

SEC Number 39121
File Number

PHILWEB CORPORATION

(Company's Full Name)

**The Penthouse, Alphaland Southgate Tower
2258 Chino Roces Avenue corner EDSA, Makati City**

(Company's Address)

236-5577

(Telephone Number)

December 31

(Fiscal Year Ending)
(month & day)

SEC Form 17-A (Annual Report)

Form Type

Amendment Designation (if applicable)

December 31, 2017

Period Ended Date

N/A

(Secondary License Type and File Number)

SEC FORM 17-A

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

1. For the fiscal year ended December 31, 2017
2. SEC Identification Number 39121 3. BIR Tax Identification No. 000-141-527-000
4. Exact name of issuer as specified in its charter PhilWeb Corporation
5. Province, country or other jurisdiction of incorporation or organization Philippines
6. Industry Classification Code: _____ (SEC Use Only)
7. Address of principal office: The Penthouse, Alphaland Southgate Tower, 2258 Chino Roces Avenue cor. EDSA, Makati City
8. Registrant's telephone number (632) 2365577 Zip Code 1232
9. Former name, former address, and former fiscal year, if changed since last report NA.
10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA

<u>Title of each Class</u>	<u>Number of shares of common stock and amount of debt outstanding</u>
Common P1.00 par value	1,435,626,680 (net of treasury shares)

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

Yes

12. Indicate whether the issuer:

- a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 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 12 months (or for such shorter period the registrant was required to file such reports)

Yes

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

Yes

Part I - BUSINESS AND GENERAL INFORMATION

Item 1. Business

PhilWeb Corporation, the Company, was originally a mining and exploration company incorporated in August 20, 1969 under the name "South Seas Oil and Mineral Exploration Co. Inc." with an authorized capital stock of P50 million divided into five billion shares with a par value of P0.01 per share. On March 29, 1984, the stockholders authorized the change in the Company's name to "South Seas Natural Resources, Inc." which was approved by the SEC. The stockholders subsequently authorized on September 22, 1987 an increase in the Company's authorized capital stock to P200 million divided into 20 billion shares with a par value of P0.01 each share, 60% of which were classified as Class "A" shares which may be held only by Filipino citizens, and 40% of which were classified as Class "B" shares which may be held by non-Filipinos. The SEC approved the increase in capital and classification of shares of stock.

The Company became an Internet company in January 18, 2000 upon the stockholders' approval of a restructuring plan which involved changes in the Company's name, primary purpose, increase in capital stock, declassification of shares, increase in the number of directors, and adoption of new by-laws, among other matters. At the same meeting, the stockholders likewise authorized the Board of Directors to sell all or substantially all of the assets of the Company, and approved the sale of the mining properties and tangible mining assets.

On January 18, 2000, the Parent Company entered into a Deed of Assignment with All-Acacia Resources, Inc. whereby the Parent Company transferred all its rights over its mining claims located in the Provinces of Samar and Surigao and all of its mining assets, both tangible and intangible, used in the Parent Company's mining operations. In consideration therefore, All-Acacia agreed to assume all liabilities and obligations of the Parent Company, including those relating to the assignment of advances from stockholders and/or deposits on subscriptions in excess of P18 million which had been agreed to be converted to equity of the Parent Company, and arrange for the resignation, retirement or termination of all the Parent Company's personnel relating to the mining business and pay their corresponding separation or retirement pay, as well as hold the Parent Company free and harmless from any expense, liability or obligation arising from the operation of the Parent Company as of the date of the Agreement.

The change in the Company's corporate name to "PhilWeb.Com, Inc.", its primary purpose from a mining and oil exploration company to that of an Internet company, increase in the number of directors to 15, and adoption of new By-laws became effective upon their approval by the SEC on February 8, 2000. The SEC subsequently approved the increase in the Company's authorized capital stock to P2.6 Billion and the declassification of its common shares to one class on March 6, 2000.

At the annual stockholders' meeting on May 31, 2002, the stockholders approved the change in corporate name from "PhilWeb.com, Inc." to "PhilWeb Corporation". The SEC approved these changes on November 5, 2002.

At the annual stockholders' meeting on May 29, 2003, the stockholders approved the amendment of the Company's Articles of Incorporation by changing the primary purpose to that of application service provider for gaming and including the current internet business activities as an additional secondary purpose of the Company. The SEC approved these amendments on November 10, 2005.

At the annual stockholders' meeting on May 28, 2009, the stockholders approved the amendment to the Company's Articles of Incorporation changing the par value of the Company's common stock from P0.01 per share to P1.00 per share, with the authorized capital stock unchanged at P2.6 Billion but with a concurrent decrease in the number of shares from 260 Billion shares to 2.6 Billion shares. On September 22, 2009, the Securities and Exchange Commission approved the said amendment.

1.1 PAGCOR e-Games cafés

e-Games was licensed by the Philippine Amusement and Gaming Corporation (PAGCOR) in 2003 to launch e-Games Stations, which are Internet cafés exclusively dedicated to casino games. With technology provided by PhilWeb, patrons can choose from more than 300 casino games, including baccarat, blackjack, various slot machine games, video poker and sports betting. Most e-Games cafés operate on a 24/7 basis.

There were 288 operating e-Games cafés across the country, majority of which are owned and operated by independent operators. These e-Games Operators handle day-to-day operations and get a commission based on the casino winnings of the café.

On August 11, 2016, PAGCOR decided not to renew the Intellectual Property License and Management Agreement (IPLMA) with PhilWeb. Following the expiration of the said IPLMA with PAGCOR for the e-Games service, PhilWeb has been unable to provide services to the e-Games operators. During that time, PhilWeb continued to comply with PAGCOR instructions on the release of operator funds as well as player credits in their gaming accounts.

