43,260,498	11,432,118
Mark-to-market losses	1,548,628	4,290,144
Depreciation and amortization	1,073,622,194	1,080,426,731
Operating income before working capital changes	4,587,665,933	3,168,381,443
Decrease (increase) in:		
Receivables	148,812,296	492,221,326
Inventories	23,818,553	22,630,712
Prepayments and other current assets	(32,376,574)	(11,582,081)
Increase in:		
Payables and other current liabilities	1,786,227,212	652,193,730
Noncurrent liabilities	11,905,974	—
Net cash generated from operations	6,526,053,394	4,323,845,130
Income tax paid	—	(1,201,630)
Interest received	13,903,543	13,411,937
Net cash provided by operating activities	6,539,956,937	4,336,055,437
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property and equipment	(244,529,734)	(208,931,399)
Decrease (increase) in:		
Other noncurrent assets	(85,689,496)	(159,712,692)
Restricted cash	1,018,760	72,001
Net cash used in investing activities	(329,200,470)	(368,572,090)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of principal	(669,073,125)	(417,393,125)
Payment of interest	(682,852,610)	(632,349,026)
Purchase of treasury shares	(28,620,000)	—
Net cash used in financing activities	(1,380,545,735)	(1,049,742,151)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	275,717,436	237,308,249
NET INCREASE IN CASH AND CASH EQUIVALENTS	5,105,928,168	3,155,049,445
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	21,961,406,978	14,325,511,167
CASH AND CASH EQUIVALENTS AT END OF PERIOD	₱27,067,335,146	₱17,480,560,612

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

BLOOMBERRY RESORTS CORPORATION AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Organization and Business

a. Corporate Information

Bloomberry Resorts Corporation (referred to as “Bloomberry” or “Parent Company”), was incorporated in the Philippines and registered with the Securities and Exchange Commission (“SEC”) on May 3, 1999. The Parent Company’s corporate life is 50 years and can be extended for another 50 years before the expiration of its term. The Parent Company’s primary purpose is to subscribe, acquire, hold, sell, assign or dispose shares stock and other securities of any corporation, including those engaged in hotel and/or gaming and entertainment business, without engaging in dealership in securities or in the stock brokerage business or in the business of an investment company, to the extent permitted by law, and to be involved in the management and operations of such investee companies; and to guarantee the obligations of its subsidiaries or affiliates or any entity in which the Parent Company has lawful interest.

Bloomberry’s shares of stock are publicly traded in the Philippine Stock Exchange (PSE).

The Parent Company’s registered office address is at The Executive Offices, Solaire Resort & Casino, 1 Asean Avenue, Entertainment City, Tambo, Parañaque City.

b. Change in Ownership of Bloomberry

On January 26, 2012, Prime Metroline Holdings, Inc. (PMHI, formerly Prime Metroline Transit Corporation) acquired 60,000,000 shares of Bloomberry, constituting 75% of its outstanding capital stock, from Wespac Holdings Incorporated and other shareholders through a cross sale transaction in the PSE.

On February 27, 2012, the SEC approved the increase in Bloomberry’s authorized capital stock to ₱15.0 billion divided into 15.0 billion shares with par value of ₱1 per share and the following amendments in its articles of incorporation, among others: change in the corporate name from Active Alliance, Incorporated to Bloomberry Resorts Corporation and change in the primary purpose to that of a holding company.

In November and December 2014, PMHI subscribed to 435.0 million shares and 8,197,669 shares, respectively, to replace the same number of shares that it sold in a private placement to various investors in a placing and subscription transaction to raise funds for Bloomberry and the shares that the Parent Company borrowed for share-based payments.

As of March 31, 2018, PMHI (the ultimate parent company) owns 53.80% of Bloomberry.

c. Subsidiaries of Bloomberry

Sureste Properties, Inc. ("Sureste") and Bloomberry Resorts and Hotels Inc. ("BRHI")
On February 6, 2012, Prime Metroline Holdings, Inc. ("PMHI", the ultimate parent company) sold 100% of its ownership interest in Sureste to Bloomberry for ₱5.9 billion. Sureste owns 100% of BRHI.

Sureste was incorporated in the Philippines and was registered with the SEC on April 16, 1993. Its wholly-owned subsidiary, BRHI, was incorporated in the Philippines and registered with the SEC on February 27, 2008. The primary purpose of Sureste and BRHI is to develop and operate tourist facilities, including hotel-casino entertainment complexes with hotel, retail, amusement areas and themed development components.

Solaire Korea Co., Ltd. ("Solaire Korea"), Golden & Luxury Co., Ltd. ("G&L") and Muui Agricultural Corporation ("Muui")

In December 2014, Solaire Korea was established by Bloomberry to hold the Parent Company's investment in the leisure and entertainment business in Republic of Korea. On April 24, 2015, Solaire Korea acquired 77.26% of the outstanding shares of G&L. Subsequently on May 22, 2015, Solaire Korea acquired additional 18.97% of G&L, bringing its ownership in G&L to 96.23% (see Note 3). On August 20, 2015, Bloomberry acquired 10.00% of the outstanding shares of G&L from Solaire Korea. On March 8, 2016, Muui was established with a total capitalization of Korean Won (W)200.0 million (₱8.2 million). Solaire Korea owns 80% of the outstanding shares of Muui.

Bloom Capital B.V. and Solaire de Argentina S.A.

Bloomberry subscribed to 60% of the capital stock of Bloom Capital B.V., a financial holding entity incorporated in the Netherlands as a private company with limited liability under the Dutch law on November 21, 2013. On October 23, 2014, Bloomberry acquired the remaining 40% of the capital stock of Bloom Capital B.V. In 2014, Bloom Capital B.V. acquired 94% shares in Solaire de Argentina S.A.

d. Status of Operations

Sureste and BRHI

The Philippine Amusement and Gaming Corporation ("PAGCOR") granted BRHI the Provisional License on April 8, 2009 to develop an integrated casino, hotel and entertainment complex within Entertainment City (the "Project"). BRHI is one of four licensees for Entertainment City. The Provisional License, as well as the regular license issued to replace it, is concurrent with PAGCOR's congressional franchise. PAGCOR's franchise will expire on July 11, 2033 and may be renewed when PAGCOR's franchise is renewed by law. On May 7, 2015, BRHI's Provisional License was replaced with a regular casino Gaming License upon full completion of the Project, referred to as "Solaire". The Gaming License has the same terms and conditions as the Provisional License.

Solaire is one of the Philippines' first premium/luxury hotel and gaming resort. It is a gaming and integrated resort complex on a 9.2 hectare land along Asean Avenue in Parañaque City and is the first casino to operate within Entertainment City. BRHI, as the license holder, operates the casino while Sureste operates the hotel and non-gaming business.

On March 16, 2013, BRHI and Sureste commenced commercial operations, upon completion of Phase 1 of Solaire, now referred to as the Bay Tower, along with the opening of the main gaming area and initial non-gaming amenities, such as Solaire's hotel, food and beverage outlets.

On November 22, 2014, the Group opened the Sky Tower, which was previously referred to as Phase 1A development of Solaire. Contiguous to the existing Solaire Resort and Casino, the Sky Tower consists of a 312 all-suite hotel, additional ten VIP gaming salons with 66 gaming tables and 223 slot machines, an exclusive House of Zhou Chinese restaurant and The Macallan Whisky and Cigar Bar for VIP gamers, state-of-the art meeting rooms (The Forum) and a lyrical theater (The Theatre). The Sky Tower also features two restaurants, the Waterside Restobar and Oasis Garden Café. The Theatre is a certified 1,760-seat lyric theatre designed to provide a superior audio-visual experience for wide range of theatre plays and musicals, dance performances, concerts, and amplified music and speech events. The Forum is a 2,000 square meters of meeting facility with eight meeting rooms, two boardrooms and a column-free grand ballroom and a flexible pre-function area. In 2016, retail stores, including premium brands such as Saint Laurent, Bvlgari, Salvatore Ferragamo and Givenchy, were opened in The Shoppes in the Sky Tower. In January 2017, Louis Vuitton and Prada were opened.

G&L

G&L operated a hotel and casino property in Jeju, Korea under the brand name "T.H.E Hotel" and "LVegas Casino". Upon takeover of operation by Bloomberry, the property was rebranded as "Jeju Sun Hotel & Casino" ("Jeju Sun"). The property consists of 202-room hotel with 5 Hibiscus rating, 2,000 square meters of gaming operation with 36 tables and 20 electronic gaming machines. The property has four food and beverage outlets to service its hotel guest and casino players. The casino operation of Jeju Sun was temporarily closed in May 2015 for the renovation and expansion of the gaming area of the property. The casino operation resumed on September 15, 2015. However, the gaming regulator Casino Regulation Division ("CRD") imposed a one-month suspension which started on November 16, 2015 due to the result of the CRD's investigation of the gaming tax (tourism tax) payment practices of the casino under its old management and owners. On December 15, 2015, Jeju Sun opened its upgraded and expanded facilities. In June 2016, the Parent Company and Solaire Korea entered into an agreement to sell its investment in G&L. However, the sale did not push through. The Parent Company decided to again operate Jeju Sun under normal course of business. In the third quarter of 2017, a major reorganization was implemented to address certain management issues. The CEO, COO, CFO, SVP operations and other managerial level officers of G&L were replaced.

2. Summary of Significant Accounting Policies and Disclosures

Basis of Preparation

The unaudited condensed consolidated financial statements have been prepared in accordance with Philippine Accounting Standards (PAS) 34, Interim Financial Reporting. Accordingly, the unaudited condensed consolidated financial statements do not include all of the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as of and for the year ended December 31, 2017.

The unaudited condensed consolidated financial statements have been prepared under the historical cost basis, except for the derivative assets that have been measured at fair value. The unaudited condensed consolidated financial statements are presented in Philippine Peso, the functional and presentation currency of the Parent Company and its subsidiaries, and all values are rounded to the nearest peso, except when otherwise indicated.

Basis of Consolidation

The unaudited consolidated financial statements include the financial statements of Bloomberry and its subsidiaries (collectively referred to as the "Group").

On February 6, 2012, Bloomberry completed the acquisition of Sureste from PMHI through a cash transaction. Sureste, a subsidiary of PMHI, was deemed to be the accounting acquirer for accounting purposes under the principles of Philippine Financial Reporting Standards (PFRS) 3, *Business Combinations*. The acquisition was accounted for similar to a reverse acquisition following the guidance provided by the standard. In a reverse acquisition, the legal parent is identified as the acquiree for accounting purposes because based on the substance of the transaction, the legal subsidiary is adjudged to be the entity that gained control over the legal parent. Accordingly, the consolidated financial statements of Bloomberry have been prepared as a continuation of the consolidated financial statements of Sureste. Sureste has accounted for the accounting acquisition of Bloomberry on January 26, 2012 which was the date when PMHI acquired Bloomberry.

Reverse acquisition applies only to the consolidated financial statements. The parent company financial statements will continue to represent Bloomberry as a stand-alone entity.

As of March 31, 2018 and December 31, 2017, subsidiaries of Bloomberry include:

	Effective Percentage of Ownership	
	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
Sureste	100.0	100.0
BRHI	100.0	100.0
Bloom Capital B.V.*	100.0	100.0
Solaire Korea	100.0	100.0
G&L (through Solaire Korea)	96.2	96.2
Muui Agricultural Corporation (through Solaire Korea)	80.0	80.0
Solaire de Argentina S.A. (through Bloom Capital B.V.)*	94.0	94.0
Falconer Aircraft Management Inc. (through BRHI)*	49.0	-

**has not started commercial operations*

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Parent Company controls an investee, if and only if, the Parent Company has:

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

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

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

Profit or loss and each component of other comprehensive income ("OCI") are attributed to the equity holders of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. The financial statements of subsidiaries are prepared for the same reporting period as the Group, using uniform accounting policies for like transactions and other events in similar circumstances. Intercompany balances and transactions are eliminated in full.

Non-Controlling Interests. Non-controlling interests represent the portion of profit or loss and net assets in the subsidiaries not held by the Group and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to equity holders of the Group.

Changes in Accounting Policies and Disclosures

The Group's accounting policies are consistent with those of the previous financial year, except for the adoption of the following new accounting pronouncements effective January 1, 2017.

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

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

Adoption of these amendments did not have any impact on the consolidated financial statements.

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

The amendments require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses).

The Group has provided the required information in Note 23 to the financial statements. As allowed under the transition provisions of the standard, the Group did not present comparative information for the year ended December 31, 2016.

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

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

The Group applied the amendments retrospectively. However, their application has no effect on the Group's financial position and performance as the Group has no deductible temporary differences or assets that are in the scope of the amendments.

Standards Issued But Not Yet Effective

The Group will adopt the following new pronouncements when these become effective. Except as otherwise indicated, the Group does not expect the adoption of these new pronouncements to have a significant impact on the consolidated financial statements.

Effective January 1, 2018

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

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

On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and if other criteria are met. Early application of the amendments is permitted. The Group is currently assessing the potential effect of the amendments on its consolidated financial statements.

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

The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the 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.

- *PFRS 15, Revenue from Contracts with Customers*

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

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under PFRSs. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018. Early adoption is permitted. The Group is currently assessing the impact of adopting this standard.

- *PFRS 9, Financial Instruments*

PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of

PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. Retrospective application is required, but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

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

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

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

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

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

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

The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. The interpretation may be applied on a fully retrospective basis. Entities may apply the

interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

Effective January 1, 2019

- PFRS 16, *Leases*

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

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

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

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

Early application is permitted, but not before an entity applies PFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

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

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

The amendments to PFRS 9 allow debt instruments with negative compensation prepayment features to be measured at amortized cost or fair value through other comprehensive income. An entity shall apply these amendments for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted.

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

The amendments to PAS 28 clarify that entities should account for long-term interests in an associate or joint venture to which the equity method is not applied using PFRS

9. An entity shall apply these amendments for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted.

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

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

The interpretation specifically addresses the following:

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

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

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

Deferred Effectivity

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

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

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

The Group has not early adopted the previously mentioned pronouncements. The Group continues to assess the impact of the above new pronouncements effective subsequent to December 31, 2017 on its consolidated financial statements in the period of initial application. Additional disclosures required by these amendments will be included in the consolidated financial statements when these amendments are adopted.

Significant Accounting Policies

Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs incurred are recognized as expense and included in administrative expenses.

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

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss. It is then considered in the determination of goodwill.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognized in accordance with PAS 39 either in profit or loss or as a change to OCI. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity. Subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss. If the initial accounting for business combination can be determined only provisionally by the end of the period by which the combination is effected because either the fair values to be assigned to the acquiree's identifiable assets, liabilities or contingent liabilities or the cost of the combination can be determined only provisionally, the Group accounts the combination using provisional values. Adjustments to these provisional values as a result of completing the initial accounting shall be made within 12 months from the acquisition date. The carrying amount of an identifiable asset, liability or contingent liability that is recognized as a result of completing the initial accounting shall be calculated as if its fair value at the acquisition date had been recognized from that date and goodwill or any gain recognized shall be adjusted from the acquisition date by an amount equal to the adjustment to the fair value at the acquisition date of the identifiable asset, liability or contingent liability being recognized or adjusted.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

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

The seller in a business combination may contractually indemnify the acquirer for the outcome of a contingency or uncertainty related to all or part of a specific asset or liability. As a result, the acquirer obtains an indemnification asset. The acquirer shall recognize an indemnification asset at the same time that it recognizes the indemnified item measured on the same basis as the indemnified item, subject to the need for a valuation allowance for uncollectible amounts. Therefore, if the indemnification relates to an asset or a liability that is recognized at the acquisition date and measured at its acquisition-date fair value, the acquirer shall recognize the indemnification asset at the acquisition date measured at its acquisition-date fair value.

