



With You No Matter Where You Are!
Philippine Amusement & Gaming Corporation



ANNUAL REPORT

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Philippine Amusement & Gaming Corporation

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CLUB TROPICANA
Sta. Mesa, Manila



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>> Corporate Profile: Setting the stage for world-class entertainment

Letter to Her Excellency, President Gloria Macapagal-Arroyo

Overall, 2006 saw PAGCOR's assets rise over 35 percent to nearly P7.5 billion, as stockholder's equity doubled to P3.24 billion.

Starting the paradigm shift

All you need to know about the Philippine Amusement and Gaming Corporation and the visions that govern its operations.

Making it count: Resource allocation

Find out where PAGCOR's earnings go

The People's Government Mobile Action

When it was first launched in 2005, President Gloria Macapagal Arroyo's Serbisyo Muna! Program quickly gained the approval of the masses. For the thousands of marginalized folk in Metro Manila who directly benefited from this program, the vital government services delivered right in their own communities eased their plight in more ways than one.

>> Corporate Social Responsibility: Performing with a passion

PAGCOR answers Bicol's cry for help

The PAGCOR contingent travelled from Pasay City to Albay with six trucks containing food, medicine and potable water for the thousands of people displaced by the destruction caused by last year's super typhoon Milenyo.

Medical mission goes to Mountain Province

Distance will not prevent the government from bringing basic services to people who need it, when they need it.

PGMA-Serbisyo Muna! Centers

A store which sells basic commodities at a price affordable to the marginalized sector of the society.

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Chairman Genuino meets with ECA

Leaders of the Euro-Asian Cooperation on Gaming (EACG) headed by PAGCOR Chairman Efraim C. Genuino, the group's interim chairman, embarked on a promotional tour around Europe to create awareness among industry players about the organization, its objectives, and its impact on the future of global gaming.

2006 Miss Earth Pageant

PAGCOR was once again instrumental in the successful staging of the Miss Earth beauty contest in the country.

Grand Paskuhan: Mailigayang Barangay 2006

Mailigayang Barangay is an annual program that recognizes the communities that exhibited outstanding creativity and talent in different competitions at Christmas time.

World Light Expo

The expo featured over two million light bulbs that formed stunning set pieces like bright archways, colorful installations and paper lanterns, as well as reproductions of East Asian cultural figures and structures.

Chairman Genuino named among "People of the Year" for 2006

The "People of the Year" list recognizes "men and women who have done well in their respective fields, who give new meaning to achievement, and whose lives and deeds serve to inspire many others to become achievers as well.

Annual Planning Conference and Income strategies for 2007

The Annual Planning Conference (APC) is one of the Philippine Amusement and Gaming Corporation's best practices.

Breaking ground on the Bagong Nayong Pilipino-Manila Bay Integrated City

It would be home to arcades, wellness spas, malls, hotels, cultural centers, sports arenas, residential villages, a state-of-the-art monorail system, theme parks, and more, forming an integrated recreation and leisure complex.

>> Looking beyond



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HEN it was first launched in 2005, President Gloria Macapagal Arroyo's Serbisyo Muna! Program quickly gained the approval of the masses. For the thousands of marginalized folk in Metro Manila who directly benefited from this program, the vital government services

delivered right in their own communities eased their plight in more ways than one.

Being called to lead this service mission participated in by various local government units, non-government organizations, religious groups, urban poor and the private sector, the Philippine Amusement and Gaming Corporation (PAGCOR) proved that the year 2006 was more than just a marker for refocusing its operations from casino gaming to total entertainment.

For PAGCOR Chairman Efraim C. Genuino, who continued to act as the overall coordinator of this program, 2006 was also a year for the state-run gaming firm to reinvigorate its commitment to public service.

Now formally known as the People's Government Mobile Action (PGMA)-Serbisyo Muna!, the program continues to attract more alliances from both private and government entities because of the noble mission that it advocates. Currently, the project has 40 active partners, with the number of committed member-agencies looking to grow by leaps and bounds.

In effect, the PGMA-Serbisyo Muna! was able to expand the scope of its services from mainly medical missions to microfinance services, food and nutrition, feeding programs, environmental protection, sustainable livelihood programs, local infrastructure, off-site issuance and renewal of important government licenses and certificates, and even free overseas calls to Filipinos working abroad.

In short, it brought basic services right to the doorstep of Filipinos living in depressed and densely populated communities within and outside of Metro Manila.

The PGMA-Serbisyo Muna! Team conducted 20 caravans, which saw about 200,000 people from depressed communities in Baseco Compound and Smokey Mountain in Tondo, Taguig, Navotas, Batasan, Binondo, Pasig, Parañaque, Caloocan, Mandaluyong and Muntinlupa benefit from its services.

Almost 80,000 people benefited from these caravans' medical missions alone. Of these beneficiaries, more than 64,000 availed of free healthcare services and about 9,000 received free dental care.

To provide better access to healthcare services in hospitals, the PGMA-Serbisyo Muna! Team also granted free Philippine Health Insurance Corporation (PhilHealth) membership cards to more than 1,000 residents from underprivileged areas.

Alongside these medical and dental missions, the caravan made cheaper medicine available to poor communities. Last year, 58 Botika ng Barangay outlets were launched in selected areas. Opening this project paved the way for underprivileged residents of Metro Manila, who could not afford the costly medicines in leading drugstores, to gain access to cheaper medication.

Another significant highlight of the PGMA-Serbisyo Muna! Program was providing sustainable livelihood sources for low-income households.

Almost 11,000 individuals from 14 depressed areas such as Payatas, Tondo and Malabon learned new ways to augment their household's income through training and demonstration activities provided by the Department of Agriculture and the Technical Education and Skills Development Authority (TESDA).

The training included home-based agricultural production, cosmetology, food processing, caregiving and electronics, among other home-employment skills.

Apart from these livelihood sources, the PGMA-Serbisyo Muna! Team also deployed 64 rolling stores dubbed as "Tindahan ni Gloria." These stores were intended to stretch the income of cash-strapped families from the poor areas of Metro Manila by selling basic necessities such as rice, sugar and groceries at reasonable prices. Last year, almost 7,000 customers gained access to basic goods at reduced prices.

Bringing
basic services
closer to you
no matter
where you are!

MEDICAL
MISSION
TO MOUNTAIN
PROVINCE



Thousands Benefit as PGMA Brings Serbisyo Muna to Highlands



>> CORPORATE SOCIAL RESPONSIBILITY

PRESIDENT Gloria Macapagal-Arroyo gifted thousands of people with various free services when she brought the People's Government Mobile Action-

Serbisyo Muna Caravan to Bontoc, Mountain Province.

The activity attracted close to 4,000 Hugao natives, some from as far as Bauko town, a bumpy 40-kilometer ride from the capital municipality.

During her visit, the President turned over an ambulance from the Philippine Charity Sweepstakes Office (PCSO) to the Bontoc General Hospital and awarded ancestral domain titles of

land in Atok, Benguet to the elders of Mountain Province.

Mrs. Arroyo also personally handed financial assistance to Barangays Dalican and Sacit amounting to P500,000, distributed Philhealth cards to 20 identified recipients and awarded licenses to operate Botika ng Barangay to two communities, among other activities.

Volunteers from PAGCOR, the Philippine Charity Sweepstakes Office (PCSO), Armed Forces of the Philippines (AFP) and the municipal health office likewise gave the beneficiaries free medical and dental services and free medicines.

PAGCOR Chairman Efraim C. Genuino, overall project coordinator of Serbisyo Muna, said the

caravan to Bontoc was part of President Arroyo's serious effort to expand the reach of the delivery of basic services to the countryside.

"We are willing to travel far and wide so as to ensure that the President's vision of providing every citizen of the country access to basic services is attained," Chairman Genuino said.

Meanwhile, Mountain Province Gov. Maximo Dalog said the caravan was a historic event since it was the first time such an activity took place in their province.

"We are very grateful to the President and to all the agencies participating in this caravan, especially PAGCOR for being the lead agency in this undertaking. We hope that whatever

inconveniences they have experienced on their way to our province will be more than compensated by the feeling that they have shared a lot to our people," he said.



MALACAÑANG TO BICOL MERCY MISSION

PAGCOR answers Bicol's cry for help



DEMONSTRATING its penchant for action in times of dire need, PAGCOR extended help to areas ravaged by Typhoon Reming as one of the lead agencies that made up President Gloria Macapagal-Arroyo's 250-vehicle "Malacañang to Bicol Mercy Mission."

The PAGCOR contingent traveled from Pasay City to Albay with 6 trucks containing food, medicine and potable water. At Legazpi City, PAGCOR turned over a total of 1,000 blankets and 3,333 "family packs" containing rice, noodles, and sardines to the provincial Department of Social Welfare and Development (DSWD) representatives. These relief goods were allocated for equal distribution to Albay, Catanduanes, and Sorsogon calamity victims.

Meanwhile, PAGCOR's medical team conducted medical missions at the Bitano Elementary School and Ibalong Centrum for Recreation evacuation centers in Barangay Bitano, also in Legazpi City. Many were treated for upper respiratory tract infection, which easily spreads owing to their confinement in crowded living spaces, and diarrhea due to the contaminated water supply. Over 750 patients were examined and received free medicine at these two medical missions.

Lilibeth Acuña, resident of Barangay Bitano, was grateful for the free medical attention for her daughter's skin infection, caused by contact with impure floodwaters. "Pagkatapos ng bagyo, nagsugat-sugat ang balat ng anak ko dahil sa tubig-baha. Buri ngayon at nabigyan na siya ng gamot para d'yan," she said.

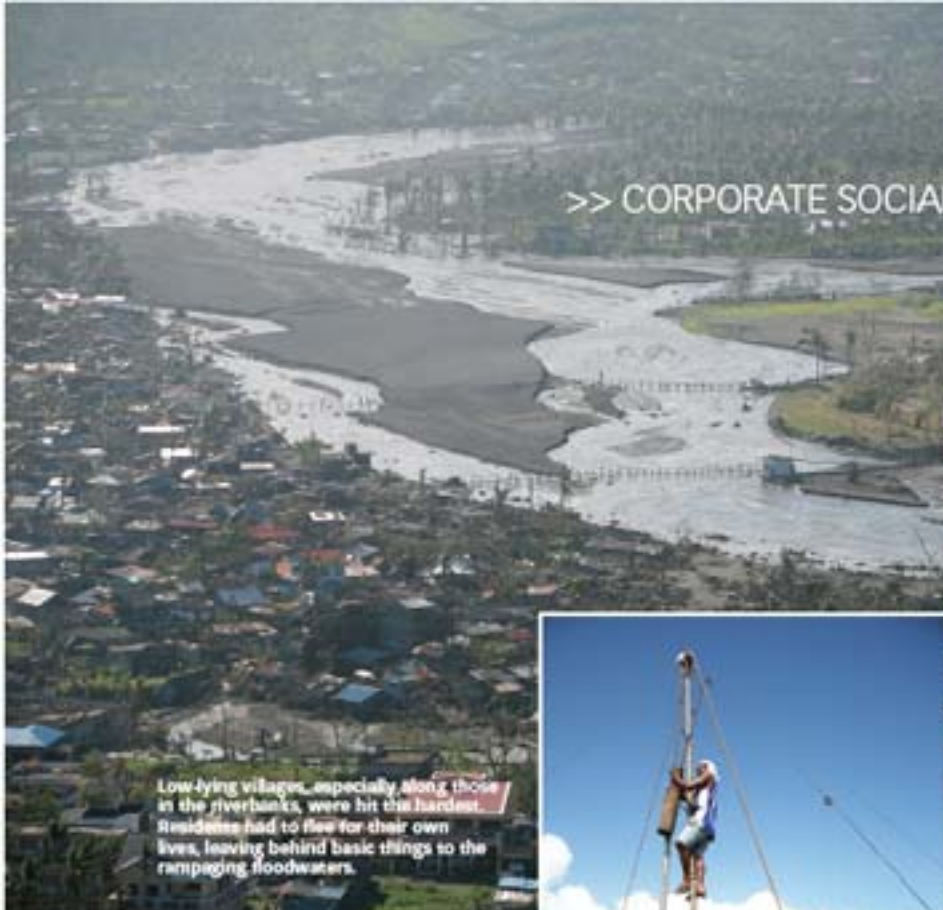
In addition to relief goods and medicine distribution, PAGCOR constructed 3 deep wells with the help of the Department of Public Works and Highways (DPWH) at



The PAGCOR contingent traveled from Pasay City to Albay with 6 trucks containing food, medicine and potable water. Scorped trees on the province's approach bear testament to the devastation.