On August 14, 2017, PAGCOR published guidelines for the Accreditation of Electronic Gaming System (EGS) Service Provider. PAGCOR issued its first EGS accreditation to PhilWeb on October 30, 2017. On December 1, 2017, the first 16 electronic gaming locations were allowed to operate under PhilWeb's Electronic Gaming System platform.

On February 20, 2018, PAGCOR then allowed the Company to offer its services to an additional 21 electronic gaming locations. On March 7, 2018, PAGCOR issued a memorandum accepting and processing applications of new and existing operators to resume the use of the Company's electronic gaming system, thereby allowing the Company to fully resume its operations.

Operator Partnerships

As of December 31, 2017, 16 locations across the country were operating within the PhilWeb Electronic Gaming System platform.

Content and Services

PhilWeb's Electronic Gaming System platform resumed with the Magic Macau suite of casino games. These games include wide-area progressive slots, video poker, and electronic table games such as Blackjack and Baccarat.

Apart from these, PhilWeb also resumed support services being provided to Operators, such as Accounting and Reporting, jackpot fund management, remittance management, technical support, marketing and customer service.

Marketing

At the resumption of its Electronic Gaming service, PhilWeb launched a number of marketing initiatives to build awareness of the return of its platform. Operating sites were provided with support collaterals covering regulatory announcements, branded content and promotional activities. PhilWeb also provided financial and logistical support for relaunch activities under the new platform.

PhilWeb also conducted customer experience enhancement activities such as the daily "Power Hour" draw and the weekly "Platinum Customer" draw which rewarded customers for playing and staying loyal to the PhilWeb gaming platform.

1.2 BigGame, Inc.

From 10 operating locations at the start of 2017, BigGame ended 2017 with 25 operating locations across the country. This was achieved partly through the acquisition of 10 electronic gaming sites in different parts of the country, as well as the resumption of gaming services for existing BGI locations that had closed when PhilWeb's IPLMA expired. Following the approval of PhilWeb's accreditation as Electronic Gaming System Service Provider, an initial 15 BigGame locations were converted back to the PhilWeb platform.

BigGame's network of cafés functions as the Company's "R&D laboratory" where new games, strategies and other innovative ideas are first tested. Results, whether positive or negative, are reported to e-Games operators during the quarterly General Assemblies. If a new game or idea delivers positive results and is approved unanimously by the operators, the BigGame café in question becomes the standard by which all other BigGame and e-Games cafés will follow. Because of this rigorous process, BigGame continues to bring in improved gaming configurations and upgrades for the Company's various services and amenities.

Apart from electronic gaming, PhilWeb, thru Easy e-Bingo, Inc., also acquired 2 electronic bingo locations in the National Capital Region. This provides PhilWeb with valuable insights into another segment of the gaming industry.

Best Gaming Experience

BigGame continues to provide the Best Gaming Experience to its customers. Continuous daily food service has become a mainstay at the BigGame locations since its introduction in 2016.

BigGame will continue its site expansion, renovation and refurbishment activities in 2018. The year ahead will also see more innovations and improvements in player experience. Player acquisition efforts will also be a focus through activation activities in various entertainment establishments. BigGame remains committed to increasing customer service levels, as well as adding site amenities and creating an ambiance that extends the best gaming experience for our target market.

1.3 Corporate Services

Finance

The PhilWeb Finance Department continued to provide its unwavering support to the growth of the business in 2015 through the sound implementation of financial systems, processes and internal control policies that safeguard the Company assets and resources.

During the first quarter of 2016, Finance developed the reporting process and reconciliations of progressive jackpot contributions and actual payouts for slot machine games. This paved the way for PAGCOR to approve the introduction of new games with large progressive payouts, such as Happy Golden Ox, Three Stooges and Rudolf's Revenge. The introduction and implementation of new games was successful not only in creating excitement for our players, but also in delivering additional revenue to all our stakeholders. In October, the highest single jackpot payout was 2.7 million pesos.

Another milestone for the year was the implementation of our closed-loop e-wallet which we branded "e-SAFE". The keys to the implementation of e-SAFE were the internal controls and security measures that we established to ensure that the client's money is safe and secure. Coupled with the introduction of new gaming platforms such as MSW, the e-SAFE will now allow players to place bets to these games using the wallet balance. This will also allow players to receive payouts through their wallets, which they can keep or withdraw any time they want.

Finance continues to ensure that all cash from the nationwide network of e-Games are collected on a timely and accurate manner. Through our company-proprietary POS system and 24/7 operation of our Cash Centers, we are able to monitor cash exposure and thereby enabling us to collect or replenish the cash needs of each site almost immediately. Our arrangements with banks, also allow us to replenish the operator and pay the player of the provincial sites on a real-time basis. The strict implementation of

collection policies enables us to manage our cash with very minimal risk to the Company and to the operator.

Finance continuously provides financial reports, reconciliations in a timely manner to management and stakeholders to support key business decisions.

Legal

The Legal Department ensures that the interests of the Company as well as its subsidiaries and affiliates are fully protected. Likewise, it makes certain that the Company observes all laws, rules and regulations relevant to the operation of its business and that it complies with all the reportorial requirements of various government offices and agencies such as, but not limited to, the Securities and Exchange Commission, the Philippine Stock Exchange, the Board of Investments and the Philippine Economic Zone Authority. In the same manner, the Legal Department manages and oversees the Company's dealings with concerned local government units with respect to the issuances of permits and licenses.

The Legal Department is also responsible for the registration of trademarks, patents and copyrights that are aimed to protect the intellectual property rights of the Company. Moreover, it is in-charge of reviewing all the contracts that the Company enters into thereby guaranteeing that the terms of every agreement are beneficial to the interests of the Company. Further, the Legal Department handles all cases brought by or against the Company whether these cases involve civil, criminal or administrative matters. In all, the Legal Department serves as the legal adviser and consultant of the Company, ever vigilant and protective of the Company's rights and interests.