In some circumstances, the indemnification may relate to an asset or a liability that is an exception to the recognition or measurement principles. In those circumstances, the indemnification asset shall be recognized and measured using assumptions consistent with those used to measure the indemnified item, subject to management's assessment of the collectibility of the indemnification asset and any contractual limitations on the indemnified amount.

At the end of each subsequent reporting period, the acquirer shall measure an indemnification asset that was recognized at the acquisition date on the same basis as the indemnified liability or asset, subject to any contractual limitations on its amount and, for an indemnification asset that is not subsequently measured at its fair value, management's assessment of the collectibility of the indemnification asset. The acquirer shall derecognize the indemnification asset only when it collects the asset, sells it or otherwise loses the right to it.

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 normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

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

The Group classifies all other liabilities as noncurrent.

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

Financial Instruments

Date of recognition

Financial instruments within the scope of PAS 39 are recognized in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized using trade date accounting.

Initial recognition of financial instruments

All financial instruments are initially recognized at fair value. The initial measurement of financial instruments includes transaction costs, except for financial instruments at fair value through profit or loss (FVPL). The Group classifies its financial assets in the following categories: financial assets at FVPL, held-to-maturity (HTM) investments, available-for-sale (AFS) financial assets, and loans and receivables. Financial liabilities are classified as either financial liabilities at FVPL or other financial liabilities. The classification depends on the purpose for which the investments were acquired or liabilities incurred and whether they are quoted in an active market. Management determines the classification of its instruments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every financial reporting date.

Determination of fair value

The fair value for financial instruments traded in active markets at financial reporting date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. When current bid and ask prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction. For all other financial instruments not traded in an active market, the fair value is determined by using appropriate valuation techniques.

“Day 1” difference

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

Financial assets and liabilities at FVPL

Financial assets and liabilities at FVPL include financial assets and liabilities held for trading purposes and financial assets and liabilities designated upon initial recognition as at FVPL.

Financial assets and liabilities are classified as held for trading if these are acquired for the purposes of selling and repurchasing in the near term.

Derivatives, including any separated embedded derivatives, are also classified under financial assets or liabilities at FVPL, unless these are designated as hedging instruments in an effective hedge.

Financial assets or liabilities may be designated by management on initial recognition as at FVPL when any of the following criteria are met:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis;
- the assets and liabilities are part of a group of financial assets, liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- the financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

Financial assets and liabilities at FVPL are recorded in the consolidated statement of financial position at fair value. Subsequent changes in fair value are recognized in the consolidated statement of comprehensive income. Interest earned or incurred is recorded as interest income or expense, respectively, while dividend income is recorded as other income when the right to receive payment has been established.

Derivatives embedded in host contracts are accounted for as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not carried at fair value. These embedded derivatives are measured at fair value with gains or losses arising from changes in fair value recognized in the consolidated statement of comprehensive income. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

The Group's derivative asset arising from the loan prepayment option is classified as financial assets at FVPL as of March 31, 2018 and December 31, 2017. The Group has no financial liability at FVPL as of March 31, 2018 and December 31, 2017.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified or designated as AFS financial assets or financial assets at FVPL. Loans and receivables are classified as current assets if maturity is within 12 months from financial reporting date. Otherwise, these are classified as noncurrent assets.

After initial recognition, loans and receivables are subsequently measured at amortized cost using the effective interest rate (EIR) method, less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR. Interest earned or incurred is recognized as "Interest income" in the consolidated statement of comprehensive income. Gains and losses are recognized in the consolidated statement of comprehensive income

when the loans and receivables are derecognized and impaired, as well as through the amortization process.

The Group's cash and cash equivalents, receivables, restricted cash and security deposit are classified as loans and receivables.

HTM investments

HTM investments are quoted non-derivative financial assets with fixed or determinable payments and fixed maturities for which the Group's management has the positive intention and ability to hold to maturity. Where the Group sells other than an insignificant amount of HTM investments, the entire category would be tainted and reclassified as AFS financial assets. After initial recognition, these investments are subsequently measured at amortized cost using the EIR method, less any impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are integral parts of the EIR. Interest earned or incurred is recognized in "Interest income" in the consolidated statement of comprehensive income. Gains and losses are recognized in the consolidated statement of comprehensive income when the HTM investments are derecognized and impaired, as well as through the amortization process. The effects of restatement on foreign currency-denominated HTM investments are also recognized in the consolidated statement of comprehensive income.

The Group has no HTM investments as of March 31, 2018 and December 31, 2017.

AFS financial assets

AFS financial assets are those non-derivative financial assets which are designated as such or do not qualify to be classified in any of the three preceding categories. These are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions. AFS financial assets are classified as current assets if management intends to sell these financial assets within 12 months from financial reporting date. Otherwise, these are classified as noncurrent assets.

After initial recognition, AFS financial assets are subsequently measured at fair value, with unrealized gains and losses being recognized as other comprehensive income account until the investment is derecognized or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in other comprehensive income reserve account is recognized in the consolidated statement of comprehensive income. The Group uses the specific identification method in determining the cost of securities sold. Interest earned on holding AFS debt securities is included under "Interest income" using the EIR method in the consolidated statement of comprehensive income. Dividends earned on holding AFS equity investments are recognized in the consolidated statement of comprehensive income when the right of payment has been established.

The Group's investment in club shares is classified as AFS financial assets as of March 31, 2018 and December 31, 2017.

Other financial liabilities

This category pertains to financial liabilities that are not held for trading or not designated as at FVPL upon the inception of the liability. These include liabilities arising from operations or borrowings. Other financial liabilities are initially recognized at the fair value of the consideration received less directly attributable transaction costs. After initial

recognition, other financial liabilities are subsequently measured at amortized cost using the EIR method.

Gains and losses are recognized in the consolidated statement of comprehensive income when the liabilities are derecognized as well as through the EIR amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are integral part of the EIR. The EIR amortization is included the consolidated statement of comprehensive income.

Other financial liabilities include payables and other current liabilities and long-term debt as of March 31, 2018 and December 31, 2017.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the 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 assets and settle the liabilities simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented at gross amounts in the consolidated statement of financial position.

Impairment of Financial Assets

The Group assesses annually whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that the debtor will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortized cost

For financial assets at amortized cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The estimated future cash flows are discounted at the financial asset's original EIR. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assess them for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the consolidated statement of comprehensive income. Interest income continues to be accrued on the reduced carrying amount based on the original EIR of the asset. The financial asset together with the associated allowance are written-off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognized in our consolidated statement of comprehensive income, to the extent that the carrying value of the asset does not exceed its original amortized cost at the reversal date. If a future write-off is later recovered, the recovery is recognized in the consolidated statement of comprehensive income.

Derecognition of Financial Assets and Liabilities

Financial assets

A financial asset (or where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when: (1) the rights to receive cash flows from the asset have expired; or (2) the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a “pass-through” arrangement; and either: (a) the Group has transferred substantially all the risks and rewards of the asset; or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a “pass-through” arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, a new asset is recognized to the extent of the Group’s continuing involvement in the asset.

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.

When continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group’s continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Group’s continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the carrying amount of a financial liability extinguished or transferred to another party and the consideration paid, including

any non-cash assets transferred or liabilities assumed, is recognized in the consolidated statement of comprehensive income.

Cash and Cash Equivalents

Cash includes cash on hand and in banks, including bank accounts maintained by the Group as collateral for its long-term debt and cash that is restricted for meeting cash commitments in the next twelve months related to the construction of the Project. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from the date of acquisition, and for which there is an insignificant risk of change in value.

Restricted Cash

Restricted cash represents cash in escrow account as required by a lending bank of Sureste.

Inventories

Inventories are valued at the lower of cost or Net Realizable Value (NRV). Cost is determined using the moving average method except for table card inventories (presented as part of operating supplies) where the first in, first out method is being utilized. NRV is based on estimated selling prices less estimated costs to be incurred on completion and disposal. NRV of operating and other supplies is the current replacement cost.

Prepayments

Prepayments are carried at cost and are amortized on a straight-line basis, over the period of intended usage, which is equal to or less than 12 months or within the normal operating cycle.

Advances to Suppliers

Advances to suppliers primarily represent advance payments made to a service provider for the Group's aircraft operation and management. Advances to Suppliers is presented under the "Prepayments and other current assets" account in the consolidated statement of financial position.

Creditable Withholding Taxes (CWT)

CWT represents the amount of tax withheld by counterparties from the Group. These are recognized upon collection and are utilized as tax credits against income tax due as allowed by the Philippine taxation laws and regulations. CWT is presented under the "Prepayments and other current assets" account in the consolidated statement of financial position. CWT is stated at its estimated NRV.

Property and Equipment

Property and equipment are carried at cost, excluding the costs of day-to-day servicing, less accumulated depreciation, amortization and any impairment in value.

The initial cost of property and equipment comprises its construction cost or purchase price and any directly attributable costs of bringing the property and equipment to its working condition and location for its intended use. Expenditures incurred after the property and equipment have been put into operations, are normally charged to income in the year the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally

assessed standard of performance, such expenditures are capitalized as additional costs of property and equipment. When assets are sold or retired, their costs and accumulated depreciation, amortization and impairment losses, if any, are eliminated from the accounts and any gain or loss resulting from their disposal is included in the consolidated statement of comprehensive income of such period.

The useful lives and depreciation and amortization method are reviewed at least at each financial year-end to ensure that the periods and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment.

Depreciation and amortization are computed using the straight-line method over the following estimated useful lives of the assets, or the term of the lease whichever is shorter:

Land improvements	10 years
Building and improvements	40 years
Machineries	10 years
Gaming equipment	5 years
Office furniture and fixtures	5 years
Transportation equipment	5 years
Leasehold improvements	3 years
Office and communication equipment	5 years

During the fourth quarter of 2016, the Group changed the estimated useful life for depreciation of the building and improvements from 20 years (remaining term for the lease of land with PAGCOR) to 40 years (expected utility of the building based on the technical study).

Property and equipment includes costs incurred in the construction of the hotel and casino entertainment complex classified under "Construction in Progress". These include costs of construction, equipment and other direct costs such as borrowing cost. Upon completion, these costs will be amortized over the life of the asset. During the period of construction, construction in progress is tested for impairment if any impairment indicators are present.

Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses.

The useful lives of intangible assets are assessed as either finite or indefinite.

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

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and

are recognized in profit or loss in the consolidated statement of comprehensive income when the asset is derecognized.

Operating Equipment

Operating equipment (shown as part of "Intangible and other noncurrent assets" account) includes linen, china, glassware, silver, and other kitchen wares, which are carried at cost. Items of operating equipment with expected period of consumption of one year or less are classified as current. Bulk purchases of items of operating equipment with expected usage period of beyond one year are classified as noncurrent assets and are amortized over two to three years. Subsequent purchases of operating equipment upon start of business operations are recognized in profit or loss in the consolidated statement of comprehensive income.

Impairment of Nonfinancial Assets

The Group assesses at each reporting date whether there is any indication that its nonfinancial assets may be impaired. When an indicator of impairment exists or when an annual impairment testing for an asset is required, the Group makes a formal estimate of the recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is assessed as part of the cash generating unit to which it belongs. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. 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.

An impairment loss is charged to operations in the year in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is charged to the revaluation increment of the said asset.

For nonfinancial assets, excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of comprehensive income unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation and amortization expense is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining life.

Intangible assets with indefinite useful lives are tested for impairment annually, at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

Goodwill and casino license with indefinite useful life are tested for impairment annually, and when circumstances indicate that the carrying value may be impaired. Impairment is

determined for goodwill and casino license with indefinite useful life by assessing the recoverable amount of each cash-generating unit ("CGU") (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized in profit or loss in the consolidated statement of comprehensive income. Impairment losses relating to goodwill cannot be reversed in future periods.

Equity

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

Equity reserve pertains to costs incurred in 2011, in connection with the issuance of capital stock such as taxes and legal fees. The account also includes the effect of the reverse acquisition when Bloomberry acquired Sureste from the ultimate parent in 2012.

Treasury shares are the Parent Company's own equity instruments which are reacquired and are recognized at cost and presented as reduction in equity. No gain or loss is recognized in the consolidated statement of comprehensive income on the purchase, sale, reissuance or cancellation of the Parent Company's own equity instruments. Any difference between the carrying amount and the consideration upon reissuance or cancellation of shares is recognized as APIC.

Retained earnings represents the Group's cumulative net earnings/losses, net of dividends declared.

Share-based Payment Plan

Certain qualified officers and employees of the Parent Company and subsidiaries receive remuneration for their services in the form of equity shares of the Parent Company ("equity-settled transactions").

The cost of equity-settled transactions with officers and employees is measured by reference to the fair value of the stock at the date on which these are granted.

The cost of equity-settled transactions is recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('the vesting date').

The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The consolidated statement of income expense or credit for a period represents the movement in cumulative expense recognized at the beginning and end of that period and is recognized as share-based payment expense as part of "Salaries and benefits" under operating costs and expenses.

No expense is recognized for awards that do not ultimately vest, except for equity-settled transaction for which vesting is conditional upon a market or non-vesting condition. These are treated as vesting irrespective of whether or not the market or non-vesting

condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Foreign Currency Transactions and Translations

The Group's financial statements are presented in Philippine Peso. The Philippine Peso is the currency of the primary economic environment in which the Group operates.

Transactions and Balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates prevailing at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognized in profit or loss in the consolidated statement of comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognized in OCI or profit or loss are also recognized in OCI or profit or loss, respectively).

Group Companies

On consolidation, the assets and liabilities of foreign operations are translated into Philippine peso at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at the average exchange rates for the year. The exchange differences arising on translation for consolidation are recognized in OCI and taken directly to a separate component of equity as translation adjustments. On disposal of these subsidiaries, the amount of deferred cumulative translation adjustments recognized in equity relating to subsidiaries shall be recognized in profit or loss in the consolidated statements of comprehensive income.

Revenue Recognition

The Group recognizes revenue when the amount of revenue can be reliably measured, it is possible that future economic benefits will flow into the entity and specific criteria have been met for each of the Group's activities described below. The amount of revenue is not considered to be reliably measured until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

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

Gaming revenue

Gaming revenue is measured by the aggregate net difference between gaming wins and losses, with liabilities recognized for funds deposited by customers before gaming play occurs and for chips in customers' possession. Revenues are recognized net of certain sales incentives. Accordingly, the Group's gaming revenues are reduced by discounts, rebates paid through the gaming promoters, progressive jackpot liabilities and points earned in customer loyalty programs totaling to ₱3,046.7 million and ₱2,904.3 million for

the three months ended March 31, 2018 and 2017, respectively.

Hotel, food and beverage, retail and other operating revenues

Hotel, food and beverage, retail and other operating revenues are recognized when services are performed or the retail goods are sold. Deposits received from customers in advance on rooms or other services are recorded as liabilities until services are provided to the customers.

The retail value of accommodation, food and beverage, and other services furnished to guests without charge is excluded from total operating revenues in the accompanying consolidated statement of comprehensive income. The amounts of such promotional allowances excluded from total operating revenues for the three months ended March 31, 2018 and 2017 are as follows:

	March 31, 2018	March 31, 2017
Hotel, food and beverage	P410,769,291	P393,402,005
Retail and others	40,309,276	44,544,150
	P451,078,567	P437,946,155

Retail and other revenue includes sale of various merchandise, communication and transportation services to Solaire guests and players.