>> CORPORATE SOCIAL RESPONSIBILITY



Low-lying villages, especially along those in the riverbanks, were hit the hardest. Residents had to flee for their own lives, leaving behind basic things to the rampaging floodwaters.

evacuation centers in Legazpi City and Daraga. One of these sites is Banyag Elementary School, where 788 displaced adults and children are still staying.

Lack of clean water, a basic human need, is another burden for many of the people here who have already suffered tragic loss. Having these deep wells at the evacuation centers eases their situation by making safe usable water available anytime they need it.



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>> CORPORATE SOCIAL RESPONSIBILITY



The PGMA-Serbisyo Muna! Centers

DRIVEN with the desire to provide continuous service to highly populated and depressed areas in Metro Manila, PAGCOR, being the lead coordinator of the project, came up with the idea of establishing the Serbisyo Muna! Centers, a facility similar to the Kadiwa-type grocery stores in the 1980s.

The centers showcase the vital services of the Serbisyo Muna! caravans. These would also enable indigent communities to have access to the important government services and eventually improve the socio-economic lives of the people in that area. In 2006, two Serbisyo Muna! centers were launched in Malabon and Valenzuela.

The centers cater to households with annual incomes of less than P150,000 and to rank-and-file government employees. The Department of Social Welfare and Development and the local government units involved were the primary agencies responsible for screening qualified beneficiaries.

Beneficiaries of the Serbisyo Muna! Centers were provided with magnetic swipe cards, which would regulate their purchases. With this system in place, abusing the services offered by the Centers would be avoided. According to the project's organizers, any proceeds that may be derived from the operation of these centers will be used for the future projects of PGMA-Serbisyo Muna! Program.

Since the Serbisyo Muna! centers were designed to cater to the varied needs of low-income households, it housed a Grocery ng Bayan, Botika ng Bayan, a clinic, a livelihood training room, and counters for different service-oriented member-agencies.

The Serbisyo Muna! Grocery sells basic commodities such as rice, canned goods, meat products and vegetables at significantly lower prices than those in the markets or grocery stores. The Botika ng Bayan, meanwhile, has various medicines – such as anti-bacterial agents, anti-hypertensives, anti-motility and bronchodilators – available at reduced rates.

Although the clinic caters mainly to the members of Serbisyo Muna! Center, non-members who are in emergency situations can also receive medical attention.



Besides these services, the Serbisyo Muna! Center also has a livelihood training room that doubles as a venue for seminars on skills development and livelihood training activities. Counters for different service-oriented member-agencies were also included to cater to other needs of the caravans' beneficiaries, such as microfinancing, clearance and passport processing and feeding programs, among others.

With the success of the PGMA-Serbisyo Muna! Program, underprivileged families were able to avail of basic social services without having to pay for it. These service-related efforts shown by PAGCOR, together with the 40 other member-agencies of the program, earned the trust of hundreds and thousands of poor Filipinos.

On August 18, 2006, President Arroyo linked Administrative Order 159, mandating the expansion of the program's reach to the ten poorest provinces in the country. Most of these regions are coastal- or island-provinces that lack decent hospitals, markets and other basic services. With this administrative order, the outreach caravans of PGMA-Serbisyo Muna! will no longer be limited to the poor areas in Metro Manila.

As the PGMA-Serbisyo Muna! Team spreads its wings and touches more lives, PAGCOR remains at the forefront of the government's community service advocacies. It will continue to lead the rest of the member-agencies, which are all hoping to leave a legacy and improve the life of the ordinary Filipino.

Premyo sa Resibo

To encourage the public to ask for official receipts when they purchase an item or avail of any services in the country, PAGCOR and the Bureau of Internal Revenue (BIR) teamed up to introduce the "Araw-Araw Premyo sa Resibo" raffle.

The program is a nationwide raffle system that uses receipts issued by establishments and professionals as entries. It is a text-based game wherein consumers get a chance to win as much as P1 million during the monthly draws.

The types of receipts qualified in the raffle are official receipts that contain the name and address of the business and its taxpayer identification number (TIN) and the name of the printer of the receipt, which contains the sales invoice or cash invoice number and cash register machine or point-of-sales receipt.

A receipt for a minimum purchase of P100 is equivalent to one raffle entry. Holders of single receipts with a value of P150 or more can send two or more raffle entries. Only the person to whom the receipt is named for can use it for the raffle entries. Receipts must be dated within the period



covered by a specific weekly draw.

In claiming the prize, the winner will be required to present the original receipt he used for his text entry, together with an ID card. Texters are also advised to record their raffle entry numbers so they can delete messages from their cellphone's inbox.

Launched in August, Premyo sa Resibo has helped the government in its taxpayer monitoring and database mapping, and has created greater opportunities to the lucky winners.

Owing to the overwhelming response to the program, it also spawned a daily TV game show on ABC 5.

Premyo sa Resibo is rolled out through the information technology software of Philweb Corporation.

Finance Secretary Marginito Teves (second from right) answers queries from the media during the launching of the Premyo sa Resibo project.



>> CORPORATE SOCIAL RESPONSIBILITY

Contribution to the PSC upped

Symbolic of its continued support to the development of the Filipino athlete, PAGCOR's income share remittance to the Philippine Sports Commission (PSC) rose for the fourth consecutive year to over P485 million in 2006, P4.4 million more than in 2005. The amount brings the state-run gaming firm's contribution to the government sports agency which manages the National Sports Development Fund, to over P3.44 billion since 1998.

PAGCOR has been the foremost funding source for the sports development programs of the National

Government throughout the years. In fact, as much as 80 percent of the funds used by the PSC for its operations and implementation of programs come directly from the state-run gaming firm.

The PSC is allocated five percent of the balance of PAGCOR's annual income after deducting taxes paid to the Bureau of Internal Revenue (BIR) and remittances to the National Treasury.

Hence, while the income of the state-run gaming firm continues to reach new record-breaking heights each year, the PSC is assured of even more resources to help discover and train our national athletes and provide them with better opportunities to compete in both local and international sporting events.



2006 World Pool Championships

In November, PAGCOR joined the country in celebrating the triumph of Ronato "Ronnie" Alcano, who defeated Germany's Ralf Souquet to win the World Pool Championships of 9-ball billiards, which the Philippines hosted for the first time.

It was a truly magical run for Alcano, the 34-year-old from Calamba, Laguna who knocked off Souquet, 17-11, in the final as well as some of the world's best cue masters along the way—including some of his own countrymen.

Also known in pool circles as "Calamba" after his hometown, he first dispatched of fellow RP bet Roberto Gomez, 10-1, then rose to the occasion and upset

preeminent compatriot Efran "Bata" Reyes, 10-7, in the second round.

Kuo Po-chang of Taiwan, the World Pool runner-up in 2005, was Alcano's next victim, 11-5. But he snagged an even bigger fish in Kuo's countryman Wu Chia-ching, sweeping aside the tournament's defending champion, 11-6.

Unheralded Chinese player Li He-wen stood between Alcano and the championship match, but the Filipino prevailed in a tense affair, 11-8, setting up the final against "the Kaiser."

Souquet had won the event in 1996, so Alcano entered the title match as the heavy underdog. But with home-court advantage and a handful of fans cheering his every stroke at the Philippine International Convention Center, he overcame his jitters to take the trophy and clinch the \$100,000 top prize (about P540,000).

With the victory, Alcano became the third Filipino after Efran Reyes in 1999 and Alex Pagulayan in 2004 to hold billiards' most coveted title.

As one of World Pool's major sponsors, the state-run gaming firm provided P20 million for the event, which formed part of the prize fund. PAGCOR gifted Alcano an additional P1 million when he paid a courtesy call to President Gloria Macapagal-Arroyo at Malacañang Palace.



The Philippines very own Ronnie Alcano displays superb form in battling Germany's Ralf Souquet en route to copping the World Pool crown.

PAGCOR Sports Idols

REALIZING the vital role it plays in the discovery and development of potential national athletes from the grassroots level, PAGCOR did not hesitate to renew its support to the weekly sports reality television program Pinoy Sports Idols.

The state-run gaming firm once more gave hope to underprivileged but talented young athletes by sponsoring the show's second season.

A gymnast from Tondo, Manila became the second recipient of the coveted Top Idol honors after getting the highest combined numbers from televiewers' text votes and judges' score sheets.