Customer Support

In our continued drive to provide fast and reliable support to all e-Games members, operators and site staff, as well as customers of MegaSportsWorld 365 days a year, 24 hours a day, several changes were introduced in the Customer Support department in 2015. New channels were opened from the traditional hotline and email, to include SMS and chat support through the Viber app. A new Customer Relationship Management system was likewise implemented giving the team and other key customer facing groups a real time, single source of client engagements and interactions. With such improvements in place, over 250,000 transactions were handled last year across all PhilWeb products and the different channels. Customer Support has maintained a 92% average answer rate for all inbound calls and written customer correspondences (email, SMS and chat) were responded to within 30 minutes. On top of all inbound transactions from various stakeholders, the group has carried out continuous outbound support for other departments: Marketing - for promo related activities; Information Technology - for maintenance advisories; and Finance - for cash collection and replenishment.

In 2016, the group aims to enrich and further improve customer experience by providing more options for individuals to communicate and interact with us, streamline processes

to shorten resolution times, and targeted staff training to reinforce the culture of service in every member of the Customer Support team.

1.4 Information Technology

PhilWeb's Information Technology group is composed of four functional departments, namely: Infrastructure, Software Development, Service Delivery and Service Support. Each department's functions are aligned with PhilWeb's operational requirements as well as its corporate needs.

The Infrastructure Department's primary role is to provide all the components - hardware, software, network resources, facilities and services - needed to deliver IT services for PhilWeb's casino and corporate operations. The team is also responsible for the monitoring and maintenance of these components to ensure that operations are supported 24/7.

The Software Development Department is in charge of creating and implementing software vital to PhilWeb's casino operations. As of this writing, a number of home grown applications are in production which will allow PhilWeb to provide a better gaming experience to its customers through the management of their membership credentials, e-wallet and loyalty points. Internally, the group has also developed tools to provide the operational teams such as Customer Support, Finance Operations, and Casino Operations with the information they need for their day-to-day activities.

The Service Delivery Department is responsible for the implementation and management of quality IT services. Guided by industry best practices, the group manages delivery of services through the disciplines of Project Management and Service Management. In line to its vision to ensure quality, the team also has a Quality Assurance unit which conducts testing on home grown software prior to customer endorsement in order to ensure that business requirements are met.

The Service Support Department is charged with providing first level technical support and ensuring that IT services are available 24/7 to both internal and external customers of the Company. There are two groups under this department: a) the Technical Support team, which monitors and performs first level troubleshooting on services pertaining to PhilWeb's corporate & casino infrastructure and B) Field Support, which is tasked to provide first level troubleshooting for e-Games sites. Tickets reported by site personnel and operators are first escalated to this team for validation and resolution.

Highlights

Account-based play was further enhanced this year through the introduction of the e-wallet feature. Players can leave balances on their accounts and play in any e-Games site without having to carry their cash around. IT has provided improvements in the home grown systems to ensure full and seamless integration with these new features. In line with this update, IT has also deployed the new version of the casino game client to all e-games venues across the country.

Information Security

In June 2015, PhilWeb transformed the Security and Compliance Group into the Information Security Group. The Group provides guidance on securing and protecting the privacy of information, and ensures that the institution maintains appropriate operational controls, standards, processes and Information security policies. The Information Security Group reports directly to the Office of the President.

After the establishment of the Information Security Group, IT network security was transferred from The Information Technology Group to Information Security in order to provide a better alignment and direction with regards to PhilWeb Security. The IT Network Security team focuses on PhilWeb's perimeter security, on the design and implementation of security appliances, and on ensuring a secured gaming environment.

Information Security Engineering was also established to provide application security, endpoint security and access control management for PhilWeb Corporation.

The Information Security Group is composed of two teams, namely the Information Security Engineering Team and IT Network Security.

Goals and Objectives

PhilWeb Corporate, Employee, Customer, and Trading Partner information and the applications, systems, and networks that support this information, are protected from unauthorized access, modification, disclosure, and usage. This is achieved through a combination of services, solutions, awareness training, and processes that enable the business to grow and thrive, while risks and exposures are managed.

Information Security plays a vital role in:

- Securing PhilWeb's Information to avoid potential data loss
- Providing immediate resolution, recommendation and mitigation of any Information Security incidents.
- Implementing Information Security policies, best practices and standards in alignment with the ISO 27001 & ISO27002 framework.
- Identifying and managing IT-related risks and increased requirements for control over information.

Highlights

Network security was reinforced in 2015 through the combined efforts of the Information Security Group as well as the InfoSec Engineering Team.

Access Review and recertification process for PhilWeb's critical systems was established to ensure that privilege accounts are reviewed and approved by the system and application owners.

The Group also established Information Security Policies for PhilWeb which are aligned and in accordance with the ISO27001 and ISO27002 version 2013 standards.

Furthermore, the implementation of network security policies for PhilWeb's version 15 casino environment, as well as the establishment of Security Standards for game terminals and POS were completed in 2015.

1.5 Human Resources and Administration

Organization Structure

PhilWeb's Human Resources and Administration Departments were re-structured in January of 2016 and became one division, Human Resources and Administration. Merging the two departments was effective and cost efficient maximizing the combined competencies of the former 2 departments that gave more solid support for the Company.

The Human Resources Department (HR)

Recruitment & Selection

Due to the non-renewal of PhilWeb's IPLMA with PAGCOR in August 2016, Recruitment has been on hold until June 2017. Since then, Recruitment and Selection in PhilWeb continued to follow stringent procedures to ensure that we are hiring only qualified and competent workforce.

New Hires Orientation covering the Company's Vision, Mission and Core Values, Culture and History of PhilWeb, the Organization Chart, Product Training, Policies and Procedures and Code of Conduct as well as explanation on their Employment Contract - comprise the outline of the Induction Program and is given prior to turnover to the requesting department. Technical orientation is handled by the respective department.

In 2017, a total of 10 employees were hired and were assigned to different departments. To continuously achieve economy and efficiency in our operations as well as to prevent losses, 23 people were separated in October 2017. As of December 2017, the Company has 170 employees, all ready for re-start once e-Games resumes operation.

