

SEC Number 39121  
File Number                     

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**PHILWEB CORPORATION**

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(Company's Full Name)

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

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(Company's Address)

**338-5599**

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(Telephone Number)

**December 31**

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(Fiscal Year Ending  
(month & day))

**SEC Form 17-A (Annual Report)**

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Form Type

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Amendment Designation (if applicable)

**December 31, 2013**

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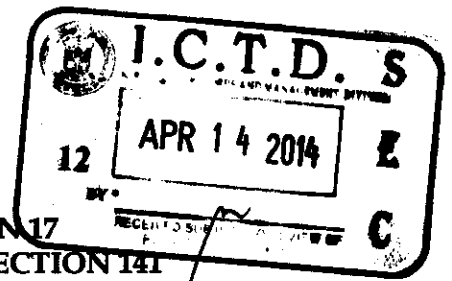
Period Ended Date

**N/A**

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(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, 2013
- 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) 338-5599 Zip Code 1232
- 9. Former name, former address, and former fiscal year, if changed since last report PhilWeb.com, Inc.
- 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	1,432,612,814 (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 stockholders also approved the inclusion of the gaming business as an additional

secondary purpose of the Company. The SEC approved these changes on November 5, 2002.

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.

### **PAGCOR e-Games cafés**

In 2003, we received a license from the Philippine Amusement and Gaming Corporation (PAGCOR) to launch e-Games stations, which are Internet cafés exclusively dedicated to casino games. With technology provided by PhilWeb, patrons can choose from close to three hundred casino games, including baccarat, blackjack, various slot machine games, video poker and others. Most e-Games cafés operate on a 24/7 basis.

There are now 299 e-Games cafés all over the country, with the majority owned and independent operators. These e-Games Operators handle day-to-day operations and get a commission based on the casino winnings of the café.

In 2013, e-Games had another milestone year. From 277 e-Games cafés, the Company was able to add 22 more sites to its network, bringing up the nationwide count to 299. This increase brought up Terminal Count to 7,638, a 13% increase from last year's figures. Total Casino Win reached P5 billion. PAGCOR Remittances exceeded last year's record total by 7.3%. e-Games remains a valued contributor to PAGCOR's income, remitting a record total of P2.1 billion in 2013.

Another major highlight for e-Games was the roll-out of a new version of their, back-end software provider, Realtime Gaming (RTG) and the installation of a new server. This enabled e-Games to accommodate more players and paved the way for account-based play. e-Games also achieved the highest winnings in one day of P19 million. Apart from RTG, Microgaming continues to provide its suite of casino games into various cafés.

In accordance with PAGCOR regulations, all sites began renovation in 2013. Renovating the sites brought about an enhanced player experience, with newly- installed bars, lounges and crap tables. These site renovations will continue through 2014.

Finally, there e-Games operators are moving away from the entrepreneurial model with sites consolidating operations under larger corporations. This approach will lead to a more professional, improved, and uniform operations.

The game distribution for the past year is split into four major categories: slots games, baccarat games, video poker games and others. Slots made up more than half of PhilWeb's game distribution with a 56% market share in 2013, which shows that slots are the preferred choice for majority of e-Games customers. Meanwhile, Baccarat was the

second highest at 24%. Video poker encompassed 11% of the total game distribution, while other games took up the remaining 9%.

### **Marketing Highlights**

e-Games launched a new Membership and Rewards Program which has more than fifty thousand active accounts to date. Here, players have access to a web-based interface that allows them to manage their accounts, participate in quarterly promotions, and redeem exclusive reward items. Three nationwide raffle draws were held, with more than P50 million in prizes given away. To ease the logistics of a raffle of this scale, an Electronic Raffle Draw system was used. Aside from winning through raffle coupons, members can now redeem premium items and avail of exclusive perks from partner brands and establishments. These include lifestyle, travel and dining rewards.

e-Games also held events and product activations, which focused more on geographic segments. e-Games brand ambassadors would conduct product demonstrations and host events in high-traffic establishments near each e-Games venue. Participants who joined were given merchandise and free credits which could be claimed upon registration at featured e-Games outlets.

e-Games also tapped different marketing channels. One channel utilized was an SMS campaign to augment player acquisition by capturing participants' contact information and measuring player conversion at the same time. Social media campaigns were also used wherein promotions required fans to register online and activate their membership onsite. The combined effort of events, mobile and social media campaigns have brought in several hundred new e-Games players.

The e-Games website was also revamped, with a newly-integrated Online Registration Module and a partnership with Double Down, a free play app that links to Social Networking sites.

e-Games turned to print media with its advertisements featured in magazines such as FHM, Cosmopolitan, Rogue, and Forbes Asia. A reader response mechanism was included in the advertising material.

### **Plans for 2014**

In 2014, e-Games has two key goals in mind. The first is to focus on direct-to-player marketing through the membership and rewards program. This will be achieved by conducting nationwide and site-level draws every quarter, identifying and securing partnership deals with upscale brands and establishments, and launching the SVIP Rewards Program which will offer exclusive treats and a dedicated concierge for established high rollers.

The second goal is twofold. e-Games intends to expand its VIP base through strategic events activations and amplify the brand reach through various channels. To do this, e-Games will conduct a series of on-ground activations and participate in events with wide brand mileage; continue utilizing SMS, Digital Marketing, and Direct Mail to promote

brand awareness and reach new customers; and place advertisements in magazines, newspapers, and adult establishments.

### **BigGame, Inc.**

BigGame, Inc. (BGI) is a wholly-owned subsidiary of PhilWeb Corporation. It owns and operates 16 e-Games cafés, making it one of the largest operators in the business.

BGI'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 BGI café in question becomes the standard by which all other BGI and e-Games cafés will follow. Because of this rigorous process, BGI continues to bring in improved gaming configurations and upgrades for the Company's various services and amenities.

2013 was a challenging yet productive year for BigGame. BigGame delivered top-line revenue of P211 million in 2013, 15% more than in 2012. BGI was able to acquire its Imus, Cavite site, thus keeping its total site count steady at 16. Total gaming terminals is up by 24%, from 858 terminals in 2012 to 1063 terminals in 2013.

Some of the innovative ideas which were tested in BGI sites are the following:

- VIP Couple Seats, which were tested in the Morato and Blue Wave branches. This new feature allows couples to play alongside each other. The effect of having this new feature produced high daily terminal wins.
- VIP Pods in Morato. These pods were patterned after the "business class" concept as seen in the airline industry, where everything is within easy reach. Additional pods will be rolled out in the JAKA Paranaque branch in 2014.
- For a different look, curved terminals were also introduced. This type of terminal produced twice daily terminal wins than regular terminals.
- First introduced in 2012, lounge chairs with dedicated tables continued to receive positive feedback from players. With more accurate data tracking, the Daily Terminal Win from the lounge chair set-up was well over 50% more than the Daily Terminal Win of a standard cubicle.
- The VIP booth was further enhanced with the addition of plush recliner chairs. This comfy recliner allows players to relax while playing their favorite casino games.

## **BGI Marketing**

In 2013, BGI's marketing efforts were focused on player retention and taking care of its VIP clients. Player retention was handled by way of the "I Won BIG" raffle, a mid-year raffle activity that garnered around 50,000 to 60,000 entries. Prizes for this event were P5,000 bet vouchers. Another was the Scratch, Match & Drop Christmas raffle, where players stood the chance of winning instant prizes like P5,000 load. For its VIP clients, BGI gave free trips to Balesin Island Club to its top ten patrons.

BGI Marketing also focused on site-specific strategies. These activities were based on player demographics. Some of the activities that BGI joined in 2013 include the "Soul Surf" and "Panagbenga" festival for its La Union branch players, "Sinulog" festival for its Cebu branch players, and the "Grand Wine Event", of which BGI was one of the major sponsors. BGI also sponsored events at nearby cockfighting arenas to introduce patrons to the BGI gaming experience.