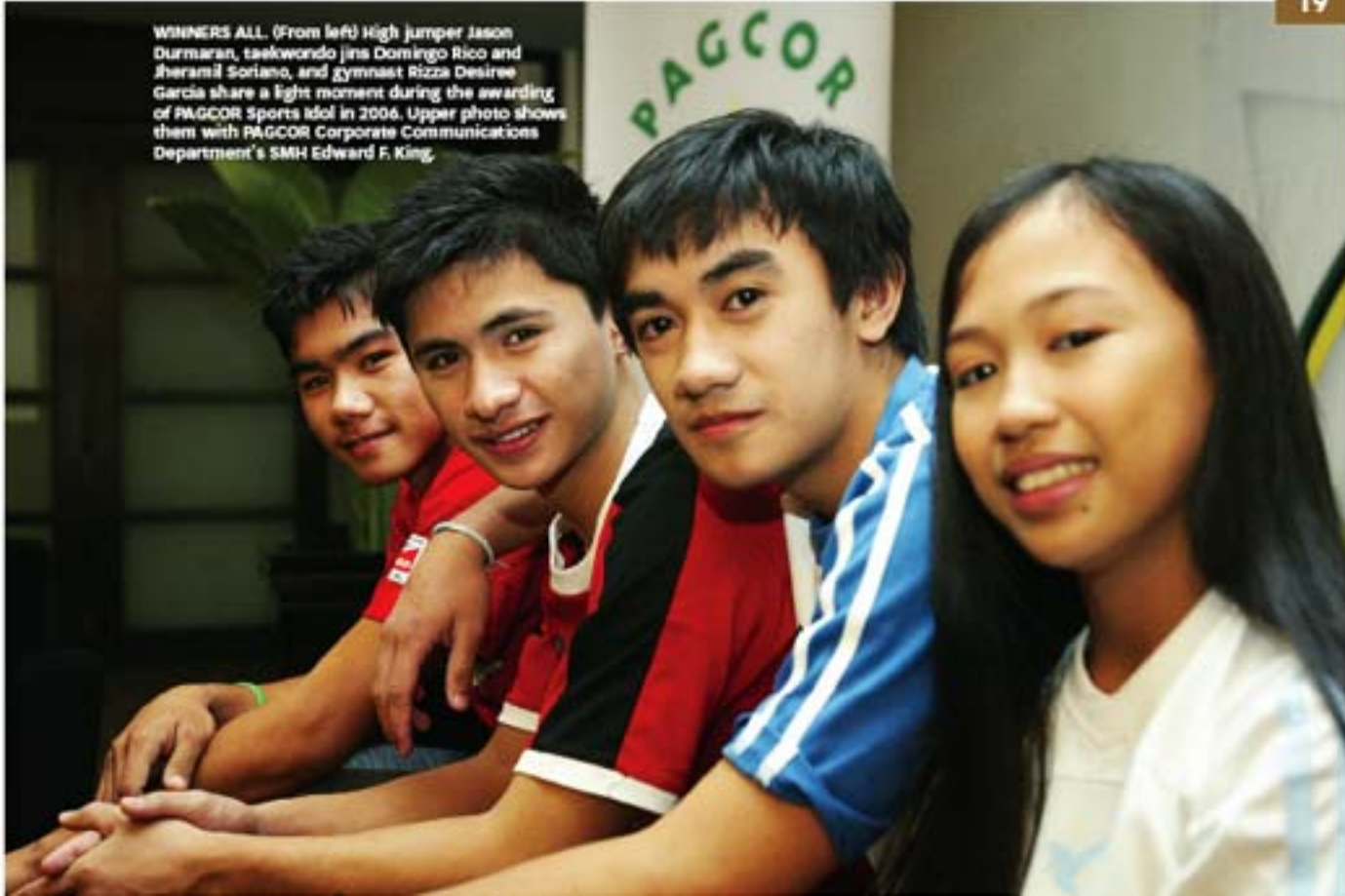
PAGCOR awarded Rizza Desiree Garcia a college scholarship in any university of her choice and an all-expense-paid participation in a prestigious international competition for being the show's Ultimate Sports Idol.

Two other second-season finalists, high jumper Jason Durmaran of Bohol and taekwondo jin Jheramil Soriano of Baguio City, also received college scholarships from PAGCOR.

PAGCOR believes that through shows like Pinoy Sports Idols, it can discover and develop athletes who could potentially make it big in sports disciplines where the Philippines is strong at.



WINNERS ALL. (From left) High jumper Jason Durmaran, taekwondo jin Domingo Rico and Jheramil Soriano, and gymnast Rizza Desiree Garcia share a light moment during the awarding of PAGCOR Sports Idol in 2006. Upper photo shows them with PAGCOR Corporate Communications Department's SMH Edward F. King.



>> YEAR IN REVIEW

**We have posted
a record-breaking**

**P25.38
billion**

**Almost two billion pesos higher
than the P23.4 billion
total annual income in 2005.**

Premyo Sa Resibo

A program to encourage the public to ask for official receipts when they purchase an item or avail of any services in the country.

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2006 World Pool Championship

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PAGCOR Sports Idol

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>> Year In Review: PAGCOR going global

Reaching new heights

PAGCOR's accomplishments and the programs and strategies instituted to make the past year another record-breaking one.

Asta's Gem: Gaming and Entertainment Plus Leisure Expo Manila 2006

The synergy between gaming and the travel and tourism industry, along with their respective allied businesses, must remain dynamic: a force to be reckoned with, especially in these times when global barriers have almost been practically stripped away to reveal bigger and much more diverse markets.

Euro-Asian Cooperation on Gaming (ECG)

It aims to develop the gaming industry into a highly diversified and progressive industry and to highlight the gaming industry as an integral part of global tourism and entertainment.

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Terms of Reference: Bagong Nayong Pilipino-Manila Bay Integrated City

Commission on Audit Report

Combined Balance Sheet

Combined Statement of Income and Expenses

Statement of Cash Flows

Statement of Changes in Equity

PAGCOR Board of Directors and Key Officers



ABOUT THE COVER

The People's Government Mobile Action-Serbisyo Muna! caravan makes its way through the rough, winding road toward Bontoc, Mountain Province. The caravan's trip is symbolic of the lengths the government goes to in order to deliver basic services to the people, even in the most remote settlements in the country. It also underscores the government's concern for its citizens through its socio-civic programs, which the Philippine Amusement and Gaming Corporation (PAGCOR) under the Office of the President is proud to be a part of.





PAGCOR Going Global

Reaching New Heights

The Philippine Amusement and Gaming Corporation (PAGCOR) underscored its stature as one of the most well-managed and profitable corporations in the country today. In 2006, the state-run gaming firm posted a record-breaking P25.38 billion, almost two billion pesos higher than the P23.4 billion total annual income in 2005.

Of this amount, income from casino operations amounted to P20.89 billion, up P107.93 million from the P20.79 billion of the previous year. Income from the discontinued operations of Casino Filipino-Silahis, which officially closed shop on July 31, 2006, accounted for P1.09 billion of the new record for total income.

Table games continued to be PAGCOR's top revenue earner, bringing in a total of P11.86 billion to the state-run gaming firm.

Not to be outdone, slot machines constituted the second biggest bulk of the corporation's total income, posting P8.60 billion in 2006.

As seen in most recent years, slot machines are now contributing almost as much as table games in terms of generating revenues. This could be attributed to the wide range and variety of state-of-the-art gaming machines being offered by the Casino Filipino branches as well as the highly exclusive Casino Filipino Slot Machine VIP Clubs.



>> YEAR IN REVIEW

PAGCOR Angeles City



PAGCOR Bacolod City



PAGCOR Heritage



PAGCOR Mactan



PAGCOR Cebu City



PAGCOR Davao City



PAGCOR Olongapo City



PAGCOR Hyatt Manila

Meanwhile, PAGCOR achieved its highest-ever monthly income of P2.04 billion in August 2006. This beat the previous record of P1.93 billion set in August 2005 and the P1.73 billion set in September 2004.

Branch monthly income records

Individually the Casino Filipino branches did exceptionally well, each posting record-breaking monthly incomes.

Among the record breakers are: Angeles, P123.06 million (August); Bacolod, P45.41 million (October); Heritage P393.56 million (August); Mactan, P93.23 million (January); Cebu, P147.82 million (July); Davao, P55.22 million (December); Olongapo, P55.23 million (October); and Hyatt, P268.33 million (August).

Notable are the performances of Mactan, which earned P93.23 million in January 2006, P28.45 million more than its previous record high posted in June 2005; Olongapo, which reported a P11.17-million increase from its previous monthly

record; and Hyatt, which beat all and posted an unprecedented P66.70 million increase from its monthly record in 2005.

Bingo operations

PAGCOR's bingo grantees brought in a total of P1.43 billion, four percent higher than the P1.37 billion of the previous year. Income from in-house bingo games, on the other hand, rose by more than two million pesos and contributed a total of P107.84 million to the corporation's total annual income.

Slot machine arcades and VIP Clubs

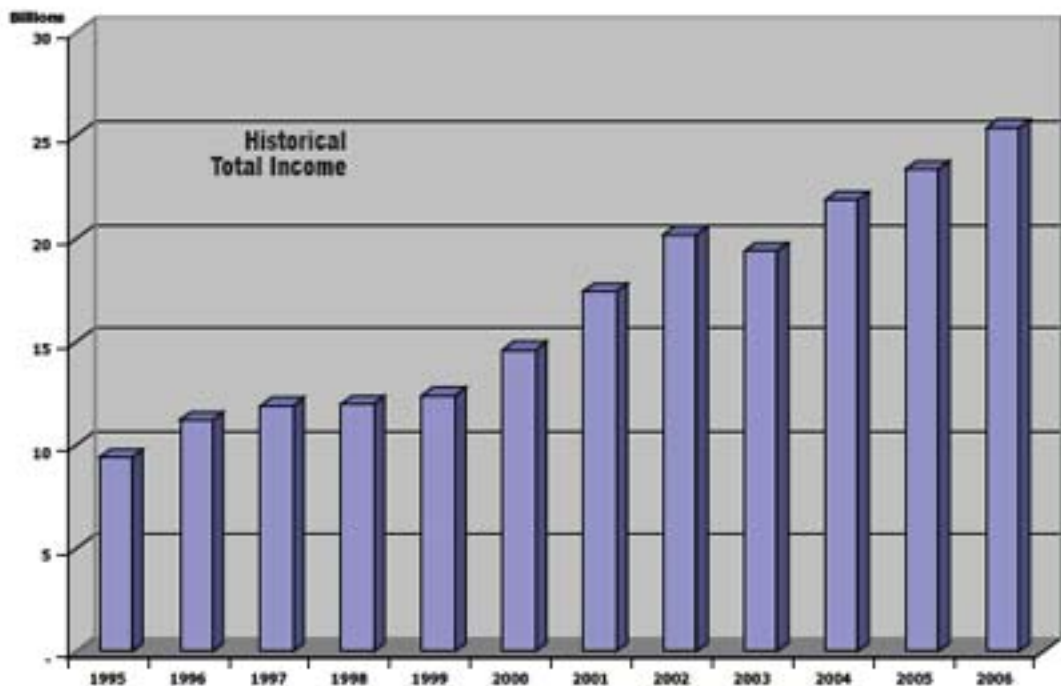
Casino Filipino's three slot machine arcades and nine slot machine VIP Clubs combined to generate P1.98 billion in total income, topping the P1.65 billion in aggregate income they posted last year.

The VIP Clubs, which offer the latest in state-of-the-art "token-less" gaming, are especially popular among foreign tourists and the affluent members of society.



1995	P9,420,162,130.95		1999	P12,423,714,159.57	3.6%	2003	P19,430,269,788.83	(3.9%)
1996	P11,239,818,934.35	19.3%	2000	P14,616,945,714.13	17.6%	2004	P21,908,292,740.70	12.7%
1997	P11,925,454,276.77	6.1%	2001	P17,457,542,676.67	19.4%	2005	P23,399,240,756.00*	6.8%
1998	P11,991,798,519.81	0.5%	2002	P20,214,077,178.13	15.8%	2006	P25,364,224,102.00*	8.5%

* Based on Accrual Basis of Accounting



Internet Sports Betting and Online Casinos

PAGCOR'S internet sports betting operations and online casinos also produced P178 million in earnings for the company, over P50 million more than the previous year's mark.

Electronic Bingo

Of the income from Bingo Grantees of P1.43 billion, business from e-bingo operations accounted for 30 percent or P427 million, over 16 percent or P58 million better than the previous year's earnings of P368 million.

Chipwashing operations and other income

Income from PAGCOR's chipwashing operations and non-casino customers and other income amounted to P3.2 billion, an increase of P1.68 billion or 110 percent higher than the P1.52 billion posted in 2005.