Compensation and Benefits

The HR Department ensured timely delivery of compensation and benefits to the workforce and their professional and personal growth were charted through based Performance Evaluation/Appraisal. Corresponding rewards and compensation are fairly given, including those who have been separated from the company due to the non-renewal of the IPLMA with PAGCOR.

The Year 2017 marked the 17th year of PhilWeb in the business. During the Company's anniversary, employees were recognized for their dedicated service and loyalty rendered

to PhilWeb. Twenty (20) employees celebrated their 5th year of service, three (3) employees for their 10th, and one (1) for their 15th year in PhilWeb.

Workplace Learning & Development

2017 was a year for on-the-ground training for all employees. To prepare everyone for the e-Games restart, each employee was assigned to a BigGame site, for several months, to observe, help out, and make a study on how to improve the site operations and grow the business. Executives also took part as mentors.

Employee Engagement

In addition to workplace learning and development interventions as tool for workforce retention and engagement, regular general assemblies and other means of communication are undertaken to get the workforce pulse as regards the company's business developments.

Corporate Social Responsibility (CSR)

PhilWeb reaffirms its commitment and responsibility to its stakeholders through sound and efficient fiscal management of its business from top to departmental level. While this is foremost in our minds, the responsibility to our constituents and community and the environment we work in cannot be undermined.

Despite the non-renewal of PhilWeb's IPLMA with PAGOCR, PhilWeb continues to share our resources and propagates its advocacy to bring computer literacy and education to the less privileged of our society even to the farthest and remote areas. Consistent with the government's endeavor of inclusive growth, the donation does not only end in the delivery of the hardware but comes with related trainings and applications on the use of computers and applications.

In 2017, PhilWeb donated 65 desktop computers to 5 schools and organizations nationwide, namely:

1. Philippine Jesuit Prison Service
2. Bureau of Corrections-Medium Security Compound
3. Ateneo De Zamboanga University
4. Church of the Evangel
5. Xavier School Educational & Trust Fund, Inc.

Logistics and planning were spearheaded by the Administration Department.

The Administration Department

The Administration Department played a big role in 2017 as PhilWeb relocated its business office from Alphaland Southgate Tower to Adamson Centre in Leviste, Makati in June 2017. The Administration Department was responsible from the planning, to the execution until the smooth transfer of employees and equipment. The Department also

ensured the smooth reopening of the satellite office in One San Miguel Avenue Building in Pasig.

The Administration Team continued to place great effort in cost-effective measures to support the company's goal to achieve economy and efficiency in its operations without sacrificing the quality of support they render to PhilWeb.

The Administration Team continued to do their share in the timely delivery of their services, ensured that needs of the company were met and repairs and preventive maintenance on the equipment were planned and executed with the least downtime to the Company.

The Human Resources and Administration Division will continue to be a strategic partner of the different business units of PhilWeb and will continue to contribute to innovation for excellence in all our endeavors.

1.6 Competitive Business Condition and the Registrant's Competitive Position in the Industry and Methods of Competition

The Internet industry in the Philippines is relatively young, but it is experiencing rapid growth and diversification. There is a proliferation of portals, websites, e-commerce ventures and Internet gaming. The latter is undoubtedly one of the most attractive growth areas in the entire Internet business segment. Internet sports betting and Internet casinos dominates most of the Internet gaming revenues.

Sports betting are, to a vast population of Filipinos, a way of life. Betting on cockfighting, horse-racing, basketball and other local sports has been popular nationwide for many years. The gaming market in the Philippines is estimated to be over 100 billion pesos per year.

Capitalizing on its Internet technology experience, PhilWeb in early 2003 made a deliberate decision to focus on Internet gaming. It established partner relationship with leading software providers in addition to establishing its own gaming software capability. Recognizing PhilWeb's extensive knowledge in Internet technology, software development and expertise and its nationwide marketing distribution network, PAGCOR signed a Memorandum of Agreement with PhilWeb in November 2002, engaging the latter as its technology service provider and marketing consultant for Internet sports betting. Subsequently, PhilWeb and PAGCOR likewise entered into several Supplementary Agreements to cover the expansion programs of PAGCOR on Internet sports betting. PhilWeb excels in the gaming industry by providing superior and innovative products with the highest standards of customer service. It establish strategic partnership to ensure a fair, secure and legal gaming experience for the customers. PhilWeb has created a rewarding and dynamic work environment where it attracts, retains and motivates highly competent, passionate and innovative people, and delivers above-market value for its shareholders.

The Company's objective is to be the premier Internet gaming firm in the country. Its Internet gaming strategy is anchored on the Company's contractual relationship with PAGCOR and its advanced Internet technology platform and marketing infrastructure.

The Company is the first and largest Internet gaming company in the Philippines. It is the dominant technology-based gaming firm listed on the Philippine Stock Exchange.

The Company excels in the gaming industry by providing superior and innovative products with the highest standards of customer service. It establishes strategic partnerships to ensure a fair, secure and legal gaming experience for the customers. The Company creates a rewarding and dynamic work environment where it attracts, retains and motivates highly competent, passionate and innovative people, and delivers above-market value for its shareholders.

Sources and Availability of Raw Materials and Names of Principal Supplier

The Company is a service business that does not require raw material. It is not dependent on any principal supplier.

Dependence on One or a Few Major Customers and Identification of Such

It is the Company's strategy to offer its services to as broad a market as possible. In 2004, the Company has set up business partnership with various Internet sports betting operators. This partnership continues to expand.

No PeGS operators accounts for a major portion or 20% or more of the revenues of the Company.