BGI Marketing also had an increased presence in Social Media in 2013. Twitter and Facebook are two of the heavily used Social Media apps where BGI made its presence felt. Players were also informed of various BGI promotions via SMS. The referral program, which began in 2012, was also continued.

## **BGI in 2014**

In 2014, BGI will carry on with its site expansions and renovations to existing cafes. One site to watch out for is the Bauang, La Union branch which will have 40 terminals from an existing count of 28 terminals in 2013. The group also hit several important milestones, namely the launching of the JAKA site in November and the launch of the VIP Pods in Morato. Growth, not only in terms of the number of terminals but also manpower, marketing efforts, reach and operations, was achieved in 2013.

The group will also look out for innovative ways to keep the player experience fresh and stay up-to-date with the current trends in the gaming industry. The group will adapt to these new trends to ensure continuous improvements are being carried out at its sites.

There is also the BGI premiere lounge, which is being planned as a high roller/VIP exclusive room. It will be similar to junket rooms that are common in large casinos and will rely on a special VIP service.

BGI's marketing group will continue to expand and carry on with activities focused on acquisition and on-ground activations. It aims to grow the player base and keep players engaged in BGI promotions and events. Future BGI raffle promotions will be based more on player deposits.

## **e-Magine Gaming Corporation**

e-Magine Gaming Corporation is a key subsidiary of PhilWeb Corporation. The Company's primary purpose is to develop and manufacture gaming terminals with

integrated software and hardware. Launched in 2012, e-Magine's goal is to strengthen PhilWeb's international revenues and support its local and Asia Pacific businesses.

2013 was a milestone year for e-Magine gaming. This was the year the company became fully-operational, with the introduction of its Genesis console to the Global market. To move e-Magine into the international gaming arena, selected members of the e-Magine team were sent to major trade shows in Macau (May) and Las Vegas (December) where they put the machine through its paces in front of a discerning gaming clientele. The positive feedback to these roadshow events was overwhelming. Majority of the positive inquiries generated came from distributors interested in harnessing the machine's capabilities, as well as prospective partners willing to integrate their software with e-Magine's hardware.

e-Magine's Genesis console represents a bold leap forward for the gaming arena, both locally and internationally. There has never been anything quite like it; a machine which utilizes a Windows- based operating platform to handle a multitude of unique and varied gaming applications. Unlike traditional slot machines which are one-dimensional in nature, the e-Magine Genesis console offers all that and more. An idea whose time has come, e-Magine's Genesis has given the gaming market a product that is wholly different.

The Company further cemented its status with the formal opening of its new production plant in Binan, Laguna in November 2013. When operating at full production capacity, the plant can produce 30,000 units a year.

### **The Genesis Console**

The Genesis, with its touch-screen console, distinctive red and black piping, and futuristic LED lights, was given a few significant upgrades to enhance its already powerful capabilities. The first improvement was made on its touch screen. Initial touch screens were seen as being less responsive and e-Magine's R&D team immediately responded to the challenge with a new screen that performs at a rate on par with most of today's current crop of smart phone and tablet devices. The second improvement was made to its CPU. Early units were bulky and prone to overheating. The latest Genesis CPU has been reduced in size and generates less heat, making it more efficient for long-term use. A third improvement was made to its internal machinery. With better and cleaner wiring, maintenance of the console will be less of a hassle. Finally, a new compact and lightweight design to its exterior shell casing will allow for easier transportability.

In addition to these, the colors of the Genesis console can be customized. Customers can choose their own colorways for their specific units, adding a touch of individuality to the machine. Likewise, the unit's LED lights can also be modified to match the overall look of the external shell casing.

### **Goals for 2014**

The future is indeed bright for e-Magine Gaming. The Company realized an unfulfilled market need for a console that integrated hardware and software into one device. The

Genesis is a firm realization of that need.

Moving forward in 2014, the Company will adhere to the same winning game plan as last year. That is, to attend more trade shows and put up more exhibits capitalizing on the Genesis' unique capabilities. Hand in hand with that is the opportunity to forge new partnerships and tap into unexplored areas, specifically the European market.

On the horizon is the possibility of manufacturing a Bingo machine. This would add another dimension to e-Magine's gaming platform capabilities. As of this report, it is already in the Research and Development phase.

As far as the Genesis is concerned, there will be no let up on its improvements. Tests will continuously be done to ensure it performs to the highest standards possible. Additional cabinet designs will also be explored, such as a stand-alone kiosk as one potential variant.

Finally, a gaming table is also in the early R&D stages. Such table would allow players to have the convenience of playing their favorite games on a table-top setting.

### **Premyo Sa Resibo, Inc.**

Premyo sa Resibo, Inc. (PSR) is the longest-running, SMS-based raffle program in the Philippines. Launched in 2006, in partnership with the Bureau of Internal Revenue (BIR), the program encourages proper tax declaration from local establishments and professionals.

This year, PSR focused on online and on-ground activities to create awareness for, and recognition of the program to various demographics. Presence online and on-ground increased participation in the program to over 1.5 million users to have tried the service at least once in 2013.

To join, consumers text in their Official Receipt details (TIN#, OR# and OR amount) to PhilWeb's special access numbers. Each valid transaction serves as a raffle entry to the PSR draws, in which the texter can win prizes up to a million pesos. PhilWeb submits all the information gathered to the BIR for validation and cross-referencing with their list of registered establishments. This aids the BIR in determining the legitimacy of receipts being issued to consumers nationwide. In 2013, PSR received over 9 million SMS entries, from over 1.7 million official receipts representing over 250,000 establishments. Since its inception, the program has received close to 200 million SMS entries and has awarded close to P200 million in prizes.

In 2014, Premyo sa Resibo will continue to build and establish program association that is synonymous with the best prizes, the hippest gadgets, and the coolest events.

## **PhilWeb Asia Pacific**

PhilWeb Asia Pacific Corporation (PWAP) was incorporated in 2010 with the mandate to take the existing profitable business of PhilWeb Corporation and replicate these across the Asia Pacific region.

In 2011 PWAP opened its Sweeps Center in Guam and Scratch Card distribution in Timor. PWAP also took the opportunity to launch a Scratch Card product in Cambodia in 2012. These businesses provided the company a foothold in various markets. There was further expansion in 2013 with the second Sweeps Center opening in Guam, while a combination "sports trading and lottery card" branded Kartu Bintang was launched in Indonesia in partnership with top Indonesian soccer team Persib from Bandung.

PWAP's scratch card business suffered a slowdown in 2013 due to conditions outside of management control. The Cambodia business was affected when the economy grounded to a halt due to protest actions following general elections, despite the launch of a popular \$0.25 equivalent scratch card. In Timor-Leste, the withdrawal of the United Nations peacekeeping forces in late 2012 and early 2013 limited employment opportunities and lowered income levels for the general population. This led to a slowdown in Scratch Card sales. The Guam Sweeps Centers continue to operate profitably as of year-end.

Despite the setbacks in 2013, PWAP continues with its aim to establish and expand its presence in Asia-Pacific and beyond. The management is evaluating the Company's approach to the various opportunities in regulated markets and looks forward to a stronger product offering, particularly in partnership with e-Magine Gaming..

## **Corporate Services**

### **Finance**

The Finance Department's main objective is to develop and implement financial systems and internal control policies which would help the Company keep track of critical financial reports coming in from the Company's various revenue groups. With regard to e-Games, the department is responsible for ensuring that all receivables from e-Games cafés are collected and all receipts are recorded in a timely and accurate manner. e-Games operators are reminded to deposit their gross hold (GH) to a PhilWeb-nominated bank account or have their GH picked up by authorized riders.

Finance thru its Top-up Division, using authorized Company-owned POS system, monitors real-time and on 24/7 basis the cash balances of all PeGS across the country. This enables the Company to manage and minimize the cash risk of each and all e-Games site at any point in time.