Reasons for growth

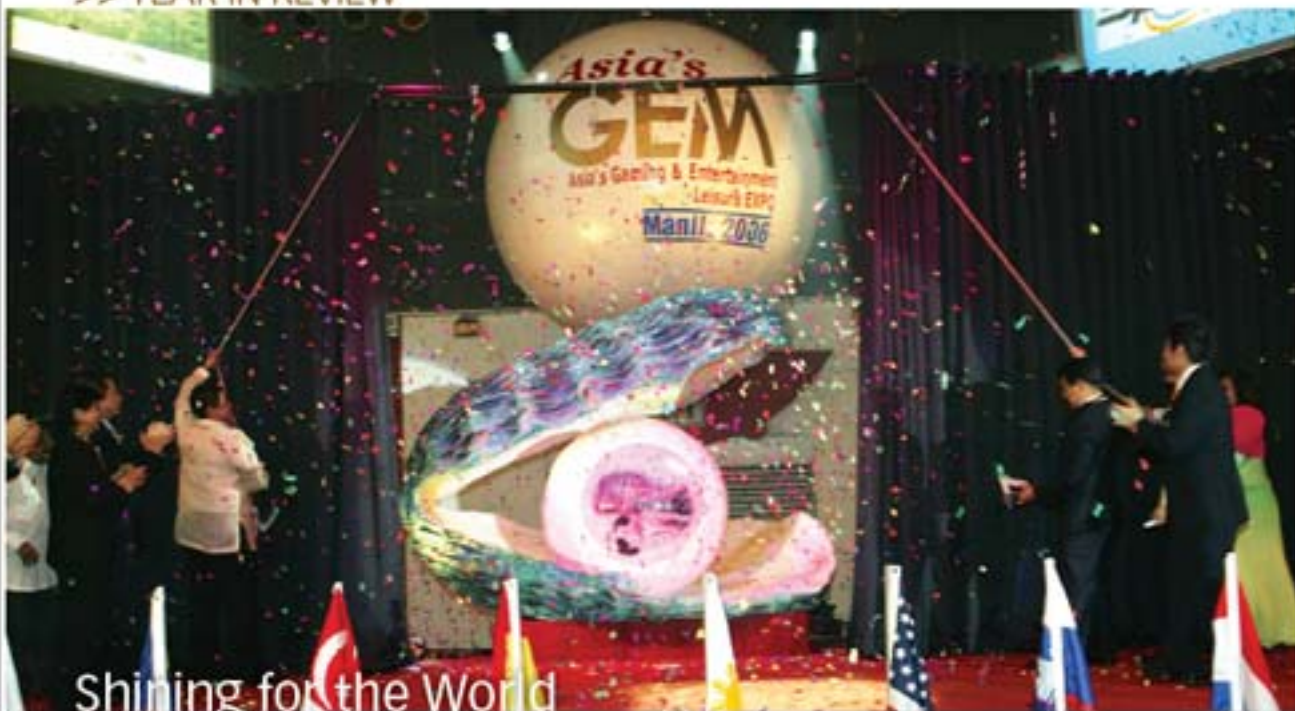
Contributing to the corporation's phenomenal performance are various strategic initiatives instituted by the management

last year like its rewards program

PAGCOR launched the PAGCOR Privilege Card, a fully integrated nationwide rewards system that allows casinos to award amenities and rebates to customers.

Also, a Rabaea on Bets Program was introduced. This program gives discounts to players based on the volume of their play to inspire loyalty and encourage repeat business from players.





Shining for the World

Asia's GEM: Gaming and Entertainment Plus Leisure Expo Manila 2006

O

NE of the greatest challenges for developing countries, as far as governance is concerned, lies in acquiring and maintaining economic stability.

In the Philippines, the travel and tourism industry is one of the sturdiest pillars supporting the country's economic growth. The gaming industry similarly sustains the efforts of the national

leadership to procure much-needed funds for its various development projects.

As such, the synergy between gaming and the travel and tourism industry along with their respective allied businesses, must remain dynamic: a force to be reckoned with, especially in these times when global barriers have almost been practically stripped away to reveal bigger and much more diverse markets.

Asia's GEM—Gaming and Entertainment Plus Leisure Expo was conceptualized with such synergy in mind.

Held from February 22 to 23, 2006 at the World Trade Center in Pasay City, Asia's GEM became a one-stop shop of gaming, travel and tourism and entertainment businesses. It functioned as a business venue for the latest in gaming machinery and equipment; gaming-related products and services; vacation clubs; golf clubs; popular and emerging tourist destinations; entertainment providers; venues such as talent management centers and booking offices; and many other allied trades.

Presented by PAGCOR, the Expo simultaneously held a gaming conference, the first of its kind ever to be held in the Philippines, at the Hyatt Hotel and Casino Manila.

The mother-of-pearl was selected as the logo of Asia's GEM, with the dual purpose of paying tribute to the accolades given to the Philippines as the Pearl of the Orient Seas and to the fact that through this momentous event, the cooperation and unity between both developed and developing countries clearly shone for the world to see.

The success of Asia's GEM would not have been realized without the participation of luminaries from the various industries that were tapped to solidly make the Expo and Conference productive, meaningful and focused on its ultimate goals: the generation of jobs and much-needed foreign investments.





The founding members of the Euro-Asian Cooperation on Gaming, from left: Norman Ng (Jimei); Danny Ho (Sociedad De Jogos De Macau); Jack Lam (Phil. Travel And Amusement Ltd.); Yang Jin Seok (Grand Korea); Park Jung Sam (Grand Korea); Duk Shin Park (Parthenon, Inc.); Paulo Ho (MSP); PAGCOR Chairman & CEO Efraim C. Genuino; Tony Boyd (International Casino Services); Melvin Williamson (Club Hotel Loutraki); Jack Binion (Blizzard Asset Management); Upakit Pachanyangkan (Aikura Casino Myanmar); Chiang Chiu Mo Samuel (Century Legend Holdings); David Orrick (Cirsa/Unidesa) and PAGCOR President and COO Rafael "Butch" Francisco.

Euro-Asian Cooperation on Gaming (ECG)

An important sidelight of the Asia's Gaming and Entertainment plus Leisure Expo-Conference (Asia's GEM), which gathered gaming and entertainment leaders and patrons all over the world, was the formation of the Euro-Asian Cooperation on Gaming (ECG). ECG is an international trade association of casino owners, operators and gaming industry leaders in Europe and Asia. It aims to develop the gaming industry into a highly diversified and progressive industry and to highlight the gaming industry as an integral part of global tourism and entertainment.

Heading the association is PAGCOR Chairman and CEO Efraim C. Genuino, elected as its interim chairman.

ECG aims to foster greater cooperation and mutual support among casino operators, owners, and investors with an eye to continuously strengthening the gaming,

entertainment and tourism industry.

As one local newspaper columnist noted, "This fledgling organization is slowly shaping up and getting around to tackling the more important issues of the day in search for a stronger alliance for responsible gaming."

Among the notable ECG members are Louis Ng, director and CEO of Sociedade de Jogos de Macau; Jack Lam of the Jimei Group of Companies; Paulo Ho, chairman of Marina Square Properties, Inc.; Jung-Sam Park, president of Grand Korea Leisure Corp.; Duk Shin Park, president of Parthenon Inc., Philippines; Melvin Stanley Williamson, CEO of International Queenco Group of Companies; and Mr. Jack Binion from Las Vegas, Nevada.

While its current roster of membership is still more partial to Asia, the ECG has already forged vital working relationships with the European Casino Association, representing the interests of almost 900 casinos and 76,000 employees across Europe.

ECG meets with European Casino Association (ECA)

LEADERS of the Euro-Asian Cooperation on Gaming (ECG) headed by PAGCOR Chairman Efraim C. Genuino, the group's interim chairman, embarked on a promotional tour around Europe to create awareness among industry players about the organization, its objectives, and its impact on the future of global gaming. While in Europe, the ECG was able to forge vital working relationships with key associations in the continent.

Highlighting the visit was the ECG's meeting with the heads of the European Casino Association (ECA), the organization representing 850 casinos and approximately 71,000 employees from 20

European countries. The ECA officially recognized the ECG and its ideals in emphasizing the principles of fair play and cooperation in the industry.

Chaired by Ron Goudsmit, Vice President of Holland Casino, the ECA provides information and assessment of EU policies on casinos, promotes awareness of the gaming industry to EU policy makers and stakeholders, and provides valuable input to decisions that affect the casino sector.

"We see the European Casino Association as an important partner in strengthening the bond between the European and Asian gaming industries and that is what our group, the ECG, was founded on," Chairman Genuino said. "This visit has yielded very positive results, not the least of which was achieving the ECA's approval."



>> YEAR IN REVIEW



2006 Miss Earth Pageant

PAGCOR is instrumental in the successful staging of the Miss Earth beauty contest in the country. Organized in 2001 by Filipino events company Carousel Productions Inc., Miss Earth is an annual pageant that serves as a vehicle for environmental advocacy. It is considered one of the world's most prestigious beauty pageants. Eighty-two gorgeous ladies from all over the world competed in Miss Earth 2006. The delegates did not only vie for the crown but were actively involved in environmental protection and advocacies.

The state-run gaming firm, being a steadfast promoter of Philippine tourism and culture, gave its all-out support to the pageant. PAGCOR's state-of-art amphitheater at the Airport Casino Filipino in Parañaque City served as the venue for the Miss Earth 2006 long gown competition.

Lorraine Schuck, Executive Vice President of Carousel, was more than grateful for PAGCOR's significant role in the success of the pageant all through the years.

"We could not have achieved it without the help of PAGCOR," said Schuck.

Hil Yesenia Hernandez Escobar, a 23-year old student from Chile, was crowned Miss Earth 2006 on November 26, 2006 on the grounds of the National Museum in Manila. Delegates from India, the Philippines, and Venezuela were runners-up.

The coronation night was televised nationwide via ABS-CBN and shown in more than 80 countries through the Star TV and The Filipino Channel.



Winners of P50,000 for their entries on their respective categories receive their "checks" during the awarding ceremonies of Maligayang Barangay 2006 at the Quirino Grandstand in Luneta, Manila. Posing with the winners are PAGCOR's Michael Cendaha and Edward F. King.

Grand Paskuhan Maligayang Barangay 2006

The "Grand Paskuhan, Maligayang Barangay" program's title speaks for itself, as it brought a majestic, day-long Christmas celebration to Metro Manila. The People's Government Mobile Action-Serbisyo Muna team merged its much-awaited Maligayang Barangay program and its own caravan to bring yet another remarkable holiday season to the people.

The Quirino Grandstand in Manila was filled with high-spirited residents who awaited the announcement of in the various competitions under the Maligayang Barangay. They also came to avail of the socio-civic services, sponsored by various agencies.

Maligayang Barangay is an annual program organized by the Office the President, PAGCOR, the Department of Social Welfare and Development (DSWD) and Presidential Urban Poor Commission to recognize the communities that exhibited outstanding creativity and talent in different competitions. Contests included Christmas Lantern-Making, Choral Singing Contest, Best

Nativity Scene Design, Best Christmas Lights Display, Best Community Theme and, Best Christmas Tree.