Patents, Trademarks, Licenses, Franchises, Concessions, and Royalty Agreements

The Company has the following trademarks registered with the Intellectual Property Office of the Philippines (IPO):

1. PhilWeb Corporation (Registration No. 4-2010-006766 dated 19 May 2011)
2. e-Magine (Registration No. 4-2013-00001693 dated 27 September 2013)
3. e-Games (Registration No. 4-2012-00012726 dated 24 October 2013)
4. e-pitaka and device (Registration No. 4-2014-00005230 dated 7 August 2014)
5. Stylized Bidwars and device (Registration No. 4-2014-00005226 dated 7 August 2014)
6. TV Sabong (Registration No. 4-2014-00005228 dated 18 September 2014)
7. Basketball Jackpot and device (Registration No. 4-2014-00005227 dated 18 September 2014)
8. e-Casino Filipino (Registration No. 4-2014-00005231 dated 16 October 2014)
9. Playaway and device (Registration No. 4-2014-005403 dated 16 October 2014)
10. Wannabet and device (Registration No. 4-2014-005402 dated 16 October 2014)
11. Premyo Sa Resibo (Registration No. 4-2014-00004755 dated 27 November 2014)
12. Gold Lotto 4/38 (Registration No. 4-2012-00011522 dated 5 March 2015)
13. Txtingo 9 (Registration No. 4-2014-00006250 dated 19 March 2015)

14. Txtingo Super 5 Registration No. 4-2014-00006249 dated 19 March 2015)
15. BigGame (Registration No. 4-2014-00004756 dated 20 August 2015)
16. e-Games Virtual Entertainment City (Registration No. 4-2012-00015429 dated 27 August 2015)
17. eSafe (Registration No. 4-2016-0002563 dated 1 September 2016)

Moreover, the Company also registered the following copyrights with the National Library:

1. Premyo Sa Resibo (Registration No. 0-2006-174 dated 26 May 2006)
2. BasketballJackpot.net Program Source Code (Registration No. 0-2006-3055 dated 20 October 2006)
3. Txtingo Super Singko Program Source Code (Registration No. 0-2008-393 dated 17 October 2008)
4. Resibonanza Program Source Code (Registration No. 0-2009-159 dated 12 March 2009)
5. Station Manager PAGCOR E-Games Station POS System Source Code (Registration No. N2010-23 dated 19 February 2010)
6. PAGCOR E-City POS Station Manager Source Code (Registration No. N2010-118 dated 1 October 2010)
7. Basketball 38.Net Program Source Code (Registration No. N2011-102 dated 4 July 2011)
8. Dashboard (Registration No. N2013-112 dated 4 October 2013)
9. PBA Trading Cards TMS (Registration No. N2013-113 dated 4 October 2013)
10. Loyalty System (Registration No. N2013-114 dated 4 October 2013)
11. Kick for Gold Betting and Admin System (Registration No. N2013-115 dated 4 October 2013)
12. Spyder Client (Registration No. N2013-116 dated 4 October 2013)
13. Spyder Server (Registration No. N2013-117 dated 4 October 2013)
14. E-City Launchpad (Registration No. N2013-118 dated 4 October 2013)
15. Kronus Admin (Registration No. N2013-119 dated 4 October 2013)
16. Kronus Alerts (Registration No. N2013-120 dated 4 October 2013)
17. Kronus Cashier (Registration No. N2013-121 dated 4 October 2013)
18. Kronus Prepaid Accounting System (Registration No. N2013-122 dated 4 October 2013)
19. Membership Admin (Registration No. N2013-123 dated 4 October 2013)
20. Membership Portal (Registration No. N2013-124 dated 4 October 2013)
21. MIS Tool (Registration No. N2013-125 dated 4 October 2013)
22. TMS - Indonesia (Registration No. N2013-126 dated 4 October 2013)
23. Voucher/Stacker Management System (Registration No. N2013-127 dated 4 October 2013)
24. TMS - Cambodia (Registration No. N2013-128 dated 4 October 2013)
25. TMS - Timor Leste (Registration No. N2013-129 dated 4 October 2013)
26. TeGS Zentrum Admin (Timor Leste e-Games) (Registration No. N2013-130 dated 4 October 2013)
27. TeGZ Zentrum Portal (Timor Leste e-Games) (Registration No. N2013-131 dated 4 October 2013)
28. Sweeps Admin (Registration No. N2013-132 dated 4 October 2013)

29. Sweepstakes Cashier (Registration No. N2013-133 dated 4 October 2013)
30. Sweeps Deck Management (Registration No. N2013-134 dated 4 October 2013)
31. Sweeps Launchpad (Registration No. N2013-135 dated 5 October 2013)
32. SMS BGI (Registration No. N2013-172 dated 26 December 2013)
33. Launchpad-RSS (Registration No. N2013-171 dated 26 December 2013)
34. Loyalty V2 Web Service (Registration No. N2013-170 dated 26 December 2013)
35. Loyalty V2 Portal (Registration No. N2013-169 dated 26 December 2013)
36. Loyalty V2 Admin (Registration No. N2013-168 dated 26 December 2013)
37. Cambodia Lottery Cashier (Registration No. N2013-167 dated 26 December 2013)
38. Cambodia Lottery Admin (Registration No. N2013-166 dated 26 December 2013)
39. PHP Hotel-Casino Lobby (Registration No. N2013-165 dated 26 December 2013)
40. PHP Hotel-Admin (Registration No. N2013-164 dated 26 December 2013)
41. Mobile Lotto (Registration No. N2013-163 dated 26 December 2013)
42. Friends Online Casino (Registration No. N2013-162 dated 26 December 2013)
43. Fraud Control management System (Registration No. N2013-161 dated 26 December 2013)
44. Bidwars (Registration No. N2013-160 dated 26 December 2013)
45. TV Sabong Admin & Betting System (Registration No. N2013-159 dated 26 December 2013)
46. Wannabet (Registration No. N2013-158 dated 26 December 2013)
47. Jackpot Karera (Registration No. N2013-157 dated 26 December 2013)
48. DBA Tool (Registration No. N2014-34 dated 28 January 2014)
49. Digital Signage System (Registration No. N2014-33 dated 28 January 2014)
50. Generation of Membership Identification (Registration No. N2014-155 dated 7 August 2014)