In 2013, thru a partnership with financial institution, the Company is able to replenish cash requirements of all sites, wherever located, at any point in time.

## **Customer Services**

In 2013, the Customer Services Department with its two (2) working groups - Contact Center and Field Support - continued to render 24/7 support to the technical requirements and daily operational issues of e-Games, Premyo sa Resibo and International Business.

The department's Contact Center which serves as the heart of all customer transactions, embarked on process improvements to simplify handling of inquiries and requests. Soft skills were reinforced through weekly calibrations, mentoring, and coaching. To gauge the impact of this endeavour to the shops, a satisfaction survey was conducted during the first quarter of 2013. The results were encouraging after these yielded an overall rating of 97%.

Furthermore, the Field Support Group successfully carried out several major projects for e-Games' gaming terminals. These projects included: transitioning from terminal-based game play to account-based play; RTG version 12 Costello installation; switching to the new cashiering system using Launchpad-Spyder Client; deployment of the Teamviewer Corporate Account Centralization and preventive maintenance works. The team was also material in the nationwide expansion of the number of game terminals. To enhance their technical skills, the group had the opportunity to attend external trainings on Comprehensive Computer Hardware Troubleshooting and CCNA CISCO networking. Support processes and SLAs were also established.

For 2014, the Customer Services Group will continue to strive for improvement and consistent service across all channels. New processes and support systems will be made available to both local and international products. A customer satisfaction survey is planned to extend up to the services of other teams like Field Support and Liaison Officers. Field Support will also explore new systems and processes to reduce dispatch works and eventually shorten turnaround time of technical isolation, restoration and system deployment. This move will pave the way for more staff productivity.

The Contact Center, will carry on with their trainings to align skills and attitude of its frontliners.

## **Information Technology**

PhilWeb's Information Technology group is composed of four functional departments. These departments were put in place to support PhilWeb's 24/7 operations. The IT group consists of the following: Software Development, Infrastructure, Security and Service Delivery. Each department's functions are aligned with PhilWeb's operational requirements as well as its corporate needs.

The IT Software Development Department contributes to the software design and customization of homegrown software to ensure the achievement of the company's goal in managing its day-to-day business operations and reporting. Always forward thinking, the department focuses on research and development that will help PhilWeb improve on its services.

The Infrastructure Department's primary function is to ensure that PhilWeb's core services are working at the optimum level in order to provide seamless service 24/7. PhilWeb's network and servers are the lifeline of the business. Services rely on this network to function smoothly and without interruption. The Infrastructure Department is there to make sure nothing goes wrong by performing day-to-day support and maintenance. PhilWeb's internal corporate clients are the main recipients of this service, however this expert support service is also extended to e-Games operators.

The Security team ensures that PhilWeb's daily operations are kept free from malicious activities, attacks, and unauthorized access from both the internet and within the network. The department manages the implementation of the hardware and software components, including its policies, to ensure a safe and secure environment for PhilWeb's business and its operators.

The Service Delivery Department focuses on the implementation and management of quality IT services. The department ensures quality in the delivery of the services by providing 24/7 monitoring and level one support for IT-related issues, managing projects from requirements gathering to deployment, managing changes in the production environment and doing quality assurance on customizations done on homegrown software.

#### Highlights in 2013

In 2013, the IT division strengthened security within the critical e-Games network by taking full control of its network. This was achieved by creating a private network through a leased line. With this installation, the response time to casino operations lessened and security risks were minimized.

Key e-Games franchise holders also availed of the private network lines thus getting the same benefit of what BGI was experiencing.

Moving forward, the IT Division's transformational goal is to become a true service-oriented department propelled by continuous improvement. As IT impacts through all departments, it seeks to be both responsive and proactive in anticipating the needs of users. It also aims to document and regularly engineer processes for simplification and better efficiency while enabling the entire organization to effectively reach their growth targets.

IT aims to improve the skill sets of its team by introducing new technology and sending a team representative for a skill upgrade training - be it technical or soft skill development. This way, new IT leaders are trained and honed to ensure the continuity of goals and objectives.

#### **Human Resources and Administration**

2013 marked another strong year for the Company's Human Resources and Administration Department whose directives are (1) to ensure that employees receive timely compensation and benefits services and offer greater opportunities for growth,

and (2) to provide efficient company-wide purchasing and logistics services.

The employee health benefit package was significantly upgraded with Management directing an increase to the maximum health benefits limits of employees and their dependents. The move allowed employees greater flexibility in meeting the health care needs of their immediate family members.

More opportunities were given to employees for outside training and development, mostly in the areas of IT development and marketing. Selected supervisors attended a four day Essentials of Supervision program customized for PhilWeb Corporation by the Ateneo Center for Continuing Education - graduates were able to implement what they learned once they returned to work with positive results.

Already on its 6th year, PhilWeb's Management Trainee Program continues to develop young talent into exceptional business leaders. The program lasts for one calendar year, with Management Trainees on rotational assignments in different departments of the Company. During the program, Management Trainees are exposed to the various types of operations, management viewpoints, and company practices and policies that affect each phase of the business. In 2013, the Company's Asia-Pacific division expansion opened a window of opportunity for three Management Trainees to work abroad.

Keeping employees actively engaged through wellness programs, regular general assemblies and other means of communication is another aspect of the Human Resources and Administration Department.

From October until the end of the year, the Department hosted free Yoga and Zumba classes as a way for employees to keep fit and stay in shape. Fifty employees participated in the First Eco-Awareness Program which was held at La Mesa Nature Reserve - they transplanted seedlings of indigenous trees, learned about vermicomposting and its benefits, walked six kilometers around the reserve, and learned some handy forest survival tips.

In order to effectively provide better benefits services to employees, develop and nurture new talent, and keep employees engaged, the HR team moved into a Business Partner Model where several HR personnel were assigned as point persons for each business unit. This provided more focus in quickly addressing each department's needs and customizing solutions for them. The Administration team also grew and reorganized to address the Company's growing purchasing needs, to oversee site renovations, and to provide fixed asset management.

### **Corporate Social Responsibility**

The Company recognizes that its primary responsibility is to its stakeholders. This responsibility extends beyond financial results, and includes its social responsibility to the community.

As PhilWeb grows and delivers profit to its stakeholders, it also amasses resources that can make a positive difference in the lives of the less privileged. In 2013, the Company continued to be of service to its direct constituents and the country at large. By being responsible corporate citizens, Management is confident that PhilWeb can be a positive force in transforming society.

### **Typhoon Yolanda Relief Efforts**

The month of November was a difficult time for the Philippines. Super typhoon "Yolanda" (international code name: "Haiyan"), with maximum gale force winds and strong torrential rains, devastated an already ravaged Visayas region that was recovering from a 7.2 magnitude earthquake that occurred a month before. Tacloban was the area that sustained the most damage from what pundits have called "the strongest storm on record".

PhilWeb, along with many other Philippine companies, actively participated in relief efforts, beginning with using its budget for the traditional year-end Christmas party to purchase much needed medicine and medical equipment and donating these to survivors in Central Visayas through Operation Blessing.

Donations, in cash or kind (mostly food, drinking water, clothes and toiletries), were given freely. Employees raised money to purchase more medicine that was donated to survivors. Personal time was also set aside by employees to help sort, repack and move relief goods at the Alphaland-Balesin Island Club Hangar. The response was a success as everyone in PhilWeb did their own small part in helping bring about a smooth and quick distribution of goods in hard to reach areas in Aklan, Capiz, Cebu, Leyte, Palawan and Samar. Together with the Alphaland Relief Operations Team, the PhilWeb Foundation was able to disburse 62 tons of relief goods to over 15,000 people affected by the typhoon.