Interest income

Interest income is recognized as it accrues on a time proportion basis taking into account the principal amount outstanding and the EIR. Interest income represents interest earned from cash and cash equivalents and restricted cash comprising of cash in escrow and cash allocated to the Project.

Cost and Expenses

Costs and expenses are recognized in the consolidated statement of comprehensive income upon utilization of the service or at the date they are incurred.

Costs incurred prior to obtaining the license were expensed as incurred.

Gaming Taxes

Being a PAGCOR licensee, BRHI is required to pay license fees on its gross gaming revenues on a monthly basis starting from the date the casino commences operations. These license fees are reported under "Operating costs and expenses" in the consolidated statements of comprehensive income.

Retirement expense

The Group has an unfunded, non-contributory defined benefit plan covering all of its regular employees. Retirement costs are determined based on the provisions of Republic Act No. 7641, "Retirement Pay Law". These benefits are unfunded. The cost of employee benefits under the defined benefit plan is determined using the projected unit credit method.

Remeasurements, comprising of actuarial gains and losses, excluding amounts included in interest on the defined benefit liability are recognized immediately in the consolidated statement of financial position with a corresponding debit or credit to retained earnings

through OCI in the period in which they occur. Remeasurements are not classified to profit or loss in subsequent periods.

Interest is calculated by applying the discount rate to the defined benefit liability. The Group recognized the change in defined benefit obligation such as service cost and interest costs under "Operating costs and expenses" in the consolidated statement of comprehensive income.

Provisions

Provisions are recognized when the Group has present obligations, legal or constructive, as a result of past events, when 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. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statement of comprehensive income, net of any reimbursements. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to passage of time is recognized as interest expense.

Borrowing Costs

Borrowing costs are capitalized if they are directly attributable to the acquisition, construction or production of a qualifying asset. Qualifying assets are assets that necessarily take a substantial period of time to get ready for its intended use or sale. Capitalization of borrowing costs commences when the activities necessary to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the assets are available for their intended use. If the resulting carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognized. Borrowing costs include interest charges and other costs incurred in connection with the borrowing of funds, as well as exchange differences arising from foreign currency borrowings used to finance these projects to the extent that they are regarded as an adjustment to interest cost.

All other borrowing costs are expensed as incurred.

Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at the inception date of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. A reassessment is made after the 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 agreement; (b) a renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term; (c) there is a change in the determination of whether the 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) and the date of renewal or extension period for scenario (b).

As a lessee

Leases where the lessor retains substantially all the risks and benefits of ownership of the assets are classified as operating leases. Operating lease payments are recognized as expense in the consolidated statement of comprehensive income or capitalized in the consolidated statement of financial position (in case of leases directly related to construction) on a straight-line basis over the lease term.

As a lessor

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

Taxes

Current income tax

Current income tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting period.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the profit or loss.

Deferred income tax

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

Deferred tax liabilities are recognized for all taxable temporary differences except: (1) when the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and (2) with respect to taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits from excess minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) and unused net operating loss carry-over (NOLCO) to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carryforward benefit of unused tax credits and unused tax losses can be utilized except: (1) when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and (2) with respect to deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable

future and taxable profit will be available against which the temporary differences can be utilized.

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

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

Deferred income tax relating to items recognized directly in other comprehensive income account is included in the other comprehensive income account of the consolidated statement of comprehensive income.

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

Value-Added Tax (VAT)

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

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

The net amount of VAT recoverable from/payable to the taxation authority is included as part of the "Prepayments and other current assets" and "Payables and other current liabilities" accounts in the consolidated statement of financial position.

Contingencies

Contingent liabilities are not recognized in the unaudited condensed consolidated financial statements. These are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the unaudited condensed consolidated financial statements but are disclosed in the notes to unaudited condensed consolidated financial statements when an inflow of economic benefits is probable.

Events After the Reporting Date

Post year-end events that provide additional information about the Group's financial position at the end of the reporting period (adjusting events) are reflected in the unaudited condensed consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to unaudited condensed consolidated financial statements when material.

Earnings (Loss) Per Share

The Group presents basic and diluted earnings (loss) per share rate for its shares.

Basic Earnings (loss) Per Share (EPS) is calculated by dividing net income (loss) for the period attributable to equity shareholders by the weighted average number of shares outstanding during the period after giving retroactive effect to any stock dividend declarations.

Diluted earnings (loss) per share is computed in the same manner, adjusted for the effect of the shares issuable to qualified officers and employees under the Parent Company's stock incentive plan which are assumed to be exercised at the date of grant. Where the effect of the vesting of stock under the stock incentive plan is anti-dilutive, basic and diluted earnings per share are stated at the same amount.

Segment Reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services within a particular economic environment subject to risks and rewards that are different from those of other segments, which operating results are regularly reviewed by the chief operating decision maker to make decisions about how resources are to be allocated to each of the segments and to assess their performances, and for which discrete financial information is available. Management views the hotel and casino business as one integrated business segment, i.e., an integrated resort facility. A single management team for each geographical area reports to the chief operating decision-maker. The Group operates in two geographical areas in 2018 and 2017 where it derives its revenue.

Management's Use of Judgments, Estimates and Assumptions

The preparation of the unaudited condensed consolidated financial statements in conformity with PFRS requires the Group to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and disclosure of contingent liabilities at the reporting date. The uncertainties inherent in these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the assets or liabilities affected in the future years.

Judgments

In the process of applying the Group's accounting policies, management has made the following judgments apart from those including estimations and assumptions, which has the most significant effect on the amounts recognized in the unaudited condensed consolidated financial statements.

Determination of Functional Currency. The functional currencies of the Parent Company and its subsidiaries are the currency of the primary economic environment in which each entity operates. It is the currency that mainly influences the revenue from and cost of rendering services.

Based on the economic substance of the underlying circumstance relevant to the Parent Company, the functional and presentation currency of the Parent Company is the Philippine peso. Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rate of

exchange ruling at reporting date. For income tax purposes, exchange gains or losses are treated as taxable income or deductible expenses in the year such are realized.

The functional currency of the Parent Company's foreign subsidiaries, i.e., Solaire Korea and G&L, is the Korean won.

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

Group as a Lessee

The Group has entered into various operating lease agreements as a lessee. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that the lessor retains all the significant risks and rewards of ownership of these properties because the lease agreements do not transfer to the Group the ownership over the assets at the end of the lease term and do not provide the Group with a bargain purchase option over the leased assets and so accounts for the contracts as operating leases.

Determination of Casino License's Useful Life. The Group's casino license has been acquired through a business combination. The license has no expiration and renewal is not necessary. Further, it may only be cancelled under specific rare circumstances. Accordingly, management has assessed that the Group's casino license has an indefinite useful life.

Estimates and assumptions

The key estimates and assumptions concerning the future and other key sources of estimation uncertainty at reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities recognized in the consolidated financial statements within the next financial year are discussed as follows:

Contingencies. On April 13, 2013, the BIR issued RMC No. 33-2013, which may affect the tax exemption of BRHI. On June 4, 2014, BRHI filed a petition with the Supreme Court to annul the provision of RMC No. 33-2013, which subjects PAGCOR licensees to corporate income tax. In a decision dated August 10, 2016, the Supreme Court ruled in favour of BRHI and nullified the questioned provision of RMC No. 33-2013. Also, the Group is involved with a legal case relative to its terminated agreement with Global Gaming Philippines LLC ("GGAM"). The Group's estimate of the probable cost for the implication of these matters has been developed in consultation with its legal counsels and is based upon an analysis of potential results. Management and its legal counsels do not believe these will have a material adverse effect on its financial position or performance. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of strategies relating to this matter.

Estimating Allowance for Doubtful Accounts. The Group reviews its receivables at each reporting date to assess whether a provision for doubtful accounts should be recorded in the consolidated statement of financial position. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance. In addition to specific allowance against individually significant receivables, the Group also makes a collective impairment allowance against exposures which,

although not specifically identified as requiring specific allowance, have a greater risk of default than when the credit was originally granted.

Management evaluates provision for doubtful accounts based on a specific review of customer accounts as well as experience with collection trends in the casino industry and current economic and business conditions. As customer payment experience evolves, management will continue to refine the estimated provision for doubtful accounts. Accordingly, the associated doubtful accounts expense charge may fluctuate. Because individual customer account balances can be significant, the provision and the expense can change significantly between periods, as information about a certain customer becomes known or as changes in a region's economy or legal systems occur.

There were no provision for doubtful accounts for the three months ended March 31, 2018 and 2017. The net carrying amount of receivables amounted to ₱2,375.0 million and ₱2,283.4 million as of March 31, 2018 and December 31, 2017, respectively.

Net Realizable Value of Inventories. The Group writes down the cost of inventories whenever net realizable value of inventories becomes lower than cost due to damage, physical deterioration, obsolescence, changes in price levels or other causes. The lower of cost and net realizable value of inventories is reviewed on a monthly basis to reflect the accurate valuation in the financial records. Inventories and supplies identified to be obsolete and unusable are also written off and charged as expense for the period.

There were no provision for inventory obsolescence for the three months and nine months ended March 31, 2018 and 2017. Inventories at cost amounted to ₱297.0 million and ₱320.8 million as of March 31, 2018 and December 31, 2017, respectively.

Estimating Useful Lives of Property and Equipment. Management determines the estimated useful lives and the related depreciation and amortization charges for its property and equipment based on the period over which the property and equipment are expected to provide economic benefits. Management's estimation of the useful lives of property and equipment is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. These estimations are reviewed periodically and could change significantly due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. Management will increase the depreciation and amortization charges where useful lives are less than the previously estimated useful lives.

In 2016, the Group reassessed the estimated useful life of the building and improvements in view of the developments in the casino industry which consequently impacts the Group's expectation to extend the lease. Accordingly, during the fourth quarter of 2016, the Group changed the estimated useful life of the building and improvements from 20 years (remaining term for the lease of land with PAGCOR) to 40 years (expected utility of the building based on technical study) to better reflect the estimated period during which the building and improvements are expected to remain in service. The change in estimated useful life was accounted for prospectively. Depreciation for the year ended December 31, 2016 would have been higher by ₱188.0 million had the change in useful life not taken place. Annual depreciation will be lower by ₱752.1 million in future years. The aggregate net book value of the Group's property and equipment (excluding construction in progress) amounted to ₱41,661.8 million and ₱42,302.4 million as of March 31, 2018 and December 31, 2017, respectively.

Estimating Useful Life of Operating Equipment. Bulk purchases of operating equipment items are estimated to be consumed over a period of two to three years. This estimation is reviewed periodically and could change significantly due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. Management will increase the amortization charges where period of consumption is less than the previously estimated period of consumption.

Amortization for the three months ended March 31, 2018 and 2017 amounted to ₱3.2 million and ₱25.8 million, respectively. The carrying value of the Group's operating equipment amounted to ₱5.6 million and ₱7.0 million as of March 31, 2018 and December 31, 2017, respectively.

Impairment of Nonfinancial Assets. An impairment review is performed when certain impairment indicators are present. Nonfinancial assets are subject to annual impairment test or whenever there is a strong indication that the assets will be impaired. The Group recognizes an impairment loss whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is computed using the value in use approach or based on the fair values using the latest sales price available in the market. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs.

Management is required to make estimates and assumptions to determine the recoverable amounts. While the Group believes that the assumptions used are reasonable and appropriate, these estimates and assumptions can materially affect the consolidated financial statements. Future adverse events may cause the management to conclude that the affected assets are impaired and may have a material impact on the Group's financial condition and results of operations.

There was no impairment loss recognized for the three months ended March 31, 2018, and 2017.

The carrying values of nonfinancial assets subject to impairment review are as follows:

	March 31, 2018 <i>(Unaudited)</i>	December 31, 2017 <i>(Audited)</i>
Property and equipment	₱41,804,071,374	₱42,470,677,934
Casino license and goodwill	2,021,436,028	1,942,408,693
Advances to contractors	95,244,772	117,840,549
Operating equipment	5,616,865	7,019,640
	₱43,926,369,039	₱44,537,946,816

Recognition of Gaming Promoters' Expense. The Group pays the gaming promoters, who introduce VIP players to Solaire, a percentage of the gross gaming win generated by each gaming promoter. Approximately 80% of the amount paid to gaming promoters is netted against casino revenues, because such percentage approximates the amount of rebates returned to the VIP players through the gaming promoters, which will be used by the players to purchase additional chips and will eventually result in incremental casino revenue, and approximately 20% is included in operating expenses, which approximates the amount ultimately retained by the gaming promoters for their compensation.

Gaming promoters' expense which was netted against revenue and the amount presented as part of operating costs and expenses amounted to ₱2,135.9 million and

₱533.9 million, respectively, for the three months ended March 31, 2018 and ₱2,122.2 million and ₱530.6 million, respectively, for the three months ended March 31, 2017.

Determining Retirement Benefits. The determination of the Group's obligation and cost for retirement benefits is dependent on the selection of certain assumptions used by the Group's actuaries in calculating such amounts. While it is believed that the Group's assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions may materially affect the Group's retirement liabilities.

Retirement benefits obligation amounted to ₱481.1 million and ₱449.6 million as of March 31, 2018 and December 31, 2017, respectively.

Recognition of Deferred Tax Assets and Liabilities. The Group reviews the carrying amounts at the end of each reporting period and reduced the deferred tax assets to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized. The Group's assessment on the recognition of deferred tax assets on deductible temporary differences is based on the level and timing of forecasted taxable income of the subsequent reporting periods. The forecast is based on past results and future expectations on revenues and expenses as well as future tax planning strategies. However, there is no assurance that the Group will generate sufficient taxable income to allow all or part of its deferred income tax assets to be utilized.

The Group has no net deferred tax assets balance as of March 31, 2018 and December 31, 2017. The Group's temporary differences, for which no deferred tax assets/liabilities have been recognized amounted to ₱8,794.3 million as of March 31, 2018 and December 31, 2017, resulting from (a) Sureste's position that it will not have any taxable profits in the future in which it could utilize its deferred tax assets. On the other hand, BRHI has no unrecognized deferred tax asset/liability as of December 31, 2016 since it will no longer have future taxable nor deductible temporary differences from its operations given that its income tax exemption on gaming operations has already been confirmed by the Supreme Court.

3. Cash and Cash Equivalents

This account consists of:

	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
Cash on hand	₱2,583,454,425	₱1,776,561,344
Cash in banks	21,848,849,313	17,583,055,499
Temporary cash investments	987,525,074	963,002,888
Debt collateral accounts	1,647,506,334	1,638,787,247
	₱27,067,335,146	₱21,961,406,978

Cash in banks earn interest at the prevailing bank deposit rates.

Temporary cash investments are made for varying periods of up to three months depending on the immediate cash requirements of the Group and earn interest at the prevailing short-term investment rates.

Debt collateral accounts are bank accounts maintained by the Group as collateral for its long-term debt.

4. Restricted Cash

Prior to the issuance of the Gaming License on May 7, 2015, restricted cash includes the escrow account required in the Provisional License issued by PAGCOR and restricted funds allocated for the construction of the Project.