Pending Applications for Registration of Trademarks

The Company has five (5) pending trademarks applications with the IPO:

1. Gold Master Brand Logo (Application No. 4-2012-011523)
2. Vibrant Vegas Logo (Application No. 4-2012-009142)
3. Magic Macau Logo (Application No. 4-2012-009141)
4. PhilWeb Logo (Application No. 04-2017-011522)
5. New e-Games (Application No. 04-2017-010066)

The Company has the following Industrial Designs and Utility Model registered with the IPO

1. Computer-Based Automated Terminal (Industrial Design) Registration No. 3-2013-001325 dated 14 October 2015)
2. Printed Surface Ornamentation Applied to an e-Games Membership Card Design (Registration No. 3-2014-000864 dated 4 January 2016)
3. Printed Surface Ornamentation Applied to an e-Games Club Platinum Card (Registration No. 2-2014-000865 dated 4 January 2016)
4. Automated Terminal (Utility Model) Registration No. 2-2013-000658 dated 27 May 2015)

Need for Governmental Approval of Principal Products or Services; Effect of Existing or Probable Governmental Regulations on the Business

The Company's Internet gaming activities are done in partnership with PAGCOR, which is the only entity, authorized by the government to operate any game of chance.

Estimate of Amount Spent for Research and Development Activities in the Next Three Years

The Company does not expect to make any significant investment or expenditure for research and development for the existing bus. It is part of the Company's strategy to obtain its technology through strategic partnerships or similar arrangements with parties that already have access to the technologies, services, or products required by PhilWeb.

Costs and Effects of Compliance with Environmental Laws

The Company's current operations do not require an environmental compliance certificate from the Department of Environment and Natural Resources. In the event environmental laws and regulations cover any of its future operations, the Company intends to comply with such requirements.

Business Transactions with Related Parties

The Company has extended short-term advances to a related party with no interest. The Board of Directors of the respective companies has approved inter-company advances.

The Company has no material business transactions with related parties.

There are no major risks involved in each of the business of the Company and its subsidiaries.

Labor

As of 31 December 2017, the Company has 170 employees broken down as follows: 66 rank and file, 52 supervisors, 37 managers, 15 executives. There is no union and neither is there a collective bargaining agreement with its employees. There have been no strikes or threats to strike in the past three years. Supplemental benefits given to employees include stock option plan to qualified employees, among others.

1.7 Material Events

The significant contracts and commitments entered into by the Company as of December 31, 2017 are as follows:

- On June 1, 2006, the Parent Company entered into an Intellectual Property License and Management Agreement (IPLMA) for Internet Casinos with PAGCOR, wherein the Parent Company has agreed to license to PAGCOR the

former's intellectual property rights to the software system and to provide the collateral hardware and other requirements necessary for the operations of PAGCOR's Internet casino game offering. This supersedes the Memorandum of Agreement dated November 28, 2002, Supplemental Agreement No. 1 dated March 18, 2003 and a Supplemental Agreement No. 2 dated June 30, 2003.

- On December 17, 2010, the Parent Company entered into an Omnibus Amended Intellectual Property License and Management Agreement for PAGCOR E-Games which supersedes the IPLMA, the Memorandum of Agreement dated November 28, 2002, Supplemental Agreement No. 1 dated March 18, 2003 and a Supplemental Agreement No. 2 dated June 30, 2003. The IPLMA expired on July 11, 2016. PAGCOR agreed to extend the contract for another month. On August 11, 2016, PAGCOR allowed the contract to lapse.
- On October 30, 2017, the Company received its Certificate of Accreditation from PAGCOR as an Electronic Gaming System (EGS) Service Provider of PAGCOR-licensed Gaming Sites for Electronic Games. As an Accredited EGS Service Provider, PhilWeb Corporation can offer its software and other services to the operators of PAGCOR-licensed gaming sites for electronic games.
- On December 1, 2017, the first 16 electronic gaming locations were allowed to operate under PhilWeb's Electronic Gaming System platform.
- On February 20, 2018, PAGCOR then allowed the Company to offer its services to an additional 21 electronic gaming locations.
- On March 7, 2018, PAGCOR issued a memorandum accepting and processing applications of new and existing operators to resume the use of the Company's electronic gaming system, thereby allowing the Company to fully resume its operations.

Other Material Contracts

1. Contract of Lease with Amberland Corporation for the lease of the Company's principal office located at Unit 4101, One San Miguel Avenue Condominium, San Miguel Avenue corner Shaw Boulevard, Ortigas Center, Pasig City. The lease term is from April 15, 2014 to April 14, 2019 for a monthly lease of P368,161.20. The lease agreement is for a period of five (5) years with an option to renew under mutually agreeable terms.

Item 2. Properties

The Company does not own any real property. However, it is presently leasing from Amberland Corporation, located at the Unit 4101, One San Miguel Avenue Condominium, San Miguel Avenue corner Shaw Boulevard, Ortigas Center, Pasig City. The lease term is from April 15, 2014 to April 14, 2019 for a monthly lease of P368,161.20.

The lease agreement is for a period of five (5) years with an option to renew under mutually agreeable terms.

No extraordinary purchase or sale of plant and equipment are expected beyond those in the regular course of the Company's operations. All purchases will be financed through internally-generated funds and existing capitalization, except for limited leasing facilities that will be utilized for the purchases of certain computer and transportation equipment.