### **Christmas Outreach Program**

Another event PhilWeb participated in was the Christmas Outreach Program in Balesin Island. Last December, employees of the Company, representing different departments, joined forces with Alphaland Corporation personnel in packing Christmas ham and fruit baskets that was given away to residents of the local Balesin island community. The event began with a mass followed by a magic show and parlor games for the children in attendance. The children received an extra special treat in the form of loot bags, 300 of which were given away. PhilWeb employees interacted with the community by sharing a simple but delicious meal together and playing games with the children.

### **PhilWeb Foundation**

PhilWeb Foundation recognizes that education can change lives, and thus is dedicated to its educational scholarship programs.

The Foundation awarded deserving students with scholarships to the University of the Philippines. These scholars have been provided their full tuition and living allowance.

The scholarship is offered to deserving and qualified students who will take up IT-related courses such as BS Computer Science or BS Computer Engineering.

### **Computer Donations**

The Company recognizes the important of IT in the development of our country and that to be able to raise experts in this field, the next generation workforce have to be exposed as early as possible. As such, the Company donated hundreds of computers mostly to public schools to be used particularly to teach and train students in IT related subjects. This provides unique opportunity to the students as most of them will have first time hands on experience in using computer technology. To name a few recipients:

- a) Jose P. Laurel Sr. High School, Quezon City
- b) Manggahan Pasig Elementary School
- c) Santolan Pasig Elementary School
- d) Dela Paz Pasig Elementary School
- e) Baccuit La Union Elementary and National High School

### **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 (IPO) of the Philippines:

1. Basketball Jackpot and device (Registration No. 4-2010-006767 dated 5 April 2010)
2. e-Casino Filipino (Registration No. 4-2010-007657 dated 13 January 2012)
3. Playaway and device (Registration No. 4-2005-010481 dated 25 June 2007)
4. PhilWeb Corporation (Registration No. 4-2010-006766 dated 19 May 2011)
5. e-pitaka and device (Registration No. 4-2010-007658 dated 11 November 2010)
6. TV Sabong (Registration No. 4-2010-006768 dated 5 April 2012)
7. Premyo sa Resibo and device (Registration No. 4-2006-007828 dated 3 September 2007)
8. Wannabet and device (Registration No. 4-2007-005623 dated 14 April 2008)
9. Txtingo 9 (Registration No. 4-2007-006258 dated 11 November 2007)
10. Txtingo Super 5 and device (Registration No. 4-2008-013452 dated 4 May 2009)
11. e-Games (Registration No. 4-2011-003789 dated 24 October 2013)
12. e-Magine (Registration No. 4-2013-00001693 dated 27 September 2013)

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. Dashboard (Registration No. N2013-112 dated 4 October 2013)
8. PBA Trading Cards TMS (Registration No. N2013-113 dated 4 October 2013)
9. Loyalty System (Registration No. N2013-114 dated 4 October 2013)
10. Kick for Gold Betting and Admin System (Registration No. N2013-115 dated 4 October 2013)
11. Spyder Client (Registration No. N2013-116 dated 4 October 2013)
12. Spyder Server (Registration No. N2013-117 dated 4 October 2013)
13. E-City Launchpad (Registration No. N2013-118 dated 4 October 2013)
14. Kronus Admin (Registration No. N2013-119 dated 4 October 2013)
15. Kronus Alerts (Registration No. N2013-120 dated 4 October 2013)
16. Kronus Cashier (Registration No. N2013-121 dated 4 October 2013)
17. Kronus Prepaid Accounting System (Registration No. N2013-122 dated 4 October 2013)
18. Membership Administration (Registration No. N2013-123 dated 4 October 2013)
19. Membership Portal (Registration No. N2013-124 dated 4 October 2013)
20. MIS Tool (Registration No. N2013-125 dated 4 October 2013)
21. TMS - Indonesia (Registration No. N2013-126 dated 4 October 2013)
22. Voucher/Stacker Management System (Registration No. N2013-127 dated 4 October 2013)
23. TMS - Cambodia (Registration No. N2013-128 dated 4 October 2013)
24. TMS - Timor Leste (Registration No. N2013-129 dated 4 October 2013)
25. TeGS Zentrum Admin (Timor Leste e-Games) (Registration No. N2013-130 dated 4 October 2013)
26. TeGZ Zentrum Portal (Timor Leste e-Games) (Registration No. N2013-131 dated 4 October 2013)
27. Sweeps Admin (Registration No. N2013-132 dated 4 October 2013)
28. Sweepstakes Cashier (Registration No. N2013-133 dated 4 October 2013)
29. Sweeps Deck Management (Registration No. N2013-134 dated 4 October 2013)
30. Sweeps Launchpad (Registration No. N2013-135 dated 5 October 2013)
31. DBA Tool (Registration No. N2014-34 dated 28 January 2014)
32. Digital Signage System (Registration No. N2014-33 dated 28 January 2014)
33. SMS BGI (Registration No. N2013-172 dated 26 December 2013)
34. Launchpad-RSS (Registration No. N2013-171 dated 26 December 2013)
35. Loyalty V2 Web Service (Registration No. N2013-170 dated 26 December 2013)

36. Loyalty V2 Portal (Registration No. N2013-169 dated 26 December 2013)
37. Loyalty V2 Admin (Registration No. N2013-168 dated 26 December 2013)
38. Cambodia Lottery Cashier (Registration No. N2013-167 dated 26 December 2013)
39. Cambodia Lottery Admin (Registration No. N2013-166 dated 26 December 2013)
40. PHP Hotel-Casino Lobby (Registration No. N2013-165 dated 26 December 2013)
41. PHP Hotel-Admin (Registration No. N2013-164 dated 26 December 2013)
42. Mobile Lotto (Registration No. N2013-163 dated 26 December 2013)
43. Friends Online Casino (Registration No. N2013-162 dated 26 December 2013)
44. Fraud Control management System (Registration No. N2013-161 dated 26 December 2013)
45. Bidwars (Registration No. N2013-160 dated 26 December 2013)
46. TV Sabong Admin & Betting System (Registration No. N2013-159 dated 26 December 2013)
47. Wannabet (Registration No. N2013-158 dated 26 December 2013)
48. Jackpot Karera (Registration No. N2013-157 dated 26 December 2013)

#### Pending Applications for Registration of Trademarks

The Company has twelve (12) pending trademarks applications with the IPO:

1. BigGame Inc. and device (Application No. 4-2007-012198)
2. Stylized Bidwars and device (Application No. 4-2009-005479)
3. Gold Master Brand Logo (Application No. 4-2012-011523)
4. Gold Lotto 4/38 (Application No. 4-2012-0011522)
5. e-Games (Application No. 4-2012-012726)
6. e-Magine (Application No. 4-2013-001693)
7. Vibrant Vegas Logo (Application No. 4-2012-009142)
8. Magic Macau Logo (Application No. 4-2012-009141)
9. Gold Lotto 6/49 (Application No. 4-2012-011521)
10. Text Bonanza and device (Application No. 4-2011-004519)
11. e-Games Virtual Entertainment City (Application No. 4-2012-0154429)
12. Genesis (Application No. 4-2013-00011661)

#### Pending Applications for Registration of Industrial Design and Utility Model

The Company has two (2) pending applications for industrial design and utility model with the IPO:

1. Genesis (Industrial Design) (Application No. 3-2013-001325)
2. Genesis (Utility Model) (Application No. 2-2013-000658)

#### 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

The Company currently has 322 employees broken down as follows: 135 rank and file, 94 supervisors, 64 managers, 29 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.

The Company does not expect any material change in the number of its employees over the next 12 months.

### **Material Events**

The significant contracts and commitments entered into by the Company as of December 31, 2013 are as follows:

- On December 17, 2010, Parent Company entered into an Omnibus Amended Intellectual Property License and Management Agreement (IPLMA) for PAGCOR E-Games with the Philippine Amusement and Gaming Corporation (PAGCOR) wherein the Parent Company grants an exclusive intellectual property license to PAGCOR for the use of its proprietary software system and collateral hardware necessary for PAGCOR to operate the Internet Casino or PAGCOR e-Games. This supersedes the June 1, 2006 IPLMA.