Besides PAGCOR and the DSWD, the Department of Health (DoH), the Department of Foreign Affairs (DFA), the Department of Education (DepEd), the Department of Public Works and Highways (DPWH), the Department of Agriculture (DA), the Department of Labor and Employment (DOLE), the Department of Transportation and Communication (DOTC), and the Land Transportation Office (LTO) helped make the event possible.

Also chipping into the program were the People's Credit and Finance Corporation (PCFC), the Technical Education and Skills Development Authority (TESDA), the Technological Livelihood Resource Center (TLRC), the Public Attorney's Office (PAO), the National Food Authority (NFA), the Philippine International Trading Corporation (PITC), the Philippine National Police (PNP), the National Bureau of Investigation (NBI), the National Statistics Office (NSO), the National Telecommunications Commission (NTC), the Manila Electric Company (Meralco), MWSS-Maynilad Water Services, Inc. and various non-government groups.



The occasion was graced by beauties (from top) Jen Rosendahl, Kristine Jaca and Juliana Palermo, who also acted as hosts.

Clockwise from right: Winner of lantern adult category; the runner up; chorale children's category; and the adult category.





Spectacular display of lights and fireworks dazzle the grand events' guests as well passers-by.

World Light Expo

PAGCOR made good on its commitment to promote tourism in the country as it presented the World Light Expo Philippines at the Roxas Boulevard-Coastal Road junction under the theme of "Light is Hope."

At the opening ceremonies, PAGCOR Chairman Elfrim Genuino witnessed the formal light switching along with Education Secretary Jesli Lapus, National Bureau of Investigation (NBI) Assistant Director Pedro Bulaong, and Parañaque City's government heads led by Rep. Edgardo Zialcita, Mayor Florencio Bernabe, Jr., and Vice Mayor Jose Andres "Anjo" Ylana.

Joon Sik Choi, chairman of World Light Expo co-sponsor On City Gold Park, announced to the audience that proceeds from the show would go to Pangrap na Lupa Foundation, Parañaque Special Education Center, the Save the Parañaque River Foundation, and children with sight impairment, in order to secure them a future full of great opportunities.

"We demonstrate just how intent we are on the

development and promotion of Philippine tourism through this project. The market is ever-changing and people seek out attractions that appeal to their emerging interests. The World Light Expo caters to that audience with its ingenious use of light and lanterns to create visual art," explained PAGCOR Chairman Genuino.

Organized by Way Entertainment, the expo featured over two million light bulbs that formed stunning set pieces like bright archways, colorful installations and paper lanterns, as well as reproductions of East Asian cultural figures and structures. These included a giant dragon made of porcelain plates that stretched across the entire exhibition area and the 1st Qin Emperor's Terra Cotta Army Exhibition.

Another popular attraction was The Fantastic Water Screen Laser Show, a unique light and sound presentation where laser patterns and various images were projected onto a water fountain. Featured thrice nightly the show was capped off by an impressive fireworks display.

Live entertainment was also presented on stage each night and featured a Korean hip-hop dance group, acrobats, and a Chinese circus act.

PAGCOR Chairman & CEO Elfrim C. Genuino graces the opening of the World Light Expo along with Parañaque Rep. Ed Zialcita, Philippine National Police Director Gen. Pedro Bulaong, and the Korean proponents of the expo.





Surprise from People Asia Magazine PAGCOR Board Chairman Genuino named among "People of the Year" for 2006

The October 2006 issue of People Asia Magazine has PAGCOR Chairman Genuino on its cover. Below, the chairman beams as he receives his award in recognition of his contributions to nation building.

JUST before the Christmas holidays hit in 2006, PAGCOR Chairman and CEO Efraim C. Genuino received an unexpected gift: He was named among the "People of the Year" of the prestigious People Asia magazine, which came out with its annual award-list of notable personalities in a special year-end double issue.

Chairman Genuino joined personalities such as Gawad Kalinga's Tony Meloto, SM mall heiress Teresita Sy-Coson, rapper Allan "Api" Pineda of the Black Eyed Peas and Everest mountaineers Leo Oracion, Pastor Emata and Romi Garduce on the list.

The "People of the Year" recognizes "men and women who have done well in their respective fields, who give new meaning to achievement, and whose lives and deeds serve to inspire many others to become achievers as well," according to Jose Manuel "Babe" Romualdez, president of Stargate Media Corp., which publishes People Asia.

Specifically, the magazine cited Chairman Genuino for taking the lead in "building a casino complex that will rival that of Macau's" — in the form of the Bagong Nayong Pilipino-Manila Bay Integrated City — and citing his "mindset for innovation and modernity" that "shows the future of the global Pinoy."

In an article entitled "A Global Mindset" written by Bing Parel-Salud, People Asia also cited the state-run firm's chief executive for steering PAGCOR through five years of successively higher record-breaking earnings, thus becoming the government's third largest revenue earner and boosting the administration's socio-civic projects via increased funding.

"If you are able to transform your agency into one of the most profitable corporations today, and have the vision to make it global through projects like our proposed PAGCOR City, then it makes working here all the more worthwhile," Chairman Genuino said to People Asia.

"But over and beyond that, it is being able to serve the people and helping make a direct improvement in their lives that in the end, makes my job really fulfilling," he added.



>> VISION

Annual Planning Conference and Income Strategies for 2007

The Annual Planning Conference (APC) is one of the Philippine Amusement and Gaming Corporation's best practices. In it, management outlines PAGCOR's plans and programs for the coming year.

For the 2007 APC, however, Board Chairman Efraim C. Genuino took a more urgent tone in the meeting at the Hyatt Hotel and Casino Manila. He opened his speech for the conference by saying it was "crucial" because it was the starting point in preparing for bigger goals for the corporation to reach.

"We have to be ready, especially now that significant developments are happening closer to the Philippines," Chairman Genuino said. He noted that Macau's casino industry was setting landmark profits, and many of the Philippines' neighbors have made moves to put up casinos of their own.

"But I hope these developments will inspire us even more to work harder to prevent PAGCOR from being overtaken by these events," the chairman added.

Looking

Priorities for 2007

- **Continue investing in world-class slots gaming technology to ensure the retention and expansion of the company's robust slot machine market.** "We plan to open new slot machine VIP Clubs in 2007, which would bring higher profits to PAGCOR," the Chairman said.

- **Make all PAGCORians into marketers, and not leave the role of "selling" the company solely on the Marketing Department.** Chairman Genuino stressed that marketing plays a pivotal role in the success of the company's casino operations, and that all employees "should work as a team in marketing our casinos and prospective customers and players." To that end, he said entertainment must be used as a marketing tool to attract people and to enhance attendance at all Casino Filipino outlets. The CEO also noted it was vital to boost marketing of the casinos internationally. "Although we believe that the local market is still far from reaching its saturation point, we should double our efforts in tapping the lucrative foreign gaming market," he added.

- **Continuously seek ways to deliver world-class customer service to all clients.** With customers as the lifeblood of PAGCOR, the company should put up a centralized facility to improve its accessibility to customers 24 hours a day, seven days a week, according to Chairman Genuino. "Keeping our customers happy and satisfied will eventually transform them into advocates and gaming ambassadors of Casino Filipino," he said.





**Letter to
Her Excellency,
President Gloria
Macapagal-Arroyo**

Beyond

• **Develop Casino Filipino's poker market.** The CEO noted that private organizers are staging numerous poker tournaments in different parts of the country, so PAGCOR "must tap this promising market by inviting private poker clubs to affiliate with the company."

• **Continue to think "of means and ways by which we can make PAGCORians the happiest employees in government."** Chairman Genuino said that although a lot must be done to improve the company's business, "but in our quest for prosperity, what matters most is still our people... Their professional growth, skills enhancement, and physical well-being shall continue to be of prime importance to the management," he added.

In closing, Chairman Genuino thanked all employees for their "never-ending devotion" to their jobs and loyalty to the company. "I have the best managers... I couldn't ask for more," he said. "When you go back to your departments, tell your people that their chairman is one grateful man because of the love, respect and support of his PAGCOR family."

The CEO also stressed that the three main strategies PAGCOR implemented in 2006—improve its slots gaming technology and implement a customer card-based system, intensify casino marketing efforts and empower the corporation's employees—would remain key areas for maintaining the state-owned firm's success.

Breaking Ground on the Bagong Nayong Pilipino-Manila Bay Integrated City

Ever since he assumed office in 2001, Board Chairman Efraim C. Genuino has nurtured a unique vision for the country through the corporation. To him, the Philippines is more than just a gaming paradise; it can become the entertainment center of Asia.

To that end, the state-run firm's CEO has set his sights on a massive project that could put the Philippines over and above its regional gaming rivals: The Bagong Nayong Pilipino-Manila Bay Integrated City.

"This project is very close to my heart because I see it as PAGCOR's ultimate legacy and contribution to the recovery of the Philippine economy," Chairman Genuino said during the company's Annual Planning Conference for 2007.

This is also why the CEO has stressed that the state-run gaming firm must undertake a paradigm

Next Page Please ➤



>> VISION

It would be home to six-star hotels, wellness spas, malls, museums, cultural centers, sports arenas, residential villages, a state-of-the-art monorail system, theme parks, and more, forming an integrated recreation and leisure complex.

shift from purely gaming to world-class entertainment, so the company may dovetail with what the Bagong Nayong Pilipino-Manila Bay Integrated City would have to offer.

Stretching over more than 40 hectares, the integrated city project will, in line with PAGCOR's shift, focus on entertainment rather than on gaming. It would be home to six-star hotels, wellness spas, malls, museums, cultural centers, sports arenas, residential villages, a state-of-the-art monorail system, theme parks, and more, forming an integrated recreation and leisure complex.

As one of the government's priority projects, the Bagong Nayong Pilipino-Manila Bay Integrated City project will have the following contributions toward national economic development:

- Boost tourism and increase influx of tourists. It is estimated that more than a million additional tourists per year can be attracted as a result of this project.
- Generate substantial employment. Direct employees of the hotel entertainment complex upon full operation will exceed 100,000 Filipinos, all of whom will be at income levels at par with other hotel casino complexes in the region, and salaries of whom shall be in United States dollars. In addition to the direct employment, indirect employment of support operations could generate 500,000 additional jobs.
- Increase earnings for the national government. It is expected that the project could generate gross revenues of several billion US dollars per year upon full implementation and could triple the state-run gaming firm's present annual income generation from \$500 million to \$1.5 billion, thus dramatically increasing the income of the National Government to which all PAGCOR revenues accumulate.

In short, this project — described by some as a cross between Las Vegas and Disneyland — will do more than just offer wholesome fun for everyone. It will work towards solving the nation's economic problems in terms of employment, tourism and foreign investment.

By generating thousands of jobs and increasing tourism, the Bagong Nayong Pilipino-Manila Bay Integrated City could give the Philippines the boost it needs, as soon as its planned



groundbreaking pushes through in 2007.

The state-owned firm hopes that with the renewal of its franchise for 50 years, it could help convert the Philippines into one of the biggest gaming areas in all of Asia in the next five years — attracting thousands of visitors primarily from China, the rest of Asia, and eventually from all over the world.

Foreign investors have been raring to come in and invest in the realization of the Bagong Nayong Pilipino-Manila Bay Integrated City.