Item 3. Legal Proceedings

1. Rodrigo R. Gadionco, Jr. vs. PhilWeb (CA G.R. CV-No. 01519) - Rescission of Lease Purchase Agreement.

The parties entered into a Lease Agreement with Option to Purchase on 22 November 2000. For alleged non-fulfillment of its obligation, Gandionco filed a case in the RTC to rescind the contract. PhilWeb stated that it never entered into such agreement for it was not signed by any of PhilWeb's authorized representatives. The Court Ruled in favor of Gandionco and declared the agreement between the parties as rescinded and ordered PhilWeb to pay Gadionco P 20,533.00 in litigation expenses, P20,000 in moral damages, P20,000 in exemplary damages and P50,000 in attorney's fees, in the total amount of P110,533.00. Gadionco was likewise ordered by the court to return to PhilWeb 10 IBM Computers, amounting to approximately P200,000.00 and 5000 pieces of ZOOM cards. PhilWeb appealed the case to the Court of Appeals. The appeal is submitted for decision by the Court of Appeals.

2. PhilWeb vs Sonia K. Pamatmat
I.S. No. 07-J-8470
Qualified Theft

The respondent is a former employee of PhilWeb. During her tenure as a former employee of PhilWeb, she took a company vehicle and did not return the same upon termination of her employment. PhilWeb demanded the return of its vehicle. Despite said demand, she failed to return the said property. PhilWeb then filed a complaint charging the respondent of Qualified Theft.

PhilWeb filed a Petition for Certiorari to annul the Resolution of the Department of Justice dismissing the criminal case against Sonia K. Pamatmat. The case is pending resolution by the Court of Appeals.

3. PhilWeb Corporation vs. BOS (Antigua) Ltd.
Civil Case No. 06 - 712
For Damages with Attachment
Makati RTC Branch 139

The parties entered into a Memorandum of Agreement on November 20, 2005 for the operation of sports betting facility. BOS allegedly violated provisions in the MOA prompting PhilWeb to file a case against BOS.

The case will be litigated upon service of summons to BOS.

4. PhilWeb Corporation vs. Commission on Audit
Decision No. 2015-097 (CGS-C Decision No. 2012-009) (ND No. 2011-001-(06/07))

On July 18, 2011, the Commission on Audit ("COA"), through its resident auditor, Atty. Resurreccion C. Quieta, issued a Notice of Disallowance ("ND") against PhilWeb regarding the payment of PAGCOR of 10% Software License Fee ("SLF") to PhilWeb effective on July 6, 2006.

PhilWeb challenged this ND and filed its Appeal Memorandum on 12 December 2011. On December 6, 2012, PhilWeb, received a copy of the Decision of the COA through Honorable Rufina S. Laquindanum dated 16 November 2012 denying its appeal and affirming the ND. Thereafter, PhilWeb filed its Petition for Review with the COA on 8 January 2013. On 8 May 2015, PhilWeb received a copy of the Decision of the COA dated 1 April 2015 dismissing its Petition for Review. On 19 May 2015, PhilWeb seasonably filed its Motion for Reconsideration. This Motion for Reconsideration is now pending resolution by the COA.

5. People of the Philippines vs. Mark Kevin N. Mardo, Catherine Joy Fajardo, Luke Villanueva and John Dela Fuente
R-MKT-1700661-CR, R-MKT-1700662-CR, R-MKT-1700663-CR R-MKT-1700664-CR and R-MKT-1700665-CR

PhilWeb discovered that Mark Kevin Mardo manipulated PhilWeb's system and uploaded his own program and was able to remotely load gaming credits to eGames membership cards. Catherine Joy Fajardo, Luke Villanueva and John Dela Fuente then attempted to redeem these gaming credits. PhilWeb filed this criminal case for violation of the Cybercrime Prevention Act of 2012. Five criminal information were filed and are now pending before the Regional Trial Court of Makati City. Both the prosecution and defense had finished presenting their cases.

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

There were no matters submitted to a vote of security holders during the fourth quarter of the fiscal year covered by this report.

Part II - OPERATIONAL AND FINANCIAL INFORMATION

Item 5. Market Price, Dividends and Related Stockholder Matters

Market Information

PhilWeb Corporation's stocks are listed with the Philippine Stock Exchange.

The following table sets forth the high and low closing sales prices per share of the Common Shares listed on the PSE during the respective periods indicated according to published financial sources.

	Price per Share	
	High	Low
2015		
First Quarter (ending March 2015)	13.88	10.82
Second Quarter (ending June 2015)	22.35	13.56
Third Quarter (ending September 2015)	19.00	18.00
Fourth Quarter (ending December 2015)	23.10	18.76
2016		
First Quarter (ending March 2016)	28.00	20.00
Second Quarter (ending June 2016)	24.80	21.90
Third Quarter (ending September 2016)	19.00	4.25
Fourth Quarter (ending December 2016)	14.74	5.80
2017		
First Quarter (ending March 2017)	10.86	7.70
Second Quarter (ending June 2017)	11.58	7.06
Third Quarter (ending September 2017)	11.46	9.00
Fourth Quarter (ending December 2017)	9.72	7.46
2018		
First Quarter (ending March 2018)	7.78	6.11
April 10, 2018	6.50	6.50

Dividends

PhilWeb declared a cash dividend of P0.10 per share which was paid on September 15, 2014 to the holders of common stock as of September 1, 2014. PhilWeb declared a cash dividend of P0.10 per share which was paid on December 5, 2014 to the holders of common stock as of November 21, 2014. PhilWeb declared a cash dividend of P0.15 per share which was paid on February 16, 2015 to the holders of common stock as of January 30, 2015. PhilWeb declared a cash dividend of P0.15 per share which was paid on May 21, 2015 to the holders of common stock as of May 7, 2015. PhilWeb declared a cash dividend of P0.15 per share which was paid on August 28, 2015 to the holders of common stock as of August 14, 2015. PhilWeb declared a cash dividend of P0.15 per share which was paid on November 26, 2015 to the holders of common stock as of

November 12, 2015. PhilWeb declared a cash dividend of P0.20 per share which was paid on March 4, 2016 to the holders of common stock as of February 19, 2016. PhilWeb declared a cash dividend of P0.20 per share which was paid on June 24, 2016 to the holders of common stock as of June 14, 2016.