- On December 22, 2009, the Parent Company entered into an Agreement relating to the sale and purchase in January 2010 of certain shares of Acentic GmbH with LBC Capital Sarl (LBC Capital), Host Union International Limited and ISM. On January 11, 2010, the Parent Company completed the acquisition of 32.5% of Acentic GmbH, a Germany based company engaged in hotels and other multi-dwelling establishment thru Host Union International Limited in the amount of 9,750,000 Euro.
- In September 2006, the Parent Company entered into a Deed of Sale with SIIS Investment Holdings Limited wherein the latter has offered to sell and the Company has agreed to buy full ownership of all four special purpose vehicles (SPV), companies incorporated under the laws of the British Virgin Islands. The SPVs will own and hold the 2,285,714,286 common shares of ISM Communications Corporation in equal share.
- On July 26, 2006, the Company secured an irrevocable domestic standby letter of credit from Bank of Commerce in favor of PAGCOR amounting to P17 million to guarantee PhilWeb Corporation's obligation on the Premyo sa Resibo program and its obligation on Internet casinos and Internet sports betting.
- In April 2006, the Parent Company entered into a Memorandum of Understanding with the Department of Finance, Bureau of Internal Revenues, and PAGCOR, whereby the Parent Company and PAGCOR will establish a nationwide text-based raffle program with prizes. This project is entitled "Premyo sa Resibo" which will encourage all purchasers of goods and services in the country to demand a official receipt for every purchase.
- 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.

#### Subscription to ISM Communications Corporation Common Stock

On July 2, 2001, the Company entered into a Memorandum of Agreement (MOA) with Itogon-Suyoc Mines, Inc. (ISMI) whereby ISMI appointed the Company to manage the transformation of ISMI from a mining company to a company engaged in information technology, media, telecommunications, or other similar industries, as well as to identify and negotiate with investors who will infuse the necessary capital or assets for such project. In consideration of the services to be rendered by the Company, and in order to generate investor confidence in the new corporate direction of ISMI, the Company undertook to subscribe to 12,000,068,290 unissued shares of ISMI at its par value of P0.01

per share. The Company has made a partial payment of twenty five percent (25%) on such subscription.

On January 29, 2003, the PSE approved the application of ISM Communications Corporation to list the 3,000,000,000 common shares subscribed and fully paid by the Company at P0.01 par value per share. These shares form part of the 12,000,068,290 common shares subject of the private placement transaction between ISM Communications Corporation and the Company.

In July 2007, the Parent Company subscribed to 13,237,083,080 ISM Communications Corporation's rights offer shares at P0.01 par value each share. The subscription price was paid in full.

On February 16, 2009, the Parent Company exercised its right to subscribe to 1 share for every 1.92 common shares of ISM Communications Corporation held. The subscription payment amounted to P166,225,645 which covers 16,622,564,499 shares of ISM Communications Corporation. This subscription increased the Parent Company's holdings in ISM Communications Corporation from 24.5 billion shares or 19.4% in 2008 to 41.1 billion shares or 21.5% in February 2009.

On June 1, 2009, the Parent Company purchased 5,428,740,000 common shares of ISM Communications Corporation through Uscon Limited, a Hongkong based company. The total additional investment amounted to P172,250,000 which was also paid in the same month. This brings the holdings of the Parent Company to ISM Communications Corporation from 41.1 billion shares or 21.5% to 46.6 billion shares or 24.3%.

On November 19, 2013 as approved by the BOD, the Parent Company executed a Stock Purchase Agreement with Monfortino Holdings, Inc. (MHI) and agreed to sell its 466 million shares or 24.30% interest on ISM for a price of P1.50 per share.

#### **Other Material Contracts**

1. Contract of Lease with Alphaland Corporation for the lease of the Company's principal office premises located at The Penthouse, Alphaland Southgate Tower, 2258 Chino Roces Avenue Extension cor. Epifanio de los Santos Avenue (EDSA), Makati City. The lease is effective for 5 years and may be renewed upon the mutual agreement of the parties.
2. Deed of Assignment dated January 18, 2000 between the Company and All-Acacia Resources, Inc. whereby the Company transferred all of 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 Company's mining operations. In consideration therefore, All-Acacia agreed to assume all liabilities and obligations of the 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 Company, and arrange for the resignation, retirement or termination of all the Company's personnel relating to

the mining business and pay their corresponding separation or retirement pay, as well as hold the Company free and harmless from any expense, liability or obligation arising from the operation of the Company as of the date of the Agreement.

## **Item 2. Properties**

In connection with the Company's intention to cease its mining and oil exploration operations and venture into the Internet business, the stockholders, at its annual meeting held on January 18, 2000, 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 to All-Acacia Resources, Inc. Consequently, the Company entered into a Deed of Assignment dated January 18, 2000 whereby it assigned to All-Acacia Resources, Inc. all of its rights over certain mining claims in the Provinces of Samar and Surigao and all of its mining assets, both tangible and intangible, used in the Company's mining operations.

The Company does not own any real property. However, it is presently leasing from Alphaland Corporation, the premises of its principal office located at The Penthouse, Alphaland Southgate Tower, 2258 Chino Roces Avenue Extension corner EDSA, Makati City. The lease term is from September 19, 2009 to September 18, 2014 for a monthly lease of P2,005,978.00. 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. Gandionco, Jr. vs. PhilWeb Corporation  
CA G.R. CV-No. 01519 for Rescission of Lease Purchase Agreement With Damages And TRO  
Court of Appeals, Cebu

The parties entered into a Lease Agreement with Option to Purchase on November 22, 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 damages. PhilWeb elevated the case to the Court of Appeals.

PhilWeb filed its Appellant's Brief on March 7, 2007. Gandionco filed a motion to admit Appellee's and its Appellee's Brief on July 16, 2007. PhilWeb filed its

Opposition to Appellee's Motion on August 15, 2007. The Court of Appeals issued a Resolution on August 22, 2008 requiring PhilWeb to file its reply. PhilWeb filed its Reply Brief on October 3, 2008. PhilWeb is awaiting Order/Ruling of 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 a sports betting facility. BOS allegedly violated provisions in the MOA prompting PhilWeb to file a case for Damages against BOS.

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

4. Arvin Arcales vs. PhilWeb Corporation, et al.,  
NLRC RAB-VII-Case No. 09-1476-11  
For Separation Pay, Backwages and damages

Arvin Arcales filed an illegal dismissal case with a claim for separation pay, backwages and damages. The National Labor Relations Commission (NLRC) decided on September 24, 2012 that Arcales was validly terminated from employment and that he is not entitled to the award of separation pay, backwages, moral and exemplary damages and attorney's fees. Arcales filed a Petition for Certiorari with the Court of Appeals. On 4 November 2013, PhilWeb filed its Comment to Arcales' petition. The Court of Appeals, through a Resolution dated 11 March 2014, has now directed the parties to file their respective Comments within thirty (30) days from receipt of the same.

5. PhilWeb vs. Eduveges O. Batalan  
NPS No. XV-05-INV-14B-0359  
Qualified Theft

PhilWeb discovered that Eduveges O. Batalan, whose employment has been terminated for cause, stole money from the company amounting to Php534,273.00 through unliquidated cash advances and allowances. Accordingly, PhilWeb filed a case for qualified theft against Batalan and is currently undergoing preliminary investigation before the Office of the City Prosecutor of Makati City.

6. Brinia A. Flojemon vs. PhilWeb, et al.  
SEAD - NLRC NCR Case No. 2013-12-0175B

Brinia A. Flojemon filed an illegal dismissal case with the National Labor Relations Commission. The case is currently undergoing mandatory conference before the labor arbiter.