Meanwhile, the company has blocked off several hectares of contiguous reclaimed land—potentially larger than Singapore—in the Manila Bay area in partnership with the Public Estates Authority (PEA). "We want to create a world-class tourism area because we believe the only way for the Philippines to recover economically is through tourism," Genuino said. "The success of Las Vegas is the envy of everybody, so we don't have to reinvent the wheel. [The Bagong Nayong Pilipino-Manila Bay Integrated City] is going to be the best theme park in Asia."

Finally, Chairman Genuino put the project into perspective for PAGCOR employees nationwide.

"In the Philippines, you have to create an atmosphere of hope," he said. "There are so many problems that beset our country, and with this vision the 11,000 people of Pagcor will aspire for something that will improve their lives. This is the kind of hope that we would like to give, not only to our employees but to the Filipino people."

Bagong Nayong Pilipino-Manila Bay Integrated City

I. Objectives of Bagong Nayong Pilipino Manila Bay Integrated City

As one of the priority projects of government, the Bagong Nayong Pilipino Manila Bay Integrated City project will have the following contributions toward national economic development:

- Boost tourism and increase influx of tourists. It is estimated that more than a million additional tourists per year can be attracted as a result of this project.
- Employment generation will be substantial. Direct employees of the hotel entertainment complex upon full operation will exceed 40,000 Filipinos, all of whom will be at income levels at par with other hotel casino complexes in the region, and salaries of whom shall be in United States Dollars (USD). In addition to the direct employment, indirect employment of support operations could amount to 150,000 additional jobs.
- Increased earnings for the national government. It is expected that the project could generate gross revenues of several billion US\$ per year upon full implementation and could triple the present annual income generation of PAGCOR from US\$500 million to US\$1.5 billion, thus dramatically increasing the income of the National Government to whom all PAGCOR revenues accrue.

II. The following are the Terms of Reference which all project applicants must conform to in order to qualify for a PAGCOR license to operate each integrated casino-entertainment complex project:

1. Site Location

The initial phase of the project site will be an area of approximately 40 hectares of reclaimed land along Manila Bay in Parañaque City. Other locations in this vicinity as may be approved by PAGCOR will also qualify.

2. License Application Fee

Each application must be accompanied by a Manager's Check in the amount of US\$50,000 payable to PAGCOR, which is non-refundable.

3. Project Proponents

Applicants must have the financial capability and a well-established experience in the hotel and gaming business. Applicants who are principally financial investors are also welcome but will be required to engage qualified hotel and gaming operations entities (whether organizations or individuals), who have the track record in organizing and operating world-class hotel and gaming projects.

4. Minimum Investment Requirement

All applicants must submit proposals for a total entertainment complex with a minimum project cost of US\$1 billion, consisting of both equity and debt.

Of this total project cost, a minimum of US\$400 million, must be invested during Phase I of the project which may be divided into sub-phases, i.e. casino proper, hotels, entertainment complex, shopping malls, and other entertainment and tourism facilities. The casino proper must be operational within 2-1/2 years of PAGCOR's approval of the project. The other components of Phase I must be completed within 5 years from PAGCOR's approval of the project.

The balance of the total project cost should be utilized to complete the whole project development, within a schedule to be proposed by the proponent and approved by PAGCOR after the completion of Phase I.

5. Debt/Equity Ratio Requirement

All project proponents must have a minimum debt equity ratio of 50% equity and 50% debt, in order to assure the project's financial viability. Projects with less than a 50% equity component will not be accepted.

6. Citizenship Requirements

Project proponents, who will own the land on which the project is sited, will be subject to the 60/40 Filipino citizenship requirement. Applicants who will not own the land but who propose to operate on leased land owned by PAGCOR in the Bagong Nayong Pilipino Manila Bay Integrated City project may be 100% foreign owned.

7. Lease Period & Lease Rate

For selected applicants who will lease the land owned by PAGCOR, lease period is for 25 years which will commence from the date of issuance of the Provisional License, renewable by mutual agreement for another 25 years. The annual lease rate shall be announced at a later date.

8. Performance Assurance

Upon approval by PAGCOR of the project proponent's application, each selected proponent must submit a Bank Guarantee or Letter of Credit or Surety Bond to be secured from a reputable firm acceptable to PAGCOR, the amount of which shall be announced at a later date. The Performance Assurance shall guarantee the Proponent's completion of the project.

9. Escrow Account

Immediately upon PAGCOR's grant of the Provisional License, the Proponent shall open an Escrow Account with a local bank acceptable to PAGCOR and the Proponent. The Escrow Account shall be jointly controlled by PAGCOR and the Proponent as a guarantee on the Proponent's commitment to disburse the Escrow Account funds in accordance to the Use of Proceeds schedule to be submitted by the Proponent to PAGCOR for prior approval.

Simultaneously, the Proponent shall make a deposit to the said Escrow Account amounting to at least ONE HUNDRED MILLION UNITED STATES DOLLARS (US\$100,000,000.00). Drawdowns of funds from the said Escrow Account to cover construction costs and other investment costs including lease payments shall be allowed provided that each request for drawdown shall be approved by PAGCOR.

Alternatively, in lieu of the Escrow Account, PAGCOR will accept actual investment of ONE HUNDRED MILLION UNITED STATES DOLLARS (US\$100,000,000.00) in the project at the time of the application.

10. PAGCOR Fees

Upon commencement of the gaming operations, the following fees are to be imposed in lieu of all taxes with reference to gaming revenues:

- From Non-junket table and Slot Machine operations:
 - 10% of gross gaming revenues generated from High Roller tables;
 - 25% of gross gaming revenues generated from non-High Roller Tables;
 - 25% of gross gaming revenues generated from slot machines;
 - 2% of total gross gaming revenues generated from both High Roller and non-High Roller tables, for the restoration of cultural heritage.
- From Junket Operations:
 - 10% of gross gaming revenues generated from both High Roller and non-High Roller tables

Definition of High Roller Tables: Minimum Bet of \$10,000

PAGCOR fees on gross gaming revenues from tables utilizing foreign currency denominations, shall be remitted in United States Dollars (USD).

11. Taxes for non-gaming revenues

Non-gaming revenues will be subject to the normal taxes or tax exemptions as may be specified by other government agencies under which the applicant is registered, including but not limited to PEZA, Board of Investments and the like.

12. Number of Licenses to be Issued

The number of licenses to be issued by PAGCOR will be flexible and will depend on the applicant's conformity to this Terms of Reference and on the approved Integrated Proposal Concept.

13. Issuance of License

A Provisional License will be issued to the winning proponent effective for the duration of the project development period and shall not exceed the approved completion date of the whole project.

The Casino Gaming License will be issued upon submission of certificate of completion and occupancy permit of the whole project to PAGCOR. The term of the License shall not exceed the term of PAGCOR as specified in RA 9487. No sub-licenses will be issued nor allowed.

14. Submission of Proposal Concept

a. **Documentary Requirements** – If the applicant is a Consortium or group of companies, each company must submit the following documents:

- (1) Company Profile (must highlight experience in casino development and operation).
- (2) Consularized Company Registration, Articles of Incorporation and By-Laws.
- (3) Accomplished Directors' and Officers' Personal History Statement Forms.
- (4) Organizational set-up.
- (5) Financial profile including audited financial statements for the last three (3) years of operation.
- (6) Bank certification of availability of adequate credit facilities for financing of the project.

b. **The Proposal Concept -**

(1) Business Plan

aa. The business plan must address the following PAGCOR Objectives:

- Boost Tourism/Increase Influx of Tourists
 - Indicate projected number of tourists
- Generate Jobs
 - Indicate projected number of jobs to be created and sourced in the Philippines.
 - Local hiring for the whole hotel entertainment complex shall be 95%; Casino employees shall be licensed by PAGCOR and all casino non-officers must be locals. Salaries of employees shall be in United States Dollars (USD).
- Create Economic Impact
 - Indicate projected earnings for Government
 - Indicate other indirect benefits/advantages

bb. Business plan must also include the following:

- Long-term development and expansion programs
- Target foreign markets and marketing plan - Positioning of the Bagong Nayong Pilipino Manila Bay Integrated City in the Region – as compared to Singapore/Macau and other countries

(2) Narrative Description to include the following:

aa. Total size/area of Concept – The general concept is the creation of a destination that will attract not just gaming enthusiasts but also business tourists and leisure travelers as well.

bb. Concept must be Unique

cc. Identify key components of the Concept, different buildings/structures i.e. size/area of each structure, conceptual design and contents of each building/structure, capacity, number of floors, number of rooms, size of rooms, etc.

* Key components must include the establishment of tourism facilities such as theaters, exhibition halls, museums, and other tourism-oriented facilities. The concept must also include staff house/s for the casino employees.

dd. On the casino component: indicate the size/area of the casino, number of tables, number of slot machines, etc.

(3) Preliminary Colored Renderings/drawings of Concept and shall include but not limited to the following:

aa. Model Photo (if available)

bb. Master Layout Plan

cc. Preliminary architectural concepts

dd. Floor plan for each Concept component

ee. Schedule of Hotel Accommodations

It is acknowledged that project proponents will need to retain world-class architects and casino design specialists, whose detailed and specific designs will require a period of time to complete. Thus, PAGCOR expects only preliminary design renderings at the time of submission of the application but the detailed and specific designs, together with working drawings, must be submitted to PAGCOR not later than 6 months after award of the license. All plans and designs must conform with the provisions of the National Building Code of the Philippines and other applicable laws, rules and regulations and local ordinances.

(4) Site Surveys and Investigations, including but not limited to aerial, hydrographic, topographic, hydrologic, sub-surface, monumenting and other surveys that will show that submitted concept is suitable to site condition.

PAGCOR recognizes the fact that these details can only be available once the specific site of the casino is determined and approved by PAGCOR. Thus, PAGCOR will allow a sufficient period of time for the applicants to submit these information, after the submission of their application.

c. Feasibility Study

- (1)
- (2)
- (3)

Financial projections and assumptions

Project cost (Please refer to Investment Requirement portion for details)
Project timetable (please refer to Investment Requirement portion)



Republic of the Philippines

Commission on Audit

Commonwealth Ave., Quezon City

CORPORATE GOVERNMENT SECTOR
Office of the Cluster Director
Cluster VI – Social, Cultural and Scientific

AUDIT CERTIFICATE

The Board of Directors

Philippine Amusement and Gaming Corporation
PAGCOR Corporate Office
Hyatt Hotel and Casino Manila
M. H. Del Pilar cor. Pedro Gil Streets, Malate, Manila

We have audited the accompanying balance sheet of the Philippine Amusement and Gaming Corporation (PAGCOR) as of December 31, 2006, and the related statements of income and expenses, changes in equity and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted state auditing standards in the Philippines. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Philippine Amusement and Gaming Corporation as of December 31, 2006, and the results of its operations and its cash flows for the year then ended in conformity with applicable generally accepted state accounting principles in the Philippines.