The Company's future retained earnings corresponding to undistributed equity in net earnings are not available for dividend distribution until declared by the affiliates. There are no restrictions on the Company that limit the payment of dividends on common shares.

Holders

There were 1,447 shareholders of record holding the Company's outstanding capital stock of 1,435,626,680 common shares as of March 31, 2018 net of treasury shares of 81,380,938.

Top 20 Stockholders

The top 20 stockholders of record as of March 31, 2018 (based on total outstanding capital stock of 1,435,626,680 shares, net of treasury shares of 81,380,938 were:

	No. of Subscribed Common Shares	% to Total Outstanding
1. PCD Nominee Corporation: Filipino - 999,834,907 Non-Filipino - 104,396,869	1,104,231,776	76.92%
2. PhilWeb Casino Corporation	203,476,419	14.17%
3. Ang, Ramon S.	53,854,536	3.75%
4. Evermore Trading Limited	24,558,303	1.71%
5. HKPirate Holdings, Inc.	21,223,565	1.48%
6. Gregorio Araneta, Inc.	13,043,478	0.91%
7. Elkhound Resources, Inc.	6,482,549	0.45%
8. Umali, Amparo Cordial	835,400	0.06%
9. Tan, Enrique	473,782	0.03%
10. Filipino Pest Control & General Services, Inc.	420,000	0.03%
11. Valdes, Dennis O.	399,999	0.03%
12. Tan, Tiong	354,328	0.02%
13. Manalo, Josephine A.	250,000	0.02%
14. Pacheco, Juancho	144,000	0.01%
15. Cabarrus, Estate of Jesus S.	139,304	0.01%
16. Secor Holdings, Inc.	120,000	0.01%
17. Bautista, Jose	93,981	0.01%
18. Santos, Alfredo	93,981	0.01%

19.	Tan, Evelina	84,583	0.01%
20.	Tenchavez, Roberto S. &/or Betsy B.	84,000	0.01%

Recent Sales of Unregistered Securities:

There has been no sale in the past three years of any unregistered securities of the Company.

Item 6. Management's Discussion and Analysis of Financial Condition and Results of Operations

The current capitalization of the Company, and expected future revenues from its various activities are projected to sufficiently meet the Company's current and future operating cash requirements.

While the Company's revenue and income were down in 2017 due to expiration of IPLMA with PAGCOR, we expect to recover in the very near future. As discussed in Item 1.7, the Company already received its accreditation and have started the process of converting previous eGames operators back to PhilWeb system, reviving those that have previously shutdown and accepting new applicants who wanted to use PhilWeb services. As of the preparation of this report, there are 38 locations operating under PhilWeb EGS.

Currently, there are no known extraordinary purchase or sale of plant and equipment are expected beyond those in the regular course of the Company's operations. All purchases will be financed through internally-generated funds and existing capitalization.

Hiring of employees will continue in the regular course of business.

There are no known trends, events or uncertainties that are reasonably expected to have a material impact on the Company's revenues or continuing operations.

There are no significant elements of income or loss that has not been disclosed.

The Company's Key Performance Indicators

For the year 2017, the Company's key performance indicators are the following:

- 1.) The Company's Earnings Before Interest, Taxes, and Depreciation and Amortization (EBITDA) was (P152,478,187) or 126.3% lower compared last year.
- 2.) Revenues decreased in 2017 by 84.5% from P1,019,726,562 to P157,952,771.
- 3.) Operating loss margin was 214.0%. Operating loss of (P337,947,995) divided by Net Revenues of P157,952,771.
- 4.) Current ratio was at 0.47:1.00. Current Assets of P161,202,593 divided by Current Liabilities of P344,137,096.

- 5.) Asset to equity ratio was at 5.90:1.00. Total Assets of P438,257,162 divided by Total Equity of P74,222,620.
- 6.) Debt to equity ratio was at 490:1.00. Total Liabilities of P364,034,542 divided by Total Equity of P74,222,620.

For the year 2016, the Company's key performance indicators are the following:

- 1.) The Company's Earnings Before Interest, Taxes, and Depreciation and Amortization (EBITDA) was P580,444,055 or 51.7% lower compared last year.
- 2.) Revenues decreased in 2016 by 38.9% from P1,667,610,476 to P1,019,726,562.
- 3.) Operating Income margin was 33.7%. Operating Income of P343,412,878 divided by Net Revenues of P1,019,726,562.
- 4.) Current ratio was at 0.88:1.00. Current Assets of P317,921,025 divided by Current Liabilities of P359,639,162.
- 5.) Asset to equity ratio was at 2.64:1.00. Total Assets of P648,366,801 divided by Total Equity of P245,899,069 .
- 6.) Debt to equity ratio was at 1.64:1.00. Total Liabilities of P402,467,732 divided by Total Equity of P245,899,069 .

For the year 2015, the Company's key performance indicators are the following:

- 1.) The Company's Net Income margin for the aforementioned period was at 52%. Net Income of P869,626,033 divided by Net Revenues of P1,667,610,476.
- 2.) The Company's Earnings Before Interest, Taxes, and Depreciation and Amortization (EBITDA) was P1,200,758,970 or 2.1% higher compared last year.
- 3.) The increase in revenues in 2015 was 1.7%. It was computed by dividing the difference between 2015 and 2014 Revenue by 2014 Revenue.
- 4.) Operating Income margin was 61%. Operating Income of P1,017,262,743 divided by Net Revenues of P1,667,610,476.
- 5.) Current ratio was at 1.21:1.00. Current Assets of P737,544,824 divided by Current Liabilities of P610,798,305.
- 6.) Asset to equity ratio was at 1.76:1.00. Total Assets of P1,580,166,741 divided by Total Equity of P897,425,866.
- 7.) Debt to equity ratio was at 0.76:1.00. Total Liabilities of P682,740,875 divided by Total Equity of P897,425,866.