7. PhilWeb vs. Brinia A. Flojemon  
NPS No. XV-05-INV-14B-0360  
Qualified Theft

PhilWeb discovered that Brinia A. Flojemon, whose employment has been terminated for cause, stole money from the company amounting to Php1,829,000.00 through unliquidated cash advances and allowances. Accordingly, PhilWeb filed a case for qualified theft against Flojemon and is currently undergoing preliminary investigation before the Office of the City Prosecutor of Makati City.

8. PhilWeb Corporation vs. Playtech Software Limited  
Civil Case No. 14-116  
Makati RTC Branch 142

The parties entered into a Software License Agreement (SLA) on 30 October 2012. After the lapse of fourteen (14) months from the execution of the SLA, Playtech had yet to comply with its contracted obligations. Thus, on 12 December 2013, PhilWeb decided to terminate the SLA with immediate effect.

PhilWeb filed a case against Playtech with the Regional Trial Court of Makati on 30 January 2014 for damages and loss of revenue it caused by violating the provisions of the SLA.

#### **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
<b>2009</b>		
First Quarter (ending March 2009)	0.0460	0.0270
Second Quarter (ending June 2009)	0.0525	0.0430
Third Quarter (ending September 2009)*	15.50	5.00
Fourth Quarter (ending December 2009)	18.75	12.50
<b>2010</b>		
First Quarter (ending March 2010)	17.50	16.75
Second Quarter (ending June 2010)	16.50	16.25
Third Quarter (ending September 2010)	16.00	12.00
Fourth Quarter (ending December 2010)	15.62	14.58
<b>2011</b>		
First Quarter (ending March 2011)	16.78	15.70
Second Quarter (ending June 2011)	16.70	16.50
Third Quarter (ending September 2011)	16.60	15.12
Fourth Quarter (ending December 2011)	15.36	14.80
<b>2012</b>		
First Quarter (ending March 2012)	13.90	12.70
Second Quarter (ending June 2012)	17.62	12.70
Third Quarter (ending September 2012)	17.00	12.24
Fourth Quarter (ending December 2012)	17.04	12.26
<b>2013</b>		
First Quarter (ending March 2013)	14.68	12.70
Second Quarter (ending June 2013)	15.80	14.00
Third Quarter (ending September 2013)	15.10	10.84
Fourth Quarter (ending December 2013)	11.24	8.40
<b>2014</b>		
First Quarter (ending March 2014)	8.96	5.02

\* On the third quarter of 2009, PSE approved the change in par value of the Company's shares from P0.01 to P1.00.

## Dividends

PhilWeb declared a cash dividend of P0.10 per share which was paid on 15 March 2013 to the holders of common stock as of 5 March 2013. PhilWeb declared a cash dividend of P0.10 per share which was paid on 25 October 2013 to the holders of common stock as of 15 October 2013. PhilWeb again declared a cash dividend of P0.10 per share which was paid on 28 March 2014 to the holders of common stock as of 18 March 2014.

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.

## Holdings

There were 1,501 shareholders of record holding the Company's outstanding capital stock of 1,432,612,814 common shares as of March 31, 2014 net of treasury shares of 81,380,938.

## Top 20 Stockholders

The top 20 stockholders of record as of March 31, 2013 (based on total outstanding capital stock of 1,432,612,814 shares, net of treasury shares of 81,380,938 were:

Name of Stockholder	No. of Subscribed Common Shares	% to Total Outstanding
1. PCD Nominee Corporation Filipino -242,544,927 Non-Filipino – 117,984,269	360,529,196	25.17
2. PhilWeb Casino Corporation	260,392,307	18.18
3. Compact Holdings, Inc.	95,574,500	6.67
4. Dominion Equities, Inc.	90,842,400	6.34
5. Deltaventure Resources, Inc.	90,001,797	6.28
6. Azurestar Corporation	86,217,048	6.02
7. Elkhound Resources, Inc.	59,401,200	4.15
8. Ramon S. Ang	53,854,536	3.76
9. Tocmo Realty Corporation	36,001,000	2.51
10. Evermore Trading Limited (Foreign BVI))	24,558,303	1.71
11. Sunrise Sunset Island Corporation	24,001,200	1.68
12. Bluesirius Holdings, Inc.	24,000,000	1.68
13. Roberto V. Ongpin	21,840,000	1.52
14. Stargate Securities Holdings, Inc.	19,916,834	1.39
15. Labilab Corporation	19,200,600	1.34
16. Armada Resources & Development Corporation	18,000,000	1.26
17. Giantnova Holdings Inc.	16,577,776	1.16
18. Aquadisk Corporation	14,369,508	1.00
19. Bacong Highland Realty, Inc.	13,200,500	0.92
20. Itogon Realty Corporation	13,200,500	0.92

### 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 Internet gaming activities are projected to sufficiently meet the Company's current operating cash requirements.

The Company does not expect to conduct any material product research and development in the foreseeable future.

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 the limited leasing facilities that may be utilized for the above-mentioned purchases.

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 2013, the Company's key performance indicators are the following:

- 1.) The Company's Net Income margin for the aforementioned period was at 14%. This was computed as Net Income of ₱202,894,555 divided by Net Revenues of ₱1,493,699,764.
- 2.) The Company's Earnings Before Interest, Taxes, and Depreciation and Amortization (EBITDA) was ₱985,634,920 or 2% higher compared last year.
- 3.) The increase in revenues in 2013 was 1%. It was computed by dividing the difference between 2013 and 2012 Revenue by 2012 Revenue.
- 4.) Operating Income margin was 44%, which was computed as Operating Income of ₱654,715,723 divided by Net Revenues of ₱1,493,699,764.
- 5.) Current ratio was at 0.75:1.00 computed as Current Assets of ₱1,063,149,112 divided by Current Liabilities of ₱1,412,294,548.

- 6.) Asset to equity ratio was at 3.71:1.00 computed as Total Assets of P2,042,159,181 divided by Total Equity of P551,142,849.
- 7.) Debt to equity ratio was at 2.71:1.00, computed as Total Liabilities of ₱1,491,016,332 divided by Total Equity of ₱ 551,142,849.
- 8.) The Return on Total Assets was 10% computed as Net Income of P202,894,555 divided by the Total Assets of P2,042,159,181.
- 9.) The Return on Equity was 37% computed as Net Income of P202,894,555 divided by the Total Equity of P551,142,849.

For the year 2012, the Company's key performance indicators are the following:

- 1.) The Company's Net Income margin for the aforementioned period was at 74%. This was computed as Net Income of ₱1,096,287,578 divided by Net Revenues of P1,483,589,923.
- 2.) The increase in revenues in 2012 was 27%. It was computed by dividing the difference between 2012 and 2011 Revenue by 2011 Revenue.
- 3.) Operating Income margin was 57%, which was computed as Operating Income of ₱851,258,661 divided by Net Revenues of ₱1,483,589,923.
- 4.) Current ratio was at 7.58:1.00 computed as Current Assets of ₱1,930,202,913 divided by Current Liabilities of ₱254,565,832.
- 5.) Asset to equity ratio was at 1.09:1.00 computed as Total Assets of P3,817,197,716 divided by Total Equity of P3,488,600,712.
- 6.) Debt to equity ratio was at 0.09:1.00, computed as Total Liabilities of ₱328,597,004 divided by Total Equity of ₱3,488,600,712.
- 7.) The Return on Total Assets was 29% computed as Net Income of P1,096,287,578 divided by the Total Assets of P3,817,197,716.
- 8.) The Return on Equity was 31% computed as Net Income of P1,096,287,578 divided by the Total Equity of P3,488,600,712.

For the year 2011, the Company's key performance indicators are the following:

1. The Company's Net Income margin for the aforementioned period was at 78%. This was computed as Net Income of ₱914,074,670 divided by Net Revenues of ₱1,165,067,713.
2. The increase in revenues in 2011 was 12%. It was computed by dividing the difference between 2011 and 2010 Revenue by 2010 Revenue.