Under the Provisional License granted by PAGCOR, the Group is required to set up and maintain an escrow account amounting to US\$100.0 million with a universal bank mutually agreed by PAGCOR and BRHI. All funds for the construction of the Project (see Note 1) shall pass through the escrow account and all drawdowns of funds from the said escrow account must be applied to the Project. The escrow account should have a maintaining balance of US\$50.0 million. PAGCOR released BRHI from the requirement to maintain the escrow account upon completion of the Project and grant of a regular license to BRHI on May 7, 2015.

The Group still maintains the escrow account as security to Sureste's loan (to be fully settled in 2026). As of March 31, 2018 and December 31, 2017, the escrow account amounting to ₱2,249.9 million and ₱2,250.9 million is presented under the noncurrent assets section in the consolidated statements of financial position.

5. Receivables

This account consists of:

	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
Casino	₱2,425,575,335	₱2,290,513,611
Hotel	115,085,497	132,109,525
Advances to officers and employees	110,922,987	117,241,378
Others	67,268,449	83,806,686
	2,718,852,268	2,623,671,200
Less allowance for doubtful accounts	343,883,362	340,247,452
	₱2,374,968,906	₱2,283,423,748

Casino receivables primarily consist of casino markers issued to fixed room junket operators and VIP premium casino players. Casino markers are issued for gaming instruments (chips and credits) to approved casino players. These markers are noninterest bearing and are normally collected within 90 days.

Hotel receivables pertain to various food, beverage, and hotel service fees receivable from hotel occupants, which are collected upon checkout. This also includes credit card transactions, which are normally collected within one month.

Advances to officers and employees primarily pertain to cash advances which are normally settled within one year through salary deduction.

Accrued interest, presented as part of "Others", pertains to interest from temporary cash investments and restricted cash account, which are normally received within one year.

Allowance for doubtful accounts pertain to casino markers that the Group has assessed as doubtful on an individual and collective basis to be collectible.

6. Property and Equipment

Construction in progress represents costs incurred related to the ongoing development. Costs incurred mainly include raw materials procurement, general construction works, architectural design services, engineering consultancy and construction supervision services and interior design services. As of March 31, 2018 and December 31, 2017, property and equipment includes construction in progress pertaining to the costs related to improvement of Solaire property.

Bloomberry through Solaire Korea has purchased 12.2 hectares property in Muui Island and the entire 20.96 hectares Silmi Island in the Republic of Korea. Muui Island and Silmi Island are within the coverage of the Incheon Free Economic Zone. They are intended to be developed into a leisure and tourism complex with entertainment facilities and mixed uses developments.

Fully depreciated assets still in use in operations as of March 31, 2018 and December 31, 2017 amounted to ₱440.2 million. The Group has no idle property and equipment as of March 31, 2018 and December 31, 2017.

As of March 31, 2018 and December 31, 2017, BRHI's and Sureste's property and equipment under mortgage have carrying values of ₱35.6 billion.

There were no major disposals or write-downs of property and equipment for the three months ended March 31, 2018. Additions for the period amounted to ₱244.5 million. As of March 31, 2018 and December 31, 2017, property and equipment amounted to ₱41,804.1 million and ₱42,470.7 million, respectively.

7. Intangible and other Noncurrent Assets

a. Intangible Assets

The movements in the goodwill and casino license follow:

	March 31, 2018 <i>(Unaudited)</i>	December 31, 2017 <i>(Audited)</i>
Balance at beginning of year	₱1,942,408,693	₱1,959,867,224
Impairment loss	—	(271,574,086)
Translation adjustment	79,027,335	254,115,555
Balance at the end of the period	₱2,021,436,028	₱1,942,408,693

Casino license pertains to G&L's license to operate a casino business in Jeju, South Korea.

b. Other Noncurrent Assets

This account consists of:

	March 31, 2018 <i>(Unaudited)</i>	December 31, 2017 <i>(Audited)</i>
Advances to contractors	₱95,244,772	₱117,840,549
Security deposits classified as noncurrent	59,363,878	66,684,841
Available-for-sale investment	16,500,000	16,350,000
Operating equipment	5,616,865	7,019,640
Others	718,028	8,077,905
	₱177,443,543	₱215,972,935

Advances to contractors pertain to advance payments to various contractors for gaming equipment, hotel furniture and fixtures, operating equipment and other gaming and hotel equipment related to the development of hotel and gaming facility of Solaire. As of March 31, 2018 and December 31, 2017, advances to contractors primarily pertain to advance payments for hotel furnitures and fixtures and other gaming and hotel equipment and for construction costs related to the Sky Tower, respectively.

Security deposits classified as noncurrent primarily pertain to deposits to utility companies which are refundable upon service termination.

Available-for-sale investment represents the Group's investment in quoted Manila Polo Club shares.

Operating equipment are bulk purchases of linen, china, glassware, silver, and other kitchenware, which are carried at cost with expected usage period of beyond one year.

Others mainly represent noncurrent portion of rental deposit and advance rent that will be applied to the last two/three months of the lease term.

8. Payables and Other Current Liabilities

This account consists of trade payables, accrued project costs, current portion of accrued rent, accrued taxes and interest, withholding tax payable, accrued pre-opening expenses, income tax payable, dividends payable and others. Accrued project costs and other accruals are expected to be settled within one year.

Accrued rent arises from the recognition of lease on a straight-line basis.

Withholding tax payable and other payables are normally settled within one year.

As of March 31, 2018 and December 31, 2017, payables and other current liabilities amounted to ₱10,861.9 million and ₱9,245.9 million, respectively.

9. Long-term Debt

This account consists of:

	March 31, 2018 <i>(Unaudited)</i>	December 31, 2017 <i>(Audited)</i>
Principal:		
Original facility	₱8,144,109,375	₱8,252,697,500
Expansion facility	12,286,560,000	12,789,920,000
Corporate notes	11,253,625,000	11,310,750,000
	31,684,294,375	32,353,367,500
Less unamortized debt discount	231,404,106	252,547,904
	31,452,890,269	32,100,819,596
Less current portion of long-term debt	3,290,608,841	2,727,330,526
	₱28,162,281,428	₱29,373,489,070

Future repayment of the principal follows:

	March 31, 2018 <i>(Unaudited)</i>	December 31, 2017 <i>(Audited)</i>
Within one year	₱3,176,850,625	₱2,815,152,500
After one year but not more than five years	24,381,095,000	25,194,690,000
Beyond five years	4,126,348,750	4,343,525,000
	₱31,684,294,375	₱32,353,367,500

a. Original Facility

On January 24, 2011, Sureste and BRHI entered into an aggregate of ₱9.87 billion (₱7.62 billion for Sureste and ₱2.25 billion for BRHI), seven-year term loan facilities (“Original Facility”) with Banco de Oro Unibank, Inc. (the “Lender” or “BDO”) as the lender to finance the construction of the hotel, gaming and entertainment facility, including but not limited to purchase of furniture, fixture and equipment and payment of consultants. Sureste’s loan has an escrow portion in the amount of ₱2.25 billion,

which is secured by the assignment and hold-out on the escrow account maintained by BRHI as previously required under the Provisional License from PAGCOR (see Note 4). On April 4, 2012, Sureste's loan agreement with BDO was amended to, among others, provide for an additional ₱4.73 billion loan facility, making an aggregate available facility for Sureste of ₱12.35 billion.

The Original Facility is payable over seven years in 16 consecutive quarterly installments on each repayment date commencing on the 39th month from the initial drawdown date while the interest on the unpaid principal amount shall be paid in quarterly payments from the initial drawdown date. The loan bears an interest rate based on a spread of 1% over the 3-month PDST-F rate with respect to the escrow portion of Sureste's loan in the amount of ₱2.25 billion and 3% over the 3-month PDST-F rate with respect to the portion not constituting the escrow portion in the amount of ₱12.35 billion.

On December 22, 2016, the Group and the Lender agreed to restructure the terms of the loan facility. Under the revised agreement, the Original Facility is payable over 16 years in 50 consecutive quarterly installments on each repayment date commencing on the 39th month from the initial drawdown date. The loan bears an interest rate on a spread of 1.0% over the 10-year PDST-R2 rate as of December 22, 2016 with respect to the escrow portion of the Group's loan in the amount of ₱2.25 billion and 1.75% over the 10-year PDST-R2 rate as of December 22, 2016 with respect to the portion not constituting the escrow portion in the amount of ₱12.35 billion. The amendment of the terms of the Original Facility was accounted for as a modification, rather than an extinguishment of debt. Thus, the fees incurred on the loan refinancing amounting to ₱43.4 million was adjusted to the carrying value of the Original Facility and will be amortized over the remaining term of the modified liability.

Sureste and BRHI are obliged to pay, on each date of drawdown, for the first three years of the facilities, a commitment fee equivalent to 0.8% per annum for the first year and 0.5% per annum for the second and third years, based on the undrawn portion of the commitment.

As at March 31, 2018 and December 31, 2017, this facility has been fully drawn. Loan principal amounting to ₱108.6 million was paid as of the first quarter in 2018. Outstanding long-term debt, net of unamortized debt discount, as of March 31, 2018 and December 31, 2017 amounted to ₱8,074.1 million and ₱8,181.5 million, respectively.

The Original Facility provides that Sureste/BRHI is permitted to make optional prepayments anytime until maturity. Upon prepayment, Sureste/BRHI shall pay the principal, accrued interest and penalty based on the amount prepaid in the following percentages: (i) 3% for years 1 to 3 from the initial borrowing date; (ii) 2% for year 4; (iii) 1% for year 5; and (iv) 0.5% for year 6.

The prepayment option was assessed as not clearly and closely related to the loan. As at inception date, the value of the prepayment option is not material. Upon additional drawdowns, the option was bifurcated at each drawdown date of the loan, resulting to a value of the bifurcated prepayment option which was offset against additions to capitalized debt issue costs. Accretion of interest on the option amounting to ₱1.8 million and ₱0.3 million in March 31, 2018 and 2017, respectively, were offset against amortization of debt issue costs. Fair value loss on the

prepayment option amounting to ₱1.5 million and ₱4.2 million in March 31, 2018 and 2017, respectively are recognized as part of “Others” under Other income (expenses) in the consolidated statements of comprehensive income.

b. Expansion Facility

In March 2013, the Group executed a second amendment to the loan agreement to provide for an additional ₱14.3 billion loan facility (“Expansion Facility”) with BDO Unibank Inc., China Banking Corp., and Philippine National Bank as expansion lenders.

The Expansion Facility of ₱14.3 billion is payable over seven years in 16 consecutive quarterly installments on each repayment date commencing on the 39th month from the initial drawdown date while the interest on the unpaid principal amount shall be paid in quarterly payments from the initial drawdown date. The loan bears an interest rate based on a spread of 2% over the 30-day BSP reverse purchase agreement rate, unless a substitute benchmark rate has been requested 20 banking days prior to an interest payment date.

Similar with the original facility, Sureste and BRHI are obliged to pay, on each date of drawdown, for the first three years of the facilities, a commitment fee equivalent to 0.8% per annum for the first year and 0.5% per annum for the second and third years, based on the undrawn portion of the commitment.

As at March 31, 2018 and December 31, 2017, the facilities has been fully drawn amounting to ₱14.3 billion. Loan principal amounting to ₱503.4 million was paid in the first quarter of 2018. Outstanding long-term debt, net of unamortized debt discount, as of March 31, 2018 and December 31, 2017, amounted to ₱12,164.8 million and ₱12,651.3 million, respectively.

The Expansion Facility provides that Sureste is permitted to make optional prepayments anytime until maturity, but without penalty.

The embedded prepayment option on the Expansion Facility was assessed as clearly and closely related to the loan, thus, not for bifurcation.

c. Corporate Notes

On February 10, 2014, the Group issued ₱11.425 billion unsecured corporate notes (“Corporate Notes”) to fund Phase 1A of Solaire. Sureste and BRHI signed a corporate notes facility agreement with BDO Unibank Inc., BDO Leasing and Finance Inc., BDO Private Bank Inc., China Banking Corp., Robinsons Bank Corp. and United Coconut Planters Bank. BRHI served as an issuer, Sureste as surety and BDO Capital & Investment Corp. as the lead arranger and sole bookrunner for the facility.

The Corporate Notes of ₱11.425 billion is payable over seven years in 8 consecutive semi-annual installments on each repayment date commencing on the 36th month from the initial drawdown date while the interest on the unpaid principal amount shall be paid in semi-annual payments from the initial drawdown date. The Corporate Notes bears a fixed interest rate of 6.75% per annum.

As at March 31, 2018 and December 31, 2017, the facilities has been fully drawn. Loan principal amounting to ₱57.1 million has been paid in the first quarter of 2018. The outstanding balance of the Corporate Notes, net of unamortized debt discount, as of March 31, 2018 and December 31, 2017 amounted to ₱11,214.0 million and ₱11,268.0 million, respectively.

The Corporate Notes provide that BRHI is permitted to make optional prepayments anytime until maturity. Upon prepayment, BRHI shall pay the principal, accrued interest and penalty based on the amount prepaid in the following percentages: (i) 0.5% from the first to third anniversary; (ii) 0.25% after the third anniversary to the fifth anniversary; and (iii) no prepayment penalty after the fifth anniversary.

The embedded prepayment option on the Corporate Notes was assessed as clearly and closely related to the loan, thus, not for bifurcation.

All legal and professional fees, including commitment fee, incurred in relation to the loans were capitalized. Debt issue costs were amortized using EIR method.

Unamortized debt discount, representing capitalized debt issue costs and the value of the bifurcated derivatives arising from embedded prepayment option, is presented as deduction from the Group's long-term debt.

Debt Covenant

Sureste's and BRHI's original and expansion facilities contain certain restrictive covenants that require Sureste and BRHI to comply with specified financial ratios and other financial tests at quarterly measurement dates. Sureste's and BRHI's loan agreement includes compliance with certain financial ratios such as debt-to-equity and debt service coverage ratios. Sureste and BRHI are required to maintain a debt service coverage ratio of at least 1.2 times on each testing date after the commencement of the gaming facility's commercial operations while a maximum of debt-to-equity ratio of 2.33 times for consolidated BRHI and Sureste, respectively, on each testing date.

As of March 31, 2018 and December 31, 2017, Sureste and BRHI are in compliance with these debt covenants.

Collateral

Under the original and expansion facilities, collateral includes the following:

(i) Assignment of Accounts and Receivables

To ensure the payment by Sureste/BRHI of the Loan, Sureste/BRHI shall assign, convey, set over and transfer unto the Security Trustee absolutely and unconditionally all of its respective right, title and interest in all monies standing in its Debt Service Payment Account (DSPA) and Debt Service Reserve Account (DSRA) required to be maintained by the Group to service interest and principal payments, all monies standing in the Escrow Account (see Note 4), project receivables, as well as the proceeds, products and fruits of the said accounts.

The level of funds standing in the DSRA on any date commencing on the initial drawdown date shall be at least equal to the amount of principal due on an immediately succeeding repayment date and two times the interest payable on an immediately succeeding interest payment date.

The level of funds standing in the DSPA commencing on the initial drawdown date shall be at least equal to (i) on the 60th day from the start of the relevant interest period, at least fifty percent (50%) of all amounts payable on an immediately succeeding payment date; and (ii) on or before 10:00 am of a payment date, at least one hundred percent (100%) of all amounts payable on such payment date.

In the event the funds in the DSPA fall below the DSPA maintaining balance, and as a result thereof, the funds standing in the DSPA becomes insufficient to cover payments for the relevant payment date, Banco de Oro Unibank, Inc. - Trust and Investment Group (the Security Trustee) shall, not later than 12:00 pm on such relevant payment date, debit from the DSRA such amount as would be necessary to pay for the interest or principal falling due on such payment date.