COMMISSION ON AUDIT

(Sgd.) **ROSEMARIE LACSON-LERIO**
Director IV

April 4, 2007

>> THE NUMBERS



Philippine Amusement & Gaming Corporation

COMBINED BALANCED SHEET

As of December 31, 2006

ASSETS

Current Assets

Cash and Cash Equivalents	P3,081,880,304
Receivables – Net	P1,166,998,908
Inventories	P202,774,489
Prepayments	P319,297,727
Total Current Assets	P4,770,951,428

Non-Current Assets

Investments	P41,744,284
Receivables	P78,174,044
Property, Plant and Equipment – Net	P1,796,142,836
Other Assets	P787,955,870
Total Non-Current Assets	P2,704,017,034

TOTAL ASSETS	P7,474,968,462
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LIABILITIES AND GOVERNMENT EQUITY

Current Liabilities

Accounts Payable	P1,138,683,549
Inter-Agency Payables	P1,975,292,184
Intra-Agency Payables	P221,956,340
Other Liability Accounts	P300,575,782
Total Current Liabilities	P3,636,507,855

Non-Current Liabilities

Long-Term Liabilities	P588,573,148
Deferred Credits	P8,906,606
Total Non-Current Liabilities	P597,479,754

TOTAL LIABILITIES	P4,233,987,609
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GOVERNMENT EQUITY	P3,240,980,853
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TOTAL LIABILITIES AND GOVERNMENT EQUITY	P7,474,968,462
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Philippine Amusement & Gaming Corporation

COMBINED STATEMENT OF INCOME AND EXPENSES

For the year ended December 31, 2006

BUSINESS INCOME	
Winnings	P19,426,990,724
Bingo Operations – Franchisees	P1,433,044,822
Bingo Operations – In-House	P107,082,320
Rent Income	P413,184,314
Management Fees	P191,093,188
Entertainment	P2,550,882
Hotel Operations	P1,741,037
Gasoline Service Operations	P981,722
Others	P21,628
Other Income	P2,729,923,793
Gain (Loss) on Foreign Exchange	(P15,276,753)
TOTAL INCOME	P24,291,337,677*
EXPENSES	
Operating Expenses	P10,369,114,760
Franchise Tax	P971,349,536
Contributions to the Government	
50% Government Share	P9,719,074,063
Office of the President	P1,027,283,302
5% Philippine Sports Commission's Share	P485,953,703
Subsidy to LGUs: Host Cities' Share	P466,120,000
Early Childhood Care & Development Fund	P124,960,195
Gasoline Station Training & Loan Fund	P63,500,000
Barangay Micro Business Enterprises	P42,500,000
1% Board of Claims Share	P16,240,539
National Endowment Fund for Children's TV	P9,000,000
Mandated Contribution to the National Government – Others	P21,887,916
TOTAL EXPENSES	P23,316,984,014
Net Income from Continuing Operations	P974,353,663
Net Income from Discontinued Operations	P674,568,227
NET INCOME	P1,648,921,890

*Excludes income from discontinued operations of Casino Filipino-Silahis amounting to P1,092,886,425.


Philippine Amusement & Gaming Corporation
STATEMENT OF CASH FLOWS

For the year ended December 31, 2006

Cash Flows from Operating Activities

Income from Casino Customers	P20,461,208,553
Income from Chip Washing Operations, Non-Casino Customers and Other Income	P4,836,826,342
Interest Income	P107,438,139
Payments to Employees, Suppliers, Lessors and Other Creditors	P(10,337,362,458)
Other Operating Disbursements	P(12,290,689,030)
Various Taxes Paid to the Bureau of Internal Revenue	P(996,430,107)
Interest Paid on Loans	P(34,253,056)
Loss on Foreign Exchange	P(15,276,903)

Net Cash Flows Provided by Operating Activities **P1,731,461,480**
Cash Flows from Investing Activities

Proceeds from Sale of Marketable Stocks and Bonds	P726,400
Proceeds from Sale of Property, Plant and Equipment	P21,628
Purchase of Property, Plant and Equipment	P(1,331,895,520)
Investment in Stocks/Bonds/Treasury Bills	P(15,905)

Net Cash Used in Investing Activities **P(1,331,163,397)**
Cash Flows from Financing Activities

Loan Proceeds	P40,000,000
Payment of Loans	P(312,218,790)

Net Cash Used in Financing Activities **P(272,218,790)**
Net Increase in Cash and Cash Equivalents **P128,079,293**
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR **P2,953,801,011**
CASH AND CASH EQUIVALENTS AT END OF YEAR **P3,081,880,304**



Philippine Amusement & Gaming Corporation

STATEMENT OF CHANGES IN EQUITY

For the Year Ended December 31, 2006

Government Contribution (100% Government-Owned and –Controlled Corporation)	
Balance Beginning/End	P71,430,752
Appraisal Capital (Note 17)	
Balance Beginning/End	P85,506,455
Retained Earnings	
Unappropriated Balance	
Beginning	P977,565,164
Prior Year Adjustment	P19,943,705
Net Income	P1,648,921,890
Subtotal	P2,646,430,759
Current Appropriations	
Slot Machine Demo Units	P(502,088,000)
Acquisition of other CAPEX	P(74,909,419)
Subtotal	P(576,997,419)
Unappropriated Balance, End	P2,069,433,340
Appropriated Balance, Beginning	P437,612,886
Current Appropriations	P576,997,420
Appropriated Balance, End	P1,014,610,306
Subtotal	P3,084,043,646
STOCK HOLDER'S EQUITY	P3,240,980,853



RAFAEL "BUTCH" A. FRANCISCO
President and Chief Operating Officer

PHILIP G. LO
Director

EFRAM C. GENUINO
Chairman and Chief Executive Officer



2006 saw PAGCOR's assets grow by 35 percent and its total income by 8.5 percent.

Dear Madam President:

The banner year that we at the Philippine Amusement and Gaming Corporation (PAGCOR) have anticipated for 2006 has come to fruition, as once again we present our report on the triumph of our gaming operations in the year just past, symbolic of our unwavering commitment to Your Excellency's vision to uplift the Filipino people. In a year that underscored the strength and continued growth of the Philippine economy under your administration, the state-run gaming firm produced its highest income totals yet in its 24-year existence, even as we began a paradigm shift that would make PAGCOR a truly global corporation through producing world-class entertainment. For the year in review, we achieved a total income of P25.38 billion, 82 percent or P20.89 billion of which came from our core gaming operations.

This is almost P2 billion higher than the P23.40 billion in 2005, or a 8.5 percent growth rate, continuing our trend of positive growth in five of the past six years.

With this huge improvement in revenue, PAGCOR is once again able to channel more resources back to the government, all in support of Your Excellency's vision to rebuild and recreate the nation while lifting up our poorest brothers and sisters, invest them with dignity and imbue them with hope.

To help your administration reach these goals, the state-run gaming firm remitted over P971 million in franchise taxes to the Bureau of Internal Revenue, and P11.98 billion more in contributions to the government and other law-mandated beneficiaries. Our direct payment to the National Treasury rose by P88 million to P9.72 billion, representing the government's 50 percent share in PAGCOR's winnings.

Meanwhile, the Philippine Sports Commission's income share from the state-run gaming firm reached P486 million, allowing our national athletes to compete and shine in the Asian Games hosted by Doha, Qatar in December. We also handed P466 million in 2006 to cities hosting our Casino Filipino branches nationwide.

PAGCOR continued its support to the Early Childhood Care and Development Fund to the tune of P125 million, and our support to the Gasoline Station Training and Loan Fund (P63.5 million), the Barangay Micro Business Enterprises (P42.5 million), the share of the Justice Department's Board of Claims (P16.2 million), the National Endowment Fund for Children's TV (P9 million), and other mandated contributions to our fellow national agencies totaled P152 million.

Overall, 2006 saw PAGCOR's assets rise over 35 percent to nearly P7.5 billion, as stockholder's equity doubled to P3.24 billion. We plan to achieve even more than this as the country's economic climate continues to improve under Your Excellency's leadership and as we begin to realize profits from our new offerings, such as the Poker Department, the Internet-based Casino and Sports Betting operations, text-based games and others.

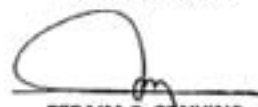
But in order to really fulfill our vision of becoming a global corporation with a global mindset and a Filipino heart, we are starting to emphasize the "amusement" portion of our mandate. We have begun to channel our energies toward providing world-class family entertainment, not just premier gaming operations, through the creation of top-flight, Filipino-made productions such as "Wanders".

Even so, PAGCOR continues to strengthen its core gaming business by establishing new ties with other influential casino operators around the world. Through the First Asia's GEM Expo and the Euro-Asian Cooperation on Gaming, the Philippines is assured of staying in step with rival gaming developments in the region, particularly in Macau, Singapore, Thailand and Vietnam, and around the globe.

We also look forward to the ground-breaking of our flagship project: the Bagong Nayong Pilipino-Manila Bay Integrated City, the principal showcase for achieving your administration's aim of making tourism an engine of economic growth during Your Excellency's term.

Even as we shift our focus from gaming to entertainment, we celebrate this landmark year and look forward to a more prosperous future under your direction. On behalf of our nearly 12,000 employees nationwide, we thank you, Madam President, for continuing to support our noble mandate and inspiring us to reach greater heights for the sake of those whom we serve: the Filipino people and our beloved Philippines.

Respectfully yours,



EFRAIM C. GENUINO
Chairman and CEO

The Board



GEN. MANUEL C. ROXAS (Ret.)
Director

DANILO A. GOZO
Director



Chief of Staff, Vice President for Administration, Senior Branch Managers



ROBERTO C. MEYES
Senior Branch Manager
Hyatt

JOSE C. BENEDICTO
Chief of Staff

RENE C. FIGUEROA
Vice-President for Administration
Executive Office

JOSE L. TULLIO
Senior Branch Manager
Tagaytay

Senior Branch Managers



ROGELIO Y. BANGSIL, JR.
Senior Branch Manager
Hyatt



ANDRES P. LIZARES
Senior Branch Manager
Mirrosa



ARSENIO V. VILLANUEVA
Senior Branch Manager
Marketing & Casino Customer Relations



DARIO V. CORDERO
Senior Branch Manager at Large
Gaming Department



DAN N. DIA
Senior Branch Manager
Pavilion

Branch Managers



MICHAEL JOSEPH DI BAILEY
Branch Manager
Bacolod

RUEL R. SANTOS
Officer-in-Charge
Luzon

ALEXANDER I. BETTA, JR.
Branch Manager
Hortaleza

ERNESTO A. FRANCO SCO
Branch Manager
Mactan

Branch Managers



ALEXANDER C. OZAETA
Branch Manager
Algeles

FIDEL B. FUENTES
Branch Manager
Ortoppo

DANILO S. QUINETA
Branch Manager
Cabú

ARTHUR O. MALATAG
Branch Manager
Davao

Branch Managers



ALEXANDER E. PAZ
Branch Manager
Satellite Casino Management Group



CARMELITA A. CASTILLO
Branch Manager
Paranaque



DANILO B. NAVARRO
Branch Manager
Paranaque



ROBERTO A. de JESUS
Branch Manager
Solañas

Branch Managers



DAN DG. ENRIQUEZ
Branch Manager
Heritage

RAFAEL B. PATERNO, JR.
Branch Manager
Hyllé

ROQUE M. CERVANTES
Branch Manager
Heritage

ENRICO V. LIVELO
Branch Manager
Pasigon

ALBERTO M. PEREZ
Branch Manager
Pasigon

Senior Managing Heads



ROBERT L. CASTRO, JR.
Senior Managing Head
Marketing & Casino Customer
Relations Department