3. Operating Income margin was 60%, which was computed as Operating Income of ₱697,228,782 divided by Net Revenues of ₱1,165,067,713.
4. Current ratio was at 8:1.00 computed as Current Assets of ₱1,469,499,810 divided by Current Liabilities of ₱173,266,792.
5. Asset to equity ratio was at 1.07:1.00 computed as Total Assets of P3,391,004,571 divided by Total Equity of P3,161,678,421.
6. Debt to equity ratio was at 0.07:1.00, computed as Total Liabilities of ₱229,326,150 divided by Total Stockholders' Equity of ₱3,161,378,421.
7. The Return on Total Assets was 27% computed as Net Income of P914,074,670 divided by the Total Assets of P3,391,004,571.
8. The Return on Equity was 29% computed as Net Income of P914,074,670 divided by the Total Equity of P3,161,678,421.

#### Performance for the Year Ended December 31, 2013

##### *Cash and Cash Equivalents*

The cash and cash equivalents decreased by P710.2 million or 67% versus last year. The Company operations generated cash amounting to P801.6 million. In addition, the Company received P558.3 million proceeds from the sale of investment in ISM. Also, the Company availed loans of P1,200.0 million from local banks. The Company used its cash for CAPEX P98.7 million, dividends P267.7 million and payment for the acquisition of its own shares P2,881.3 million.

##### *Receivables (net)*

The receivables decreased by P13.0 million or 5% versus last year, mainly due to allowance provided for trade receivables of Asia-Pacific and other non-affiliated companies. It is partially offset of the increase in receivables from non-affiliates (Alphaland and Monfortino) and advances to suppliers of e-Magine.

##### *Inventories*

The increase in inventories amounting to P46.1 million or 463% mainly due to the gaming terminal cost of e-Magine Gaming Corporation.

##### *Notes Receivable*

The decrease in notes receivable of P184.3 million or 37% versus last year, was mainly due to amendment of payment terms of receivables from the sale of investment in Acentic.

#### *Prepayments and Other Current Assets*

Prepayments and other current assets decreased by P5.7 million or 5% versus last year mainly due to the decrease in prepaid others.

#### *Investment in Associates*

The decrease in investment in associates of P1,058.3 million or 99%, was mainly due to the sale of investment in ISM.

#### *Noncurrent Receivables*

Noncurrent receivables increased by P170.1 million or 35% versus last year, due to reclassification of current receivables in accordance with the amendment of payment terms of receivables from the sale of investment in Acentic.

#### *Property and Equipment*

The decrease in property and equipment of P34.2 million or 12% represents the total acquisitions of P97.7 million less depreciation amounting to P131.7 million.

The acquisitions mainly pertain to the expansions in Asia-Pacific (TeGS) and BGI operations.

#### *Deferred Tax Assets*

Deferred tax assets recognized amounting to P17.6 million represent the amounts of income taxes recoverable in future periods arising from deductible temporary differences.

#### *Other Noncurrent Assets*

Other noncurrent assets increased by P1.7 million or 4% mainly due to the increase in rental deposits as a result of business expansions.

#### *Accounts Payable and Accrued Expenses*

The decrease in accounts payable and accrued expenses by P42.3 million or 17% was mainly due to payment of unpaid acquisition of treasury shares pursuant to buyback program as approved by BOD last year.

#### *Notes Payable*

Notes payable amounts to P1,200.0 million pertains to the availment of loans during the year.

### *Retirement Benefits Liability*

The increase in retirement benefits liability of P2.2 million or 9% represents additional provision for employees' retirement benefits.

### *Operators' deposit*

The increase of operators' deposit of P2.5 million or 5% represents the cash received from operators upon opening of PeGS that serves as a bond/security in case the operators defaults from payments. This deposit is to be returned to the operators after termination of the contract.

### *Capital stock*

No movement for capital stock in 2013.

### *Additional paid in capital*

No movement for additional paid in capital in 2013.

### *Retained earnings*

The increase in retained earnings of P12.5 million or 1% was attributable to the net income during the period, net of cash dividends.

### *Treasury stock*

The increase in treasury shares of P2,881.3 million or 272% was due to the redemptions of e-PLDT held shares and shares bought from the market pursuant to the buyback program.

### *Income and Expenses*

For the year ended December 31, 2013, the Company posted net income of P202.9 million. Revenues increased by 1%. Overall, the Company decreased its net income by 82% versus last year. Note however that EBITDA still increased by 2% as the net income includes one-time losses from the sale of investment in ISM amounting to P552.0 million and provision for impairment losses of P198.5 million.

### *Revenues*

Total revenues increased by P10.1 million or 1%, to P1,493.7 million for year ended December 31, 2013 from P1,483.6 million registered last year. The increased was contributed by the PeGS business; however, it is mitigated by the decreased in revenue from PhilWeb Asia-Pacific operation. PeGS improvement was contributed by the increase in number of sites, stations and higher amount of customer's deposits.

### *Salaries and Benefits*

The decrease of P23.1 million or 15% was mainly due to the revised sharing agreement of common cost personnel.

### *Depreciation and Amortization*

The increase of P35.0 million, or 36% in depreciation and amortization was due to increase in acquisition of additional servers, computer equipment and leasehold improvements related to the expansions in Asia-Pacific and BGI operations.

### *Outsourced Services*

The increase in outsourced services of P8.9 million or 10% was primarily due to an increase in number of contracted employees and security personnel due to expansions of Asia-Pacific and BGI operations.

### *Rental*

The increase of P10.7 million or 18% in rent was due to expansion of Asia-Pacific and BGI operations.

### *Utilities and Communications*

The increase in utilities and communications of P12.6 million or 22% was due to additional power and utility requirements of expanded business operations.

### *Representation and Entertainment*

Representation and entertainment increased by P6.9 million or 14% as a result of the expansion of BGI operations.

### *Supplies*

Supplies slightly decreased by P2.3 million or 8%.

### *Operator Incentives and Commissions*

The decrease of P14.7 million was mainly due to lower commissions provided to the distributors of scratch cards in the Asia-Pacific business operation.

### *Impairment Losses*

The provision for impairment losses pertains to expired portion of excess input VAT and long outstanding receivables.

#### *Professional Fees*

Professional fee decreased by P4.6 million or 28% mainly due reduction of technical consultant.

#### *Advertising and Promotion*

Advertising and promotion slightly decreased by P0.1 million or 1%.

#### *Taxes and Licenses*

Taxes and licenses slightly decreased by P0.8 million or 5%.

#### *Miscellaneous*

The decrease of P1.0 million or 10% was mainly due to decrease in other expenses of gaming operations.

#### *Loss on Sale of Equity Investment*

The loss on sale of equity investment of P552.0 million pertains to the disposal of investment in ISM. While the sale resulted to a paper loss, based on acquisition cost the Company made a cash gain of P60.4 million.

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

Equity in net earnings of associates of P86.1 million mainly pertains to share in net income of investment in ISM before sale.

#### *Interest Income*

The decrease of P14.1 million or 39% was mainly due to decreased in average cash deposits and short-term placements during the year.

#### *Interest Expense*

Interest expense of P22.1 million was due to availment of loans.

### Performance for the Year Ended December 31, 2012

#### *Cash and Cash Equivalent*

The cash and cash equivalents increased by P151.5 million or 17% versus last year. The Company operations generated cash amounting to P982.5 million. P160 million was used in capital expenditures for expansion projects, partially offset by P81.0 million proceeds from the sale of investment. P759.7 million was used to pay cash dividends and

fund the acquisition of Company's own share pursuant to the buyback program as approved by the BOD.

#### *Receivables*

The receivables increased by P38.1 million or 17% versus last year as a result of growing operations in Asia-Pacific.