As of March 31, 2018 and December 31, 2017, the Group's debt collateral accounts balances are as follows:

	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
Debt service reserve account	₱1,509,405,980	₱1,504,481,863
Debt service payment account	138,100,354	134,305,384
	₱1,647,506,334	₱1,638,787,247

(ii) Assignment of Project Agreements

Sureste/BRHI shall assign, convey, set over and transfer absolutely to the Security Trustee all of its rights, title and interest, present and future, in and into the Future Project Agreements, the (a) benefit of all claims for damages for the breach by any Counterparty of any term of any of the Project Agreements and all warranties and indemnities contained therein; (b) the right to terminate any of the Project Agreements or agree to the suspension thereof; (c) the right to compel performance of any of the Project Agreements; (d) the right to agree to any variation of the terms of any of the Project Agreements; and (e) the right to pursue any action, proceeding, suit or arbitration arising in relation to any of the rights assigned and to enforce such rights in the name of Sureste/BRHI.

(iii) Mortgage

As a security for timely payment, discharge, observance and performance of the loan, Sureste/BRHI (a) establishes in favor of the Security Trustee for the benefit of the Lender, a first ranking real estate mortgage on the Present Real Assets, i.e. leasehold rights over the phase 1 PAGCOR Land covered by the PAGCOR Lease (see Note 13), and Future Real Assets, i.e. the hotel and gaming facilities; and (b) establish in favor of the Security Trustee for the benefit of the Lender, a first ranking Chattel Mortgage on the Present and Future Chattels.

(iv) Continuing Suretyship

In consideration of the loan and for other valuable consideration receipt of which the Surety, i.e. Sureste/BRHI, acknowledges, Sureste/BRHI agrees that it shall be solidarily liable with BRHI/Sureste to the Lender and the Security Trustee for the payment of the loan.

(v) Pledge

The Pledgor, i.e. BRHI shareholders, shall assign, transfer, deliver, set over and grant to the Security Trustee, a continuing security interest of first priority in, all of its right, title and interest in and to the Pledged Shares, i.e. BRHI shares, and the Additional Pledged Shares, whether now owned or existing or hereafter acquired.

10. Related Party Transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. This includes: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Group; (b) subsidiaries; and (c) individuals owning, directly or indirectly, an interest in the voting power of the Group that give them significant influence over the Group and close members of the family of any such individual.

The Group has a contractual arrangement with a related party for the use of aircrafts. Other related party transactions include, advances to PMHI, contribution to Bloomberg Cultural Foundation, advances to officers and employees and short-term and long-term employee benefits to key management officers.

11. Equity

Capital Stock

Capital stock consists of:

	March 31, 2018 (Unaudited)		December 31, 2017 (Audited)	
	Shares	Amount	Shares	Amount
Capital Stock - ₱1 par value				
Authorized	15,000,000,000	₱15,000,000,000	15,000,000,000	₱15,000,000,000
Issued	11,032,998,225	11,032,998,225	11,032,998,225	11,032,998,225
Issued and outstanding	11,027,315,226	10,959,538,031	11,010,495,000	10,907,806,076

Stock Incentive Plan

The Stockholders of the Parent Company approved on June 25, 2012 a Stock Incentive Plan (SIP) for directors, officers, and employees of the Group, effective for a period of ten years unless extended by the BOD. The Participants to the SIP are: permanent and regular employees of the Group or its affiliates with at least one year tenure; officers and directors of the Group; officers and directors of affiliates of the Group; and other persons who have contributed to the success and profitability of the Group or its affiliates.

The SIP is administered by the Stock Incentive Committee (SIC) composed of three directors or officers appointed by the BOD. The SIC determines the number of shares to be granted to a participant and other terms and conditions of the grant.

Unissued shares from the authorized capital stock or treasury shares, which together with shares already granted under the SIP, are equivalent to seven percent (7%) of the resulting total outstanding shares of the Parent Company are allocated for the SIP.

The grant of shares under the SIP does not require an exercise price to be paid by the awardee. The shares awarded shall vest in two years: 50% on the first anniversary date of the award; and the other 50% on the second anniversary date of the award. Vesting grants the participant absolute beneficial title and rights over the shares, including full dividend and voting rights.

Stock awards granted by the SIC to officers and employees of the Group are shown below:

Grant Date	Number of Shares Granted	Fair Value per Share at Grant Date
October 1, 2013	5,792,700	₱10.02
July 1, 2014	4,318,589	10.84
October 27, 2014*	4,486,000	14.98
April 28, 2015	922,645	11.36
August 13, 2015	1,157,403	8.95
October 23, 2015	1,105,842	6.59
February 16, 2016	17,935,061	4.49
June 28, 2016	558,289	5.80
April 18, 2017	26,748,522	8.38

*50 percent of the total granted shares has a 3-year vesting period.

Fair value per share was based on the market price of stock at the date of grant.

Movements in the stock awards granted (number of shares) in March 31, 2018 and December 31, 2017 follow:

	March 31, 2017 <i>(Unaudited)</i>	December 31, 2017 <i>(Audited)</i>
Balance at beginning of period	36,520,911	21,885,389
Stock awards granted	—	26,748,522
Stock awards vested	(9,326,981)	(11,396,590)
Stock awards of resigned/terminated employees	(166,264)	(716,410)
Balance at end of period	27,027,666	36,520,911

Total compensation expense on the stock awards recognized in 2018 and 2017 as part of “Operating costs and expenses” in the unaudited consolidated statements of comprehensive income amounted to ₱43.3 million and ₱11.4 million, respectively. The stock incentive obligation recognized as “Share-based payment plan” in the unaudited consolidated statements of financial position amounted to ₱161.1 million and ₱159.7 million as of March 31, 2018 and December 31, 2017, respectively.

Treasury Shares

The movement in treasury shares in 2018 follows:

	Shares	Amount
Balance at beginning of period	33,899,815	₱125,192,149
Purchase	2,000,000	28,620,000
Issuance for share-based payments	(9,326,981)	(80,351,955)
Balance at end of period	26,572,834	₱73,460,194

At various dates in January 2016, Bloomberry acquired a total of 14,000,000 of its own shares to cover the number of shares granted to certain officers and employees under the SIP that will vest in the future. The shares which were acquired at market price on the date of buy-back amounted to ₱47.7 million.

On April 28, 2016, July 1, 2016, August 13, 2016, October 23, 2016, and October 27, 2016, a total of 4,546,197 treasury shares were reissued for vested stock awards.

At various dates in June, July and August 2015, Bloomberry acquired a total of 22,281,200 of its own shares to cover the number of shares granted to certain officers and employees under the SIP that will vest in the future. The shares were acquired by Bloomberry at market price on the dates of buy-back amounted to ₱189.1 million.

On October 1, 2015, July 1, 2015 and October 27, 2015, a total of 3,981,907 treasury shares were reissued for vested stock awards.

On October 1, 2014, 2,050,950 shares in the Parent Company vested in favor of several participants under the SIP, as previously discussed. On December 18, 2014, the board of directors of the Parent Company and PMHI approved the borrowing of 8,197,669 shares from PMHI to be transferred to the participants whose SIP shares have vested, and to AB Capital and Investment Corp. Trust & Investment Department with respect to the SIP shares that will vest in 2015, and the subscription by PMHI to new shares to replace the borrowed shares.

The transfer by PMHI of shares equivalent to the SIP Shares to said participants was at a sale price of ₱12.60 per share (which was the market price of the shares when the SIP shares were crossed) and the issuance by the Parent Company of shares equivalent to the SIP Shares at a subscription price of ₱12.60 per share to PMHI in replacement of the shares transferred by PMHI to the said participants. APIC arising from this transaction amounted to ₱95.1 million.

The shareholders of the Parent Company as of March 31, 2018 and December 31, 2017 are as follows:

	Percentage of Ownership
PMHI (see Note 1)	53.80%
Quasar Holdings, Inc.	8.35%
Falcon Investco Holdings, Inc.	2.04%
Directors and officers	0.73%
Public	35.00%
Total	100.00%

Set out below is Bloomberg's track record of issuance of its securities:

Date of Approval	Number of Shares		Issue/ Offer Price
	Authorized	Issued/ Subscribed	
May 3, 1999*	120,000,000	80,000,000	₱1.00
February 27, 2012**	15,000,000,000	9,211,840,556	1.00
May 2, 2012***	15,000,000,000	1,179,963,700	7.50
May 31, 2012***	15,000,000,000	117,996,300	7.50
November 10, 2014****	15,000,000,000	435,000,000	13.00
December 18, 2014****	15,000,000,000	8,197,669	12.60

*Date when the registration statement covering such securities was rendered effective by the SEC

**SEC approval of the increase in the authorized capital stock; Offer Shares sold at ₱7.50 on May 2, 2012

***Transaction date per SEC Form 23-B; Includes Offer Shares and Over-Allotment Option

****Transaction date per SEC Form 17-C

As of March 31, 2018 and December 31, 2017, Bloomberg has total shareholders of 97 on record. For this purpose, public shares held under PCD Nominee are counted as two (one for PCD Nominee - Filipino and another for PCD Nominee - Foreign). As of December 31, 2016, 1,364,381,725 shares are not yet listed in the stock exchange. These shares are subsequently listed in the stock exchange in 2017.

12. Costs and Expenses

This account consists of:

	Three Months Ended March 31	
	2018 (Unaudited)	2017 (Unaudited)
Operating costs and expenses	₱8,052,836,047	₱6,520,756,473
Interest expense	512,591,283	557,777,958
Foreign exchange gains- net	(738,249,767)	(637,333,403)
Mark-to-market loss	1,548,628	4,290,144
	₱7,828,726,191	₱6,445,491,172

13. Lease Agreements

As a Lessee

On May 7, 2010, BRHI entered into a contract of lease with PAGCOR to lease 83,084 square meters of land for the construction of the hotel, gaming and entertainment facility. The lease period shall be for about 23 years, which shall commence upon the execution of the contract and shall be co-terminus with the term of lessor as provided in the PAGCOR charter which will expire on July 11, 2033, unless sooner revoked, rescinded or cancelled. The annual lease rental is based on the schedule provided for in the agreement. No annual lease payments are due during the first two (2) years of the lease period. Rental shall have 5% annual escalation rate starting on the 18th year of the lease period.

On May 20, 2011, BRHI and Sureste entered into a deed of assignment whereby BRHI assigned to Sureste all its rights and interest as a lessee under the contract of lease with PAGCOR. Such deed of assignment was approved by PAGCOR on May 26, 2011. Pursuant to the deed of assignment, Sureste undertakes and commits that it will faithfully observe and fully comply with (a) all of the representations, covenants and undertakings

of BRHI contained in the contract of lease and (b) the rules and regulations of PAGCOR, to the extent that such representations, covenants, undertakings, rules and regulations are, or may be, applicable to the lessee under the contract of lease. BRHI shall remain solidarily liable to PAGCOR for Sureste's compliance with all the obligations and liabilities of the lessee under the contract of lease.

In December 2012, BRHI and Sureste agreed to amend the above deed of assignment. Pursuant to the amended deed of assignment and with the consent of PAGCOR, BRHI assigned 89% of its leasehold rights over the leased land to Sureste and retained the 11% of such rights. In 2013, an addendum to the contract of lease covering an additional 3,733 square meters of PAGCOR land, was executed. In December 2014, a second addendum to the contract of lease covering an additional 73,542 square meters of PAGCOR land was also executed.

Rent expense amounting to ₱114.9 million and ₱118.0 million was recognized under operating costs and expenses in the three months ended March 31, 2018 and 2017 consolidated statement of comprehensive income.

Accrued rent on the original lease contract and prepaid rent on the addendum to the lease contract arising from straight-line amortization amounted to ₱86.7 million and ₱326.8 million, respectively, as of March 31, 2018 and ₱43.4 million and ₱384.9 million, respectively, as of December 31, 2017.

Future minimum lease payments under this operating lease with PAGCOR follow:

	March 31, 2018	December 31, 2017
	<i>(Unaudited)</i>	<i>(Audited)</i>
Within one year	₱497,345,538	₱506,985,522
Beyond one year but not later than five years	1,867,908,176	1,905,076,403
Beyond five years	4,384,412,061	4,815,402,133
	₱6,749,665,775	₱7,227,464,058

In 2012, BRHI entered into a lease contract for suites in the SM Arena for three years commencing May 21, 2012 until May 21, 2015 renewable upon the joint written agreement of the parties under terms and conditions mutually agreed by the parties. BRHI renewed the contract annually. Rent expense related to this lease, which was primarily used to provide additional incentive to casino players, amounting to ₱5.4 million and ₱5.2 million, was recognized as part of "Advertising and promotions" account under operating costs and expenses in the 2018 and 2017 statements of comprehensive income, respectively.

Future minimum lease payment under this operating lease which is due within one year amounted to ₱21.6 million as of March 31, 2018 and December 31, 2017.

The Group also entered into other various lease contracts for a period of one year renewable annually.

Rental charges related to these leases, presented under operating costs and expenses in the consolidated statements of comprehensive income for the three months ended March 31, 2018 and 2017 amounted to ₱16.6 million and ₱13.3 million, respectively.

Security deposits related to the leases discussed above amounted to ₱14.0 million and ₱14.2 million as of March 31, 2018 and December 31, 2017, respectively.

As a Lessor

The Group entered into operating leases with various premium brand boutiques in The Shoppes (see Note 1). These leases have terms between 1 to 6 years. Rent income amounting to ₱110.6 million and ₱86.8 million was recognized as part of “Retail and others” account in the 2018 and 2017 statement of comprehensive income.

Rent receivable on these operating leases arising from straight-line amortization amounting to ₱4.1 million and ₱5.8 million as of March 31, 2018 and December 31, 2017 is presented under “Other receivables”, respectively.

Tenants’ security deposits classified as noncurrent, presented under “Other noncurrent liabilities”, amounted to ₱297.8 million and ₱285.4 million as of March 31, 2018 and December 31, 2017, respectively. These are carried at amortized cost using the EIR method. Discount amortization, included as part of the “Interest expense” account in the 2018 and 2017 consolidated statement of comprehensive income, amounted to ₱2.5 million and ₱1.9 million, respectively. Tenants’ security deposit classified as current amounting to ₱18.8 million and ₱16.8 million is presented under “Payables and other current liabilities” in the consolidated statement of financial position as of March 31, 2018 and December 31, 2017.

Unearned rent amounting to ₱15.6 million and ₱16.4 million as of March 31, 2018 and December 31, 2017, presented under “Other noncurrent liabilities”, represents the excess of the principal amount of the deposit over its fair value and will be amortized on a straight-line basis over the lease term. Amortization of unearned rent amounting to ₱2.2 million and ₱1.7 million was recognized as part of “Retail and others” account in the 2018 and 2017 consolidated statement of comprehensive income, respectively.