EDWARD F. KING
Senior Managing Head
Corporate Communications
& Services Department



ATTY. CARLOS I. BAUTISTA, JR.
Senior Managing Head
Corporate Legal Services Department



JOSEKITO V. MENDOZSA
Senior Managing Head
Slot Machine Department



MABUHAY R. ROSERO
Senior Managing Head
Poker Department

Senior Managing Heads



VISITACION F. MENDOZA
Senior Managing Head
Human Resource
& Development Department

ESTER P. HERNANDEZ
Senior Managing Head
Accounting Department

ESTELA P. RAMOS
Senior Managing Head
Finance & Treasury
Department

AMPARITO G. BERNAS
Senior Managing Head
President Fund Management
Department

M.A. TERESA M. VITUG
Senior Managing Head
Information Technology
Department

EMILIA S. PADUA
Senior Managing Head
Management Services
Department

Managing Heads



MARGARITA C. BANGSI
Managing Head
Bingo Department



MA. LOURDES M. JOSE
Managing Head
Property & Procurement
Department



CARMENCITA A. ESPINOSA
Senior Unit Head
Quality Control



**DR. JULIETTE LILLIAN
U. GONZALES**
Managing Head
Health Services Department



WILZA S. MAGPUSAO
Managing Head
Entertainment Department

>> CORPORATE PROFILE

Setting the Stage for World-Class Entertainment and Service



Managing Heads, State Auditor



ATTY. JUAN MIGUEL A. MAGLAYA
Senior Unit Head
Investigation Unit



MIGUEL A. LEONARDO
Managing Head
Security Department



VALENTE C. CUSTODIO
Managing Head
Internal Audit Department



LUIS E. JIMENEZ
State Auditor V
Commission on Audit



TOMAS A. CONSOLACION
Managing Head
Garrity Department



GEN. NARDITO L. YORLO (Ret.)
Managing Head
General Services Department



Starting the Paradigm Shift

THE Philippine Amusement and Gaming Corporation (PAGCOR) is a 100-percent government-owned and controlled corporation created by virtue of Presidential Decree 1067-A, later amended by several other decrees and integrated under PD 1869, or the PAGCOR Charter. PAGCOR was created with a three-pronged mandate: to regulate all games of chance, particularly casino gaming in the country; to raise funds for the government's socio-civic and national development efforts; and to help boost the local tourism industry.

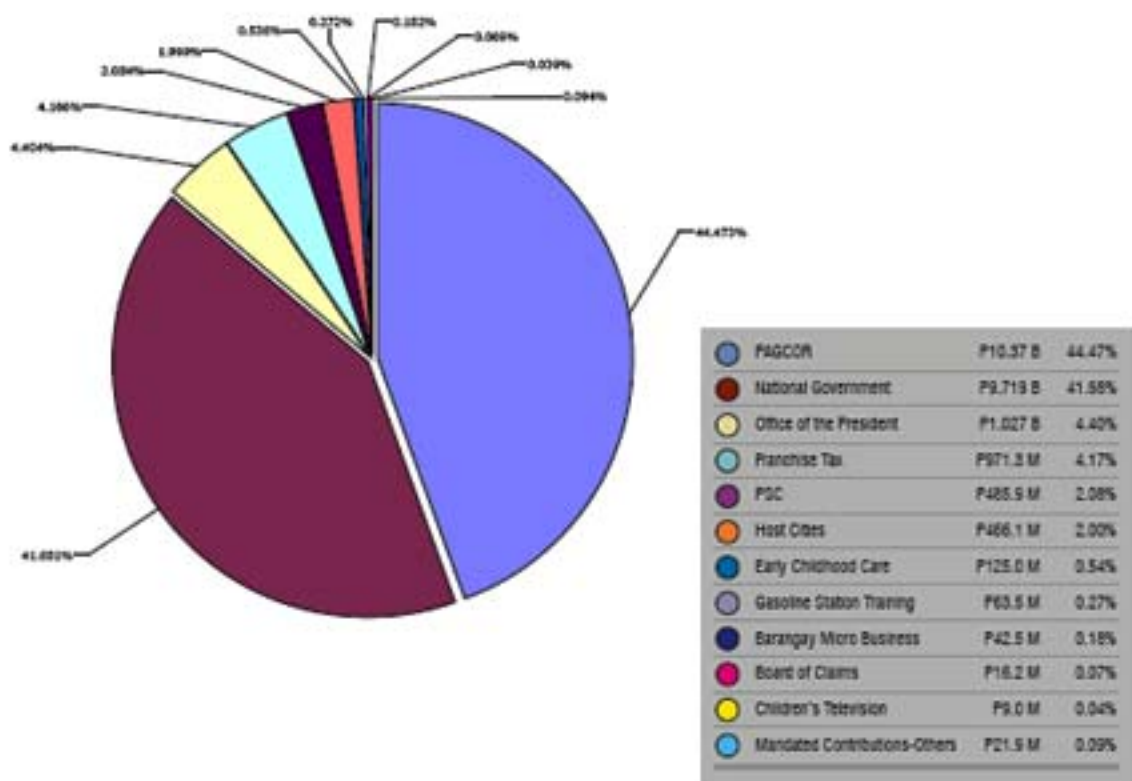
Gaming Facilities

PAGCOR currently has 11,935 employees and operates 13 Casino Filipino branches, 8 highly-exclusive, members-only Casino Filipino VP Clubs, and 3 slot machine arcades in major cities across the country, 24 hours a day, seven days a week.

Each Casino Filipino branch strives to showcase the best of what the country has to offer while proudly providing world-class gaming and entertainment. The branches offer internationally recognized games like baccarat, blackjack, roulette, craps, big and small, pai gow, stud poker, and slot machines.



>> CORPORATE PROFILE



To add more excitement to the gaming experience of its valued guests, PAGCOR offers innovative card games such as Super 6, Pontoon, War, Genuine Pairs, and Texas Hold 'Em Poker.

In-house bingo games are also offered as a way of promoting the casinos as wholesome entertainment venues. Meanwhile, entertainment centers found within the Casino Filipino branches offer other forms of amusement and recreation every night like live band music, cultural presentations, concerts featuring some of the country's top performers, karaoke singing, ballroom dancing, and so much more.

Income distribution

In accordance with its Charter and other governing laws, PAGCOR earnings are distributed as follows:

- 5 percent of winnings goes to the Bureau of Internal Revenue as franchise tax;
- 50 percent of the 95 percent balance of winnings goes to the National Treasury as the National Government's mandated income share;
- 5 percent of the balance after the franchise tax and the National Government's mandated income share goes to the Philippine Sports Commission for financing the country's sports development programs;
- 1 percent of the net cash income goes to the Board of Claims, an agency under the Department of Justice, which compensates victims of wrongful detention and prosecution; and

- Cities hosting Casino Filipino branches are given a fixed amount for their respective community development projects.

The remaining net cash income is then remitted to the President's Social Fund to help finance the government's priority projects.

Besides these contributions, PAGCOR also provides funds for the implementation of vital laws:

- P400 million a year or P2 billion in five years to the Early Childhood Care and Development Program;
- P100 million initial funding and subsequent funding requirements under the Sports Benefits and Incentives Act;
- P300 million to the Gasoline Station Training and Loan Fund;
- P250 million to be taken from PAGCOR's remittance to the President's Social Fund to implement the National Museum Act of 1998;
- P5 million a month to be taken from the National Treasury's share to support the Comprehensive Dangerous Drugs Act of 2002;
- P30 million to fund the Children's TV Act of 1997;
- P300 million in contributions to the Barangay Micro Business Enterprises Development Fund.

PAGCOR is also being tapped to be the major benefactor of other bills pending in Congress.

Making it Count Resource Allocation

In 2006, PAGCOR had 43 percent of its P25.38-billion total annual income on its operations.

51 percent or P12.95 billion, went to the government in the form of taxes and contributions to the corporation's legally mandated beneficiaries. Of this amount, P9.7 billion was allotted to the National Treasury, representing the government's 50 percent share of the firm's winnings net of franchise tax, and P971 million more was remitted to the Bureau of Internal Revenue (BIR) as franchise tax.

Also, the Office of the President was able to intensify its various socio-civic projects and reach out to more communities nationwide with P1.03 billion.

The Philippine Sports Commission (PSC) got a total of P485.95 million as its five-percent share while the Board of Claims received P16.2 million or one percent of PAGCOR's net cash income.

Another legally mandated beneficiary, the Early Childhood Care and Development Fund (Republic Act 8980), received P124.9 million allocation to further boost the vital programs of the government for Filipino children in the areas of immunization, nutrition and early education.

PAGCOR also provided P63.5 million to the Gasoline Station Training and Loan Fund, which is mandated under RA 8479 or the Oil Deregulation Industry Law.

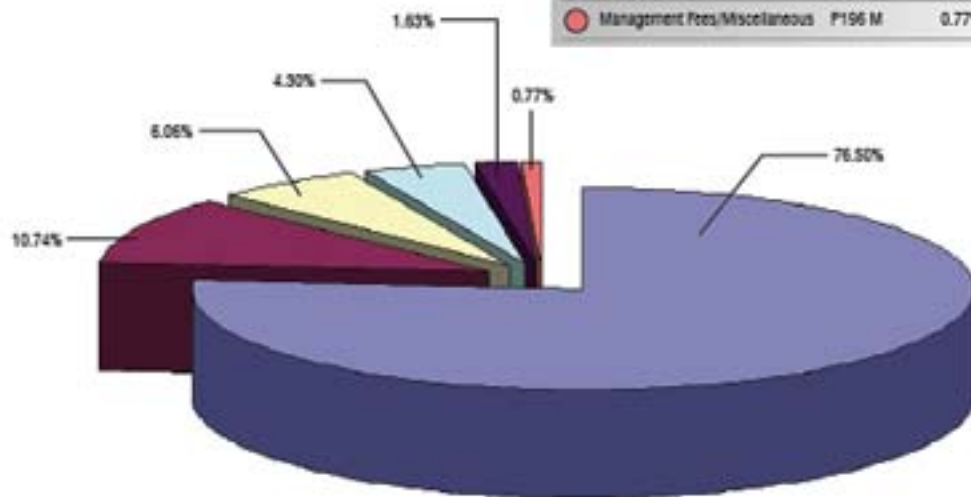
The National Endowment Fund for Children's Television (RA 8370), on the other hand, was granted a total of P9 million for its continued implementation.

And to actively promote entrepreneurship in small communities nationwide, PAGCOR earmarked P42.5 million for the Barangay Micro Business Enterprises.

The casino-host cities received a combined P466.1 million. The figure is 2.7 percent or P12.11 million higher than the P454 million the city governments received in 2005 as funding support for their respective community projects.

Income Breakdown

Table & Slots Win	P19.43 B	76.50%
Other Income	P2.729 B	10.74%
Bingo	P1.540 B	6.06%
Income CF-Giants	P1.092 B	4.3%
Rent Income	P413 M	1.63%
Management Fees/Miscellaneous	P196 M	0.77%



>> CORPORATE SOCIAL RESPONSIBILITY

Performing with a Passion