#### *Inventories*

The increase in inventories amounting to P6.6 million or 197% pertains to the cost of scratch cards of Asia-Pacific operations and gaming terminal cost of e-Magine Gaming Corporation.

#### *Notes Receivable*

The increase in notes receivable of P227.9 million or 85% versus last year, was mainly due to the current portion of receivables arising from the sale of investment in Acentic.

#### *Prepayments and Other Current Assets*

Prepayments and other current assets increased by P36.7 million or 54% versus last year mainly due to the increase in prepaid rent, prepaid licenses and excess input VAT.

#### *Investment in Associates*

The decrease in investment in associates of P591.7 million or 36%, was mainly due to the sale of investment in Acentic.

#### *Noncurrent Receivables*

Noncurrent receivables of P486.0 million represents the noncurrent portion of the receivables from sale of investment in Acentic.

#### *Property and Equipment*

The increase in property and equipment of P63.6 million or 29% represents the total acquisitions of P160.3 million less depreciation amounting to P96.7 million.

The acquisitions mainly pertain to the expansions in Asia-Pacific and BGI operations.

#### *Deferred Tax Assets*

Deferred tax assets recognized amounting to P4.9 million represent the amounts of income taxes recoverable in future periods arising from deductible temporary differences.

### *Other Noncurrent Assets*

Other noncurrent assets increased by P6.9 million or 19% mainly due to the increase in rental deposits as a result of business expansions.

### *Accounts Payable and Accrued Expenses*

The increase in accounts payable and accrued expenses by P81.3 million or 47% was mainly due to the increase in trade payables and accruals as a result of expansions in the Asia-Pacific region and unpaid acquisition of treasury shares pursuant to buyback program as approved by BOD.

### *Retirement Benefits Liability*

The increase in retirement benefits liability of P10.9 million or 73% represents additional provision for employees' retirement benefits.

### *Operators' deposit*

The increase of operators' deposit of P6.0 million or 14% represents the cash received from operators upon opening of PeGS that serves as a bond/security in case the operators defaults from payments. This deposit is to be returned to the operators after termination of the contract.

### *Capital stock*

The increase in capital stock of P277.4 million or 25% was mainly attributable to the 20% stock dividends declared and issued in May 2012.

### *Additional paid in capital*

The increase in additional paid in capital of P545.3 million or 102% was mainly due to the excess over acquisition cost of the re-issuance of shares that was bought back from e-PLDT.

### *Retained earnings*

The increase in retained earnings of P563.7 million or 37% was attributable to the net income during the period, net of cash and stock dividends.

### *Treasury shares*

The increase in treasury shares of P1,060.3 million was due to the redemptions of e-PLDT held shares (net of dispositions) and shares bought from the market pursuant to the buyback program.

### *Income and Expenses*

For the year ended December 31, 2012, the Company posted net income of P1,096.3 million. Revenues increased by 27%, while operating expenses increased by 35% compared to previous year's balance. Overall, the Company increased its net income by 20% versus last year.

### *Revenues*

Total revenues increased by P318.5 million or 27%, to P1,483.6 million for year ended December 31, 2012 from P1,165.1 million registered last year. The increase was contributed by the PeGS business and the new revenue source from PhilWeb Asia-Pacific operation. PeGS improvement was contributed by the increase in number of sites, stations and higher amount of customer's deposits.

### *Salaries and Benefits*

The increase of P32.2 million or 27% was mainly due to the increase in number of employees which was required for the expansion of the Company's operations and development of new gaming projects.

### *Depreciation and Amortization*

The increase of P17.5 million, or 22% in depreciation and amortization was due to increase in acquisition of additional servers, computer equipment and leasehold improvements related to the expansions in Asia-Pacific and BGI operations.

### *Outsourced Services*

The increase in outsourced services of P20.2 million or 31% was primarily due to an increase in number of contracted employees and security personnel due to expansions of Asia-Pacific and BGI operations.

### *Rental*

The increase of P19.6 million or 48% in rent was due to expansion of Asia-Pacific and BGI operations.

### *Utilities and Communications*

The increase in utilities and communications of P14.1 million or 32% was due to additional power and utility requirements of expanded business operations.

### *Representation and Entertainment*

Representation and entertainment slightly decreased by P3.0 million or 6%.

### *Supplies*

The increase of P20.1 million was mainly due to business expansions in Asia-Pacific region.

### *Operator Incentives and Commissions*

The increase of P20.0 million was mainly due to the commissions provided to the distributors of scratch cards in the Asia-Pacific business operation.

### *Impairment Losses*

The provision for impairment losses pertains to expired portion of excess input VAT.

### *Professional Fees*

Professional fee slightly decreased by P1.4 million or 8%.

### *Advertising and Promotion*

The increase of P11.7 million in advertising and promotion was mainly due to marketing programs for the Asia-Pacific expansions.

### *Taxes and Licenses*

The increase in taxes and licenses of P3.4 million or 29% was mainly due to additional taxes and licenses paid as a result of business expansions.

### *Donation & Sponsorship*

Donation and sponsorship slightly decrease by P0.7 million or 7%.

### *Miscellaneous*

The decrease of P4.0 million or 95% was mainly due to decrease in other expenses of gaming operations.

### *Gain on Sale of Equity Investment*

The gain on sale of equity investment of P181.2 million pertains to the disposal of investment of PCIL in Host Union.

### *Equity in Net Earnings of Associates*

The decrease of P142.3 million or 78% was due to the decrease in net income reported by the associates.

### *Interest Income*

The decrease of P7.5 million or 17% was mainly due to decreased in average cash deposits and short-term placements during the year.

### Performance for the Year Ended December 31, 2011

#### *Cash and Cash Equivalents*

The increase in cash and cash equivalents of about P544.8 million or 153% was mainly due to the cash generated from operations.

#### *Receivables*

The increase in receivables of P75.8 million or 50% was mainly due to advances for projects and various advances given to an associate.

#### *Notes receivable*

The decrease in notes receivable of P266.9 million represents collection of principal plus interest of a loan extended to non-affiliated company.

#### *Investment held for sale*

The decrease in investment held for sale of P594.0 million represents shares of Acentic GmbH thru Host Union International Ltd reclassified to investments in associates.

#### *Prepayments and Other Current Assets*

The increase in prepayments and other current assets of P25.7 million or 57% was mainly due to VAT input.

#### *Investment in Associates*

The increase in investment in an associate about P783.2 million or 89% represents acquisition of Investment to Acentic GmbH from held for sale to long term investments amounting to P658 million and equity share in net income from associates, ISM Communications Corporation and Acentic GmbH thru Host Union International Ltd.

#### *Property and Equipment*

The increase in property and equipment of P20.2 million or 10% represents acquisition less depreciation of assets.

### *Deferred Tax Assets*

Deferred tax assets recognized amounting to P4.1 million represent the amounts of income taxes recoverable in future periods arising from deductible temporary differences.

### *Other Noncurrent Assets*

Other noncurrent assets increased by about P7.5 million or 27% represents deposits on office rentals.

### *Accounts Payable and Accrued Expenses*

The increase in accounts payable and accrued expenses of about P62.5 million or 56% was due to increasing volume mainly of transactions on credit terms.

### *Notes Payable*

The decrease in notes payable of P138.8 million represents full payment of short-term bank loans which was borrowed in 2010.

### *Retirement Benefits Liability*

The increase in retirement benefits liability of P4.9 million or 55% represents accrual of retirement benefits for employees based on existing laws.

### *Operators' deposit*

The increase of operators' deposit of P6.0 million or 17% represents cash received from operators upon opening of PeGS Station that serves as a bond/security in case the operators defaults from payments. This deposit is to be returned to the operators after termination of the contract.

### *Equity*

The increase in total equity of P665.9 million or 27% was mainly due to net income after tax for the year of P914.1 million, net of cash dividends paid of (P252.3) million.

### *