Future minimum lease payments under these operating leases as of March 31, 2018 are as follows:

	Amount
Within one year	₱378,210,498
Beyond one year but not later than five years	615,288,767
	<u>₱993,499,265</u>

14. Commitments and Contingencies

- a. Under the license agreement with PAGCOR, BRHI has the following commitments, among others:
 - Seven days prior to commencement of operation of the Casino, to secure a surety bond in favor of PAGCOR in the amount of ₱100.0 million to ensure prompt and punctual remittance/payment of all license fees.
 - License fees must be remitted on a monthly basis, in lieu of all taxes with reference to the income component of the Gross Gaming Revenues: (a) 15% of the gross gaming revenues generated by high roller tables; (b) 25% of the gross gaming revenues generated by non-high roller tables; (c) 25% of the gross

gaming revenues generated by slot machines and electronic gaming machines; and (d) 15% of the gross gaming revenues generated by junket operation. PAGCOR agreed to the temporary reduction of these license fees effective April 1, 2014 to 5% (from 15%) and 15% (from 25%) on application by BRHI and other licensees during the pendency of the resolution of the issue on the validity of BIR's imposition of income tax on PAGCOR's licensees under RMC 13-2013. The parties agree to revert to the original license fee structure under the Provisional License in the event the BIR action to collect income tax from PAGCOR licensees is permanently restrained, corrected or withdrawn by order of the BIR or the courts or under a new law. The parties reverted to the original license fee structure in July 2016 on instruction by PAGCOR. The Supreme Court nullified the questioned provision of RMC No. 33-2013. The license fees are inclusive of the 5% franchise tax under the PAGCOR Charter. On September 5, 2016, the Supreme Court released a decision dated August 10, 2016 which ordered the BIR to cease and desist from imposing corporate income tax on income from gaming operations of BRHI as a casino duly licensed by the PAGCOR. The High Court granted the certiorari petition of BRHI against the BIR. Accordingly, effective July 1, 2016, the license fees being charged by PAGCOR reverted to its original rate. Subsequently, on November 28, 2016, the Supreme Court denied the BIR's motion for reconsideration with finality.

- In addition to the above license fees, BRHI is also required to remit 2% of casino revenues generated from non-junket operation tables to a foundation devoted to the restoration of Philippine cultural heritage, as selected by the BRHI and approved by PAGCOR. BRHI has established Bloomberry Cultural Foundation Inc. (BCF) for this purpose. Amount due to BCF, recognized as part of "Operating cost and expenses" for the three months ended March 31, 2018 and 2017, amounted to ₱126.6 million and ₱92.3 million, respectively. Outstanding amount payable to BCF as of March 31, 2018 and December 31, 2017, presented as part of "Payable and other current liabilities", amounted to ₱43.9 million and ₱32.2 million, respectively. Furthermore, the Group has made advances to BCF amounting to ₱0.1 million and ₱14.2 million as of March 31, 2018 and December 31, 2017, respectively, presented as part of "Prepayments and other current assets" account in the consolidated statements of financial position.
- PAGCOR collects a 5% fee of non-gaming revenue received from food and beverage, retail and entertainment outlets. All revenues of hotel operations are not subject to the 5% except rental income received from retail concessionaires.
- Grounds for revocation of the license, among others, are as follows: (a) failure to comply with material provision of this license; (b) failure to remit license fees within 30 days from receipt of notice of default; (c) becoming bankrupt, insolvent; (d) delay in construction of more than 50% of the schedule; and (e) if debt-to-equity ratio is more than 70:30. As of March 31, 2018 and December 31, 2017, BRHI has complied with the required debt-to-equity ratio.

Total PAGCOR license fee recognized, shown as part of "Taxes and licenses" account, amounted to ₱2,824.0 million and ₱2,241.4 million for the three months ended March 31, 2018 and 2017, respectively. Outstanding amount payable to PAGCOR and BCF, presented as part of "Gaming taxes payable", amounted to ₱885.3 million and ₱778.0 million as of March 31, 2018 and December 31, 2017, respectively.

- b. BRHI and G&L entered into junket operator agreements with junket operators who have the primary responsibility of directing gaming patrons to the casino. Based on these agreements, these junket operators are compensated based on a certain percentage of the gaming win/loss or amount wagered (rolling chips). Gaming promoters expense for the three months ended March 31, 2017 and 2016 amounted to ₱2,667.0 million and ₱2,652.7 million, respectively. Receivable from junket operators as of March 31, 2017 and December 31, 2016 amounted to ₱1,117.7 million and ₱1,086.7 million, respectively.
- c. On September 9, 2011, Sureste and BRHI jointly entered into a Management Services Agreement (MSA) with Global Gaming Philippines, LLC (GGAM) for the technical assistance on all aspects of planning, design, layout, and construction of the Project and for services related to recruitment, selection, and hiring of employees for the Project. GGAM through the Management Team shall also provide management and other related services upon commencement of the Project's commercial operations. Fees per contract amounts to US\$100,000 per month for the technical assistance and US\$75,000 monthly for services related to the pre-opening operations. Upon commencement of the commercial operations and five years thereafter (after which the contract expires unless GGAM extends it for another 5 years), the Group will pay GGAM annual fees equivalent to certain percentages of Sureste's and BRHI's EBITDA.

Sureste and BRHI terminated the MSA effective September 12, 2013 because of material breach of the MSA by GGAM after prior notice and failure of discussions to settle their dispute. Accordingly, Sureste and BRHI accrued annual fees due to GGAM up to September 12, 2013 only. GGAM sent a notice of arbitration in accordance with the arbitration clause of the MSA. GGAM denies having breached the MSA and alleges that it is BRHI and Sureste who breached the MSA. The parties have submitted their dispute to arbitration before a 3-member arbitral tribunal in Singapore under the arbitration rules of the United Nations Commission on International Trade Law (UNCITRAL) using Philippine law as the governing law.

Under the MSA, GGAM was granted the option, from the date of execution of the MSA, to purchase up to 921.2 million shares, equivalent to 9.91% of Bloomberg's outstanding shares (prior to Bloomberg's top-up equity offering) from PMHI at a purchase price equivalent to ₱1.00 per share plus US\$15 million. In December 2012, GGAM exercised its option to acquire 921.2 million shares of Bloomberg from PMHI. On February 25, 2014, the Makati Regional Trial Court (MRTC) granted the Group's application for measures of protection in the form of writs of preliminary attachment and preliminary injunction to restrain GGAM from disposing the Bloomberg shares, and so the judgment that the arbitral tribunal may award in favor of the Group can be enforced against the Bloomberg shares. GGAM has filed a petition for review on certiorari with the Court of Appeals against the decision of the MRTC.

On December 9, 2014, the tribunal issued its Order in Respect of Claimants' Interim Measures of Protection, declaring among others, that the February 25 Order of MRTC is superseded and that parties are restored to their status quo ante as of January 15, 2014 and allowed GGAM to sell the shares.

Following the order of the arbitral tribunal, GGAM filed a Manifestation with the MRTC informing the order of the arbitral tribunal and seeking assistance in the enforcement thereof. BRHI, Sureste and PMHI filed a Counter-Manifestation stating among

others, the impropriety of the Manifestation given its non-compliance with requirements of the Special Rules of Court and Alternative Dispute Resolution (Special ADR Rules) for enforcement of judgement/interim measures of protection. GGAM also filed a Manifestation and Motion with the Court of Appeals seeking the same relief as that filed with the MRTC. BRHI, Sureste and PMHI filed a Comment/Opposition arguing against the grant of the Motion with the Court of Appeals for non-compliance with the Special ADR Rules as well as for forum-shopping. In a resolution dated May 29, 2015 and affirmed on November 27, 2015, the Court of Appeals remanded back the case to the MRTC for further proceedings.

On September 20, 2016, the arbitral tribunal issued a partial award on liability. It declared that GGAM has not misled BRHI/Sureste (Respondents) into signing MSA, and Respondents were not justified to terminate the MSA because the services rendered by the Respondents Management Team should be considered as services rendered by GGAM under the MSA; rejected GGAM's claim that GGAM was defamed by the publicized statements of the Chairman of BRHI/Sureste; that there is no basis for Respondents to challenge GGAM's title to the 921,184,056 Bloomberry shares because the grounds for termination were not substantial and fundamental, thus GGAM can exercise its rights in relation to those shares, including the right to sell them; reserved its decision on reliefs, remedies and costs to the Remedies Phase which is to be organized in consultation with the Parties; reserved for another order its resolution on the request of GGAM: (a) for the Award to be made public, (b) to be allowed to provide a copy of the Award to Philippine courts, government agencies and persons involved in the sale of the shares, and (c) to require BRHI/Sureste and Bloomberry to inform Deutsche Bank AG that they have no objection to the immediate release of all dividends paid by Bloomberry to GGAM. The arbitration proceedings is still on going on the Remedies Phase.

On August 31, 2017, BRHI and Sureste filed a request for reconsideration of the partial award in the light of U.S. DOJ and SEC findings of violations of the Foreign Corrupt Practices Act by certain GGAM officers, and for false statements and fraudulent concealment by GGAM in the arbitration. GGAM opposed the request on September 29, 2017. In a decision dated November 22, 2017, the tribunal denied the request for reconsideration saying it has no authority to reconsider the partial award under Singapore law. The tribunal said that the courts might be the better forum to look into the allegations of fraud.

On December 21, 2017, BRHI and Sureste filed a petition in the High Court of Singapore to set aside the June 20, 2017 judgment of the Court and to either remit the partial award to the tribunal for correction, or otherwise set aside the partial award based on the fraud allegations previously raised in the request for reconsideration. This case is still pending in the Singapore court.

In a resolution dated November 23, 2017, the MRTC affirmed the continuing validity of its February 25, 2014 order and the writ of preliminary injunction and attachment issued pursuant thereto. GGAM then filed a petition for review with the Court of Appeals to question this MRTC order. This case is still pending with the Court of Appeals.

BRHI and Sureste were advised by Philippine counsel that an award of the Arbitral Tribunal can only be enforced in the Philippines through an order of a Philippine court

of proper jurisdiction after appropriate proceedings taking into account applicable Philippine law and public policy.

No further details were provided as required under PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, because these may prejudice the Group's position in relation to this matter.

- d. Section 13(2)(a) of PD No. 1869 (the PAGCOR Charter) grants PAGCOR an exemption for tax, income or otherwise, as well as exemption from any form of charges, fees, levies, except a 5% franchise tax on the gross revenue or earnings derived by PAGCOR on its operations.

On April 23, 2013, the BIR issued RMC No.33-2013, clarifying that PAGCOR and its contractees and licensees are subject to 30% RCIT on their gaming and non-gaming revenues. Such RMC may affect the tax exemption of BRHI.

Despite this RMC, however, management believed that the tax benefits granted under the PAGCOR charter inure to the benefit of, and extend to corporations, associations and agencies, individuals with whom PAGCOR has any contractual agreement in accordance with Section 13(2)(b) of the PAGCOR Charter.

BRHI, together with other Entertainment City licensees, then filed a request for common administrative relief with PAGCOR from the adverse effect of RMC No. 33-2013. PAGCOR granted BRHI administrative relief and temporarily reduced the license fees by 10 percentage points effective April 1, 2014. To comply with this PAGCOR directive, BRHI started accruing corporate income tax payable to the BIR. The parties agreed to revert to the original license fee structure under the Provisional License in the event the BIR action to collect income tax from PAGCOR is permanently restrained, corrected or withdrawn by order of the BIR or the courts or under a new law. This happened effective July 1, 2016 when PAGCOR ordered the parties to revert to the original license fee structure. On August 1, 2016, the Supreme Court nullified the questioned provision of RMC No. 33-2013 as explained below.

On June 4, 2014, BRHI filed with the Supreme Court a Petition for Certiorari and Prohibition under Rule 65 of the Rules of Court. The petition seeks to annul the issuance of the Bureau of Internal Revenue of an unlawful governmental regulation, specifically the provision in RMC 33-2013 dated April 17, 2013 subjecting the contractees and licensees of PAGCOR to income tax under the NIRC, as it violates the tax exemption granted to contractees of PAGCOR under Section 13(2)(b) of P.D. 1869.

On August 10, 2016, the Supreme Court granted BRHI's petition against the BIR (G.R. No. 212530) which ordered the BIR to cease and desist from imposing corporate income tax on the gaming operations of BRHI as a licensee of PAGCOR. Moreover, the same decision confirmed that PAGCOR's tax exemption extends to its contractees and licensees. Hence, BRHI's income from gaming operations is subject to 5% franchise tax only and its income from other related services, if any, is subject to corporate income tax. Accordingly, BRHI paid income tax only up to June 2016.

- e. On March 15, 2016, the Court of Appeals ("CA") issued a 30-day freeze order on one of BRHI's bank accounts upon the petition filed by Anti-Money Laundering Council ("AMLC") in relation to their ongoing investigation. The freeze order of the CA on the

bank account was lifted on April 14, 2016. Subsequently, on request of the AMLC, the Supreme Court reinstated the freeze order on the account, which contained the amount of ₱109.3 million that was frozen from the accounts of those patrons subject to the investigation. BRHI has moved for the lifting of the freeze order. This motion is still pending with the Supreme Court. As of March 31, 2018 and December 31, 2017, the balance of this bank account amounting to ₱110.7 million is presented as “Fund held in trust” under the “Prepayments and other current assets” account in the statement of financial position.

15. Basic/Diluted Earnings Per Share on Net Income Attributable to Equity Holders of the Parent Company

The following table presents information necessary to calculate earnings per share:

	Three Months Ended March 31	
	2018	2017
(a) Net income (loss) attributable to equity holders of the Parent Company	₱3,697,344,339	₱2,141,154,620
(b) Weighted Ave. of issued shares	11,032,998,225	11,032,998,225
(c) Weighted Ave. number of treasury shares	(30,526,942)	(29,443,586)
(d) Weighted Ave. number of shares, net of treasury shares	11,002,471,283	11,003,554,639
Weighted average of stock awards granted:		
Unvested on October 1, 2013	-	-
4,318,589 on July 1, 2014	-	-
4,486,000 on October 27, 2014	-	-
922,645 on April 28, 2015	-	922,645
1,157,403 on August 13, 2015	-	1,157,403
1,105,842 on October 23, 2015	-	1,105,842
17,935,061 on February 16, 2016	18,986,490	14,945,885
558,289 on June 28, 2016	558,289	558,289
26,748,522 on April 18, 2017	25,429,445	-
(e) Weighted Ave. stock awards granted	44,974,224	18,690,064
(f) Weighted Ave. number of shares, net of treasury shares adjusted for dilution	11,047,445,507	11,022,244,703
Earnings (Loss) Per Share		
Basic (a)/(d)	₱0.336	₱0.195
Diluted (a)/(f)	₱0.335	₱0.194

16. Segment Information

The results of the Group's reportable business segment for the three months ended March 31, 2018 and 2017 are as follows:

	Philippines	Korea	Eliminations	2018	2017
Consolidated EBITDA	₱4,685,072,491	(₱125,020,642)	(₱23,508,282)	₱4,536,543,567	₱3,156,648,246
Depreciation and amortization	(1,018,872,067)	(54,750,128)	–	(1,073,622,195)	(1,080,426,731)
Interest expense	(508,058,495)	(27,522,706)	22,989,918	(512,591,283)	(557,777,959)
Foreign exchange gains – net	708,962,042	29,287,725	–	738,249,767	637,333,403
Mark-to-market loss	(1,548,628)	–	–	(1,548,628)	(4,290,144)
Benefit from income tax	3,610,654	–	–	3,610,654	1,852,167
Consolidated net income (loss)	₱3,869,165,997	(₱178,005,751)	(₱518,364)	₱3,690,641,882	₱2,153,338,982

The assets and liabilities of the Group's reportable business segment as of March 31, 2018 and December 31, 2017 are as follows:

	Philippines	Korea	Total	Eliminations	2018	2017
Assets:						
Segment assets	₱77,172,818,274	₱7,765,005,709	₱84,937,823,983	(₱7,572,468,488)	₱77,365,355,495	₱72,786,451,525
Deferred tax assets - net	–	–	–	–	–	–
Total assets	₱77,172,818,274	₱7,765,005,709	₱84,937,823,983	(₱7,572,468,488)	₱77,365,355,495	₱72,786,451,525
Liabilities:						
Segment liabilities	₱42,059,388,654	₱8,624,305,728	₱50,683,694,382	(₱7,572,468,488)	₱43,111,225,894	₱42,099,721,866
Deferred tax liabilities - net	408,536,502	–	408,536,502	–	408,536,502	401,378,947
Total liabilities	₱42,467,925,156	₱8,624,305,728	₱51,092,230,883	(₱7,572,468,488)	₱43,519,762,396	₱42,501,100,813

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

The following discussion and analysis relate to the consolidated financial condition and operating results of the Company and its subsidiaries and should be read in conjunction with the accompanying unaudited condensed consolidated financial statements and related notes as of March 31, 2018 and for the three months ended March 31, 2018 and 2017 and as of and for the year ended December 31, 2017.

OVERVIEW

The Company was engaged in the manufacture of printed circuit board up to 2003. It ceased commercial operations in December 2003 up to 2011. On February 27, 2012, the SEC approved the change in its primary purpose to that of a holding company. The Company now has Sureste, BRHI, Bloom Capital B.V., Solaire de Argentina S.A., Solaire Korea Co., Ltd., G&L, Ltd. and Muui Agricultural Corporation as its subsidiaries. BRHI has 49% shareholdings in Falconer Aircraft Management Inc., a newly incorporated company to engage in aircraft management.

Sureste Properties, Inc.

Sureste was incorporated in 1993 as a property holding company. On July 2, 2010, Sureste amended its primary purpose to develop and operate tourist facilities including hotel - casino entertainment complexes. Sureste is registered with the Philippine Economic Zone Authority ("PEZA") as developer of a hotel project in a PEZA Tourism Economic Zone. As a result, Sureste enjoys certain incentives granted by the Government in relation to the hotel component of Solaire Resorts & Casino, including reduced tax rates. In 2011, in compliance with the requirements of PEZA, Sureste divested itself of all its non-hotel assets including its ownership in Monte Oro Resources and Energy Inc. ("MORE") and various prime real estate properties. Sureste acquired all the shares of BRHI on January 12, 2011.

Bloomberry Resorts and Hotels Inc.

On February 27, 2008, BRHI was incorporated as Bloombury Investments Holdings Inc. ("BIHI") for the purpose of developing and operating tourist facilities, including casino-entertainment complexes with casino, hotel, retail and amusement areas and themed development components. On April 8, 2009, BRHI was granted a Provisional License by PAGCOR to establish and operate integrated casino, hotel and entertainment complex at the Entertainment City in Paranaque City. On September 21, 2010, the SEC approved the change of BIHI's name to BRHI. On May 7, 2015, BRHI's Provisional License was replaced with a regular casino Gaming License upon full completion of the Project, referred to as "Solairé". The Gaming License has the same terms and conditions as the Provisional License.

Bloom Capital B.V.

In 2013, the Bloomberry subscribed to 60% of the capital stock of Bloom Capital B.V., a financial holding entity incorporated in the Netherlands as a private company with limited liability under the Dutch law on November 21, 2013. On October 23, 2014, Bloomberry acquired the remaining 40% capital stock of Bloom Capital B.V. In 2014, Bloom Capital B.V. acquired 94% shares in Solaire de Argentina S.A.

Solaire Korea Co., Ltd.

On December 28, 2014 Bloomberg established through a nominee a new company Solaire Korea Co., Ltd. (Solaire Korea) to hold the Group's investment interest in the Republic of Korea. After a series of stock subscriptions, Bloomberg now owns 100% of Solaire Korea.

G&L Co., Ltd.

On April 24, 2015, Solaire Korea acquired 77.26% of the outstanding shares of G&L Co., Ltd.(G&L). Subsequently on May 22, 2015, it acquired additional 18.98% of G&L, bringing Solaire Korea's ownership in G&L to 96.23%. On August 20, 2015, Bloomberg acquired 10.00% of the outstanding shares of G&L from Solaire Korea. G&L is a hotel and casino operator in Jeju Island in the Republic of Korea.

Muui Agricultural Corporation

On March 8, 2016, Solaire Korea established a new company Muui Agricultural Corporation (Muui) to hold Solaire Korea's investment interest in agricultural land in Muui and Silmi pending its conversion. Solaire Korea owns 80% of Muui.

Solaire Resort & Casino

Solaire Resort & Casino ("Solaire"), is the first Philippine premium/luxury hotel and gaming resort in Entertainment City. BRHI, as the license holder, operates the casino while Sureste operates the hotel and other non-gaming business.

On March 16, 2013, the Group commenced commercial operations, upon completion of Phase 1 of Solaire, along with the opening of the main gaming area and initial non-gaming amenities, such as Solaire's hotel, food and beverage outlets.

Phase 1 of Solaire consists of a casino with an aggregate gaming floor area of approximately 18,500 square meters (including approximately 6,000 square meters of exclusive VIP gaming areas), with approximately 1,653 slot machines, 295 gaming tables and 88 electronic table games. Phase 1 has 488 hotel rooms, suites and bayside villas, and 15 specialty restaurants and F&B outlets including (the number of seats are approximations): 240-seat Chinese restaurant, 150-seat Korean restaurant (operated by a third party), 150-seat Japanese restaurant, 120-seat Italian restaurant, 322-seat international buffet/coffee shop, 170-seat noodle shop, 150-seat live entertainment lounge and 406-seat food court and 20 seat lobby bar, and a 50-seat lounge area. Sky Tower also features Sky Range Shooting Club with 5 rifle shooting bays and 15 pistol bays. It has a multilevel parking building with approximately 1,500 parking slots, a grand ballroom with approximately 1,000 seats, spa and fitness center, and bayview promenade.

On November 22, 2014, Bloomberg opened the Sky Tower, which was previously referred to as Phase 1A development of Solaire. Contiguous to the existing Solaire Resort and Casino, the Sky Tower consist of a 312 all-suite hotel, additional ten VIP gaming salons with 66 gaming tables and 223 slot machines, an exclusive House of Zhou Chinese restaurant and The Macallan Whisky and Cigar Bar for VIP gamers, state-of-the art meeting rooms (The Forum) and a lyrical theater (The Theatre). The Sky Tower also features two restaurants, the Waterside Restobar and Oasis Garden Café. The Theatre is a certified 1,760-seat lyric theatre designed to provide a superior audio-visual experience for wide range of theatre plays and musicals, dance performances, concerts, and amplified music and speech events. It is also accessible to a new multi-level parking garage that can accommodate and secure over 3,000 vehicles. The Forum is a 2,000 square meters of meeting facility with eight meeting rooms, two boardrooms and a column-free grand ballroom and a flexible pre-function area. Sky Tower also features Sky Range Shooting Club with 5 rifle shooting bays

and 15 pistol bays. It is also accessible to a new multi-level parking garage that, to date, can accommodate and secure over 1,050 vehicles. In 2016, retail stores, including premium brands such as Saint Laurent, Bvlgari, Salvatore Ferragamo and Givenchy, were opened in The Shoppes in the Sky Tower. In January 2017, Louis Vuitton and Prada were opened.

Jeju Sun Hotel & Casino

On April 24, 2015 and subsequently on May 22, 2015, Bloomberry, through its wholly-owned subsidiary, Solaire Korea, acquired majority ownership of G&L. G&L operated a hotel and casino property in Jeju, Korea under the brand names “T.H.E Hotel” and “LVegas Casino”. Upon takeover of operation by Bloomberry, the property was rebranded as “Jeju Sun Hotel & Casino”. The property consists of 202-room hotel with 5 Hibiscus rating, 2,000 square meters of gaming operation with 36 tables and 20 electronic gaming machines. The property has four F&B outlets to service its hotel guests and casino players. The casino operation of Jeju Sun was suspended last May 10, 2015 pending the completion of the renovation of the expanded gaming area of the property. On September 15, 2015, Jeju Sun resumed its casino operations after substantially completed the renovation of the gaming facilities. The casino operation was suspended on November 16, 2015 as administrative penalty for the acts of its previous casino management imposed by the Jeju Island gaming regulator CRD. This was the result of CRD’s investigation of the gaming tax (tourism tax) payment practices of the casino then known as “LVegas Casino” under its old management and owners. On December 15, 2015, the casino resumed its operation with 60 tables and 51 slot machines in accordance with its gaming license.

In June 2016, the Parent Company and Solaire Korea entered into an agreement to sell its investment in G&L. However, the sale did not push through. The Parent Company decided to again operate Jeju Sun under normal course of business. In the third quarter of 2017, a major reorganization was implemented to address certain management issues. The CEO, COO, CFO, SVP operations and other managerial level officers of G&L were replaced.

OPERATING RESULTS

The following are the key performance indicators of the Group for the first quarter of 2018 with comparison for 2017:

Table 2.0 Key Performance Indicators

	For The Three Months Ended March 31	
	2018	2017
<i>In thousands pesos except for ratios</i>		
EBITDA	₱4,536,544	₱3,156,647
Net Debt to Equity Ratio (D/E)	0.42	0.90
Current Ratio	2.20	1.90
Total Assets	77,365,355	69,886,405
Return on Equity (ROE)	10.90%	8.14%

EBITDA is earnings before interest, taxes, depreciation and amortization.

Net Debt to Equity Ratio (D/E Ratio) is the ratio of the borrower's total liabilities net of cash to total shareholder's equity.

Current Ratio is a liquidity ratio that measures the company's ability to pay short-term obligations.

Return on Equity (ROE) is calculated by dividing the Company's annual earnings by shareholders' equity

The following table shows a summary of the operating results of the Group for the three months ended March 31, 2018 and 2017 as derived from the accompanying unaudited condensed consolidated financial statements.

Table 2.1 Unaudited Consolidated Statements of Income

In thousands, except % change data	For The Three Month Ended March 31						% Change 2018 vs. 2017
	2018			2017			
	Philippines	Korea	Consolidated	Philippines	Korea	Consolidated	
Gross gaming revenues	₱13,695,470	₱51,187	₱13,746,657	₱10,656,578	₱58,915	₱10,715,493	28.3
Promotional allowances/contra accounts	(3,043,817)	(2,873)	(3,046,690)	(2,891,744)	(12,564)	(2,904,308)	4.9
Net gaming revenues	10,651,653	48,314	10,699,967	7,764,834	46,351	7,811,185	37.0
Non-gaming & other revenues*	774,027	41,763	815,790	731,581	54,211	785,792	3.8
Net revenues	11,425,680	90,077	11,515,757	8,496,415	100,562	8,596,977	34.0
Cash operating expenses	(6,764,116)	(215,098)	(6,979,214)	(5,239,187)	(201,143)	(5,440,330)	28.3
Provisions for doubtful accounts	—	—	—	—	—	—	—
EBITDA	4,661,564	(125,021)	4,536,543	3,257,228	(100,581)	3,156,647	43.7
Depreciation and amortization	(1,018,872)	(54,750)	(1,073,622)	(1,041,570)	(38,857)	(1,080,427)	(0.6)
Interest, foreign exchange loss & others	199,355	24,755	224,110	(387,767)	463,033	75,266	197.8
Benefit from (Provision) for income tax	3,611	—	3,611	1,852	—	1,852	94.9
Net profit	₱3,845,658	(₱155,016)	₱3,690,642	₱1,829,743	₱323,595	₱2,153,338	71.4
Basic Earnings Per Share			₱0.336			₱0.195	72.3
Diluted Earnings Per Share			₱0.335			₱0.194	72.7

*includes Interest Income

OPERATING RESULTS FOR THE THREE MONTHS ENDED MARCH 31, 2018 COMPARED WITH 2017

The following table shows the geographical segments of the operating results of the Group for the three months ended March 31, 2018 and 2017.

REVENUES

Revenues consist of: (1) Gaming; (2) Hotel, food and beverage; (3) Retail and others; and (4) Interest income. The table below illustrates the consolidated revenues for the three months ended March 31, 2018 and 2017:

Table 2.2 Revenues

	For The Three Months Ended March 31						% Change
In thousands, except % change data	2018			2017			2018 vs. 2017
	Philippines	Korea	Consolidated	Philippines	Korea	Consolidated	
Gaming	₱13,695,470	₱51,187	₱13,746,657	₱10,656,578	₱ 58,915	₱10,715,493	28.3%
Hotel, food and beverage	546,394	32,629	579,023	536,910	41,813	578,723	0.1%
Retail and others	213,849	9,014	222,863	181,263	12,394	193,657	15.1%
Interest income	13,784	120	13,904	13,408	4	13,412	3.7%
Gross revenues	14,469,497	92,950	14,562,447	11,388,159	113,126	11,501,285	26.6%
Less contra revenue accounts	3,043,817	2,873	3,046,690	2,891,744	12,564	2,904,308	4.9%
Net revenues	₱11,425,680	₱90,077	₱11,515,757	₱8,496,415	₱100,562	₱8,596,977	34.0%

In the first quarter of 2018, gross gaming revenue accounted for 94.4 percent and non-gaming (including hotel, food and beverage, retail and other) contributed 5.5 percent of gross revenues while the balance of 0.1 percent represented interest income. For the same period last year, gross gaming revenue was 93.2 percent of total revenue; hotel, food and beverage accounted 6.7 percent; and interest income for 0.1 percent. Contra revenue increased to ₱3,046.7 million, up 4.9 percent year-on-year, mainly due to promotional incentives provided to guests resulting to higher mass table and slot revenues for the quarter.

Gaming

Philippines

Solaire continued to register robust growth in mass table drop and slot coin-in for the first quarter of 2018. Mass table drop and slot coin-in, grew by 16.6 percent and 22.8 percent, respectively, for 2018 compared to the same period in the prior year. The VIP segment, on the other hand, posted a decline of 11.5 percent in volume but achieved the highest reported VIP gross gaming revenue (GGR) of P7.11 billion, a 39 percent year-on-year growth.

Gross gaming revenue in the first quarter of 2018 increased by 28.5 percent or ₱3,038.9 million as compared to the same period last year. Below is the breakdown of the growth in gross gaming revenue:

<i>amounts in millions</i>	2018		2017		Change in Revenue	
	Revenue	Hold	Revenue	Hold	Amount	Percentage
VIP tables	₱7,110	3.61%	₱5,132	2.31%	₱1,978	38.5%
Mass tables	3,237	33.1%	2,773	33.2%	463	16.7%
Slots	3,349	6.4%	2,751	6.5%	598	21.7%
Total	₱13,696		₱10,656		₱3,039	28.5%

On a hold normalized basis, the VIP revenue would have decreased by 21.0 percent. VIP hold stood at 3.61 percent, way above the normal hold of 2.85 percent. The mass table revenue reached ₱3.2 billion due to record high volume and better hold percentage by 880 bps. Slot revenue also reached ₱3.4 billion owing to highest ever slot coin-in.

Total visitation for the first quarter of 2018 was 1,559,635 which was 8.4 percent higher than the same period last year.

Korea

Jeju Sun continued to feel the effects of competition and was also negatively affected by the decline in Chinese tourist arrivals in Jeju, Korea. Notwithstanding these challenges, Jeju Sun managed to generate ₱51 million of GGR, down 13% from last year.

Hotel, Food and Beverage

Philippines

Hotel and food and beverage revenue increased by ₱9.5 million or 1.8 percent for the first quarter of 2018 versus the same quarter last year. Solaire increased its REVPAR by 5.6 percent year-on-year and at the same time, managed to increase its hotel occupancy for the first quarter of 2018 to 93.6 percent from 92.6 percent in the previous year.

Hotel cash revenues were approximately 56.6 percent for the first quarter of 2018 compared to 54.5 percent for the comparative period in 2017, while non-gaming F&B cash revenues accounted for 61.3 percent of F&B revenues for the first quarter of 2018 compared to 61.4 percent in prior year.

Food and beverage covers for the first quarter of 2018 were 497,728 in comparison to 507,649 covers for comparative period in 2017 representing a decrease of 2.0 percent. Average check for the first quarter of 2018 increased 11.8 percent to ₱1,097 over the same quarter in 2017.

Korea

The hotel and F&B operation of Jeju Sun generated ₱32.6 million of revenue for this quarter which is lower by 22.0 percent in comparative period in 2017. Jeju has historically enjoyed the patronage of millions of Chinese tourists and the decline in the tourist arrivals from China has an adverse impact on the hotel and F&B revenues of Jeju Sun. Chinese tourist arrivals in Korea declined by 30.5 percent in the first quarter of 2018 compared with prior year.

Retail and Others

Philippines

Retail and other revenues increased by 18.0 percent to ₱213.9 million compared to the same quarter in the prior year primarily as a result of additional rental revenue from new tenants at the Shoppes.

Korea

The retail and other revenues of Jeju Sun generated ₱9.0 million for this quarter which is lower by 27.3 percent compared to prior period in 2017.

Interest Income

Consolidated interest income increased by 3.7 percent, from ₱13.4 million in 2017 to ₱13.9 million because of higher average consolidated cash balances in 2018.

COST AND EXPENSES

Cost and expenses consist of: (1) Operating cost and expenses; (2) Interest expense; (3) Foreign exchange gains; and (4) Mark-to-market losses.

The table below shows the breakdown of total expenses for 2018 and 2017.

Table 2.3 Expenses

	For The Three Months Ended March 31,						% Change 2018 vs. 2017
	2018			2017			
	Philippines	Korea	Consolidated	Philippines	Korea	Consolidated	
<i>In thousands, except % change data</i>							
Operating costs and expenses	₱7,782,988	₱269,848	₱8,052,836	₱6,280,757	₱240,000	₱6,520,757	23.5%
Interest expense	508,058	4,533	512,591	531,318	26,459	557,777	(8.1%)
Foreign exchange gains – net	(708,962)	(29,288)	(738,250)	(147,841)	(489,492)	(637,333)	15.8%
Mark-to-market losses	1,549	-	1,549	4,290	-	4,290	(63.9%)
Total Expenses	₱7,583,633	₱245,093	₱7,828,726	₱6,668,524	(₱223,033)	₱6,445,491	21.5%

Total expenses of the Group for the three months ended March 31, 2018 increased by 21.5 percent to ₱7.8 billion due to higher: a) gaming taxes as a result of record GGRs across all segments; b) advertising and promotions to boost mass gaming activity, and c) employee related expenses coming from Solaire's Stock Incentive Plan (SIP) and bonus schemes.

Philippines

Solaire operating costs and expenses increased by 23.9 percent from ₱6.3 billion to ₱7.8 billion.

The Philippine peso depreciated against the US dollar and other foreign currencies resulting in net foreign exchange gain of ₱708.9 million in the first quarter of 2018 as compared to the net foreign exchange gain of ₱147.8 million for the same period last year. The Company maintains foreign currency deposits mainly denominated in US and Hong

Kong dollars.

Korea

Solaire Korea and Jeju Sun registered ₱269.8 million in combined operating costs and expenses which was ₱29.8 million higher than the first quarter of 2017. The Korean operation also registered ₱29.3 million in foreign exchange gains mainly due to the continued appreciation of the Korean Won against the US Dollar. Solaire Korea and Jeju Sun's liabilities to the Parent Company are US dollar denominated.

Cash Operating Expenses

Consolidated cash operating expenses for the quarter increased by 28.3 percent from ₱5,440.3 million in 2017 to ₱6,979.2 million in 2018. Excluding the cash operating expenses of Jeju Sun and Solaire Korea, cash operating expenses of the Philippine operation increased by 29.1 percent. This increase was mainly due to the ₱591.1 million increase in gaming taxes as a result of higher gaming revenues. In addition, Solaire posted higher advertising and promotional expenses due to new creative programs and campaigns that were rolled out in the quarter.

EBITDA

Philippines

For first quarter of 2018, Solaire's EBITDA of ₱4,661.6 million was 43.1 percent or ₱1,404.3 million higher than the same quarter last year. This quarter's EBITDA was the highest posted by Solaire.

Korea

Solaire Korea and its subsidiary, Jeju Sun posted ₱125.0 million negative EBITDA or 138.8 percent negative EBITDA margin in the first quarter of 2018 due to lower gaming revenues.

Consolidated

Below is the consolidated hold-normalized EBITDA comparison based on PAGCOR table classification of original gaming tax rates (as stated in the Gaming License) effective July 1, 2016, as follows:

- a. Junket tables (VIP) - 15 percent of junket revenue
- b. High roller tables (VIP) – 15 percent of high roller revenue*
- c. Non-high roller tables (Mass tables) – 25 percent of non-high roller revenue*
- d. Slots – 25 percent of slots revenue

* BRHI is also required to remit an additional 2 percent of casino revenues generated from non-junket operation tables to a foundation devoted to the restoration of Philippine cultural heritage, as selected by the BRHI and approved by PAGCOR.

	For the Year Ended March 31		Change
	2018	2017	
<i>In thousands, except % change data</i>			
Net Revenue	11,515,757	8,596,977	34.0%
EBITDA	4,536,544	3,156,647	43.7%
EBITDA Margin	39.4%	36.7%	268 bps
Hold-Normalized EBITDA*	3,477,443	3,892,446	(10.7%)
Hold-Normalized EBITDA Margin*	36.3%	40.6%	121.5 bps

* Hold-normalized EBITDA is based on 2.85% VIP hold.

Provision for (Benefit From) Income Tax

In the first quarter of 2018, Solaire recognized ₱3.6 million of benefit from income tax, a 94.9 percent increase from the prior year's ₱1.9 million in benefit from income tax.

Net Income

Solaire registered a net income of ₱3,845.7 million, which was ₱2,015.9 million higher from the net income recorded for the same quarter in prior year.

The basic earnings per share of ₱0.336 for first quarter 2018 was higher from last year's earnings per share of ₱0.195. The diluted earnings for share for 2018 was ₱0.335 while for 2017 the diluted earnings per shares was ₱0.194 after considering the shares granted under the stock incentive plan.

TRENDS, EVENTS OR UNCERTAINTIES AFFECTING RECURRING REVENUES AND PROFITS

The Group is exposed to a number of trends, events and uncertainties, which affect its recurring revenues and profits of its casino and hotel operations. These include levels of general economic activity, as well as certain cost items, such as labor, fuel and power. The Group collects revenues in various currencies and the appreciation and depreciation of the US or HK dollar and other major currencies against the Philippine peso, may have a negative impact on the Group's reported levels of revenues and profits.

FINANCIAL CONDITION

The table below shows the consolidated condensed balance sheets as of March 31, 2018 and December 31, 2017:

Table 2.6 Consolidated Condensed Balance Sheets

	March 31,	December 31,	% Change
<i>In thousands, except % change data</i>	2018	2017	2018 vs. 2017
Current assets	31,112,517	25,906,486	20.1%
Total assets	77,365,355	72,786,452	6.3%
Current liabilities	14,154,109	11,974,865	18.2%
Total interest-bearing debt	31,452,890	32,100,820	(2.0%)
Total liabilities	43,519,762	42,501,101	2.4%
Equity ²	33,823,380	30,256,435	11.8%
Current assets/total assets	40.22%	35.59%	
Current ratio	2.20	2.16	
Debt-equity ratio ¹	1.29	1.40	
Net debt-equity ratio	0.48	0.60	

¹ Debt includes total liabilities. Equity includes total equity.

² Total equity attributable to Equity Holders of the Company

Current assets were higher by 20.1 percent to ₱31.1 billion as of March 31, 2018 from ₱25.9 billion as of December 31, 2017. The increase was due to a ₱5.2 billion increase in cash and cash equivalents.

Total assets increased by 6.3 percent to ₱77.3 billion as of March 31, 2018 from ₱72.8 billion as of December 31, 2017. The increase was attributable to higher level of cash and cash equivalents partially offset by the decrease of ₱666.6 million in property and equipment.

Current liabilities by the end of March 31, 2018 were higher than as of December 31, 2017 to ₱14.2 billion mainly because of the increased outstanding chips, gaming tax and customer's deposit which were reduced by decreases in trade accounts payable and construction accruals.

Total liabilities increased by 2.4 percent from ₱42.5 billion as of December 31, 2017 to ₱43.5 billion as of March 31, 2018 because of higher level of current liabilities as mentioned above. This was offset by the decrease in long-term debt resulting from the scheduled principal repayments of the original facility, expansion and corporate notes.

Total equity as of March 31, 2018 amounted to ₱33.8 billion, 11.8 percent higher compared with ₱30.3 billion reported as of December 31, 2017. The increase was due to the ₱3,690.6 million net income reported for the first quarter of 2018.

MATERIAL VARIANCES AFFECTING THE BALANCE SHEET

Balance sheet accounts as of March 31, 2018 with variances of plus or minus 5.0 percent against December 31, 2017 balances are discussed, as follows:

Current Assets

1. Cash and cash equivalents increased as of March 31, 2018 mainly due to higher cash generated by operations.
2. Inventories decreased due to lower inventories held by the Company as a result of higher cost of sale.

Noncurrent Assets

3. Other noncurrent assets decreased by 17.8 percent as of March 31, 2018 mainly due to lower advances to contractors and security deposits.

Current Liabilities

4. Payables and other current liabilities were higher by 17.5 percent as of March 31, 2018 mainly due to higher outstanding chip and other gaming liabilities, gaming taxes payable and customer deposits.
5. Current portion of long-term debt increased because of the additional principal due within one year pertaining to the Original Facility, Expansion Facility and Corporate Notes.

Noncurrent Liabilities

6. Retirement liability increased by 7.0 percent to ₱481.1 million due to the accrual of normal cost for the quarter.

Equity

7. Treasury shares decreased by 41.3 percent because issuance of shares for vested SIP shares.
8. Other comprehensive income pertains to the net effect of the translation of the financial statements of Solaire Korea and its subsidiaries.
9. Retained earnings increased by 60.7 percent due to the net income reported for the first three months of 2018 amounting to ₱3,690.6 million.

LIQUIDITY AND CAPITAL RESOURCES

This section discusses the Group's sources and uses of funds as well as its debt and equity capital profile.

Liquidity

The table below shows the Group's consolidated cash flows for the three months ended March 31, 2018 and 2017:

Table 2.7 Consolidated Cash Flows

	For The Three Months Ended March 31		% Change
<i>In thousands, except % change data</i>	2018	2017	2018 vs. 2017
Net cash provided by operating activities	₱6,539,957	₱4,336,055	50.8%
Net cash used in investing activities	(329,200)	(368,572)	(10.7%)
Net cash provided by financing activities	(1,380,546)	(1,049,742)	31.5%
Effect of exchange rate changes on cash	275,717	237,308	16.2%
Net increase in cash and cash equivalents	5,105,928	3,155,049	61.8%
Cash and cash equivalents, beginning	21,961,407	14,325,511	53.3%
Cash and cash equivalents, end	₱27,067,335	₱17,480,561	54.8%

Cash and cash equivalents increased by 54.8 percent as of March 31, 2018 mainly due to ₱6.5 billion cash flows generated by the operations in Solaire which was offset by additional acquisition of property and equipment and partial principal repayment of the Original Facility, Expansion, Corporate Notes and interest.

In the first quarter of 2018, the Group registered positive cash flows from operating activities of ₱6.5 billion, 50.8 percent higher than last year due to better results of operation for Solaire and favorable effect of changes in operating income and working capital.

Investing activities for the first half in Solaire mainly represented additional acquisition of property and equipment and minor construction projects.

In the first quarter of 2018, the Group's financing activities were the partial repayment of principal of its outstanding loan facilities and interest payments totaling ₱1.4 billion.

Capital Resources

The table below shows the Group's capital sources as of March 31, 2018 and December 31, 2017:

Table 2.8 Capital Sources

	March 31,	December 31,	% Change
<i>In thousands, except % change data</i>	2018	2017	2018 vs. 2017
Long-term debt	₱31,452,890	₱32,100,820	(2.0%)
Equity*	33,823,380	30,256,435	11.8%
	₱65,276,270	₱62,357,255	4.7%

*Attributable to equity holders of the Parent Company

Total debt and equity increased by 4.7 percent to ₱65.3 billion as of March 31, 2018 from ₱62.4 billion as of December 31, 2017. The net increase was the result of the combined effect of the ₱669.0 million partial repayment of principal of the Original Facility, Expansion and Corporate Notes and, the ₱3,690.6 million net income for the first quarter of 2018.

Please refer to Note 9 of the Notes to Unaudited Condensed Consolidated Financial Statements for the discussion on debt financing.

RISKS

Foreign Exchange Risk

Foreign exchange risk is the risk that the value of the Group's financial instrument will fluctuate due to changes in foreign exchange rates. The Group has recognized in the consolidated statements of comprehensive income net foreign exchange gain of ₱738.3 million and ₱637.3 million in 2018 and 2017 on the revaluation of its foreign currency denominated cash and cash equivalents, restricted cash, receivables and accrued expenses for the three months ended March 31, 2018 and 2017, respectively.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to market risk for changes in interest rates relates primarily to its long-term debt with floating interest rates. Variable or floating rate debt is subject to cash flow interest rate risk. Repricing of variable rate debt is done on quarterly intervals.

Prior to the start of commercial operations of Solaire, changes in interest rates on long-term debt has no effect on income before income tax and equity as interests on long-term debt are capitalized as part of "Construction in Progress" under the "Property and Equipment" account in balance sheets.

Liquidity Risk

Liquidity risk is the risk of not meeting obligations as they become due because of an inability to liquidate assets or obtain funding. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans.

As part of its liquidity strategy, the Group will set aside cash to ensure that financial obligations will be met as they fall due. The Group has cash and cash equivalents amounting to ₱27.1 billion and ₱21.9 billion as of March 31, 2018 and December 31, 2017, respectively that are allocated to meet the Group's liquidity needs.

Credit Risk

Credit risk is the risk that the Group will incur a loss arising from customers, clients or counterparties that fail to discharge their contracted obligations. The Group manages and controls credit risk by setting limits on the amount of risk that the Group is willing to accept for individual counterparties and by monitoring exposures in relation to such limits.

The Group's maximum exposure to credit risk is equal to the carrying amount of its financial instruments. The Group has no concentration of credit risk

Aging of Receivables

The following summarizes the aging of the Group's receivables as of March 31, 2018:

<i>In thousands</i>	
Current	₱2,247,559
90 Days	164,585
Over 90 Days	306,708
Total	₱2,718,852

PART II – OTHER INFORMATION

There is no other information not previously reported in SEC Form 17-C that need to be reported in this section.

SIGNATURES

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

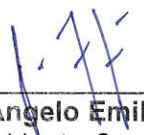
Registrant: **Bloomerry Resorts Corporation**

By:



Estella Tuason Occena
Chief Finance Officer and Treasurer

May 7, 2018



Gerard Angelo Emilio J. Festin
Vice-President - Corporate Controller

May 7, 2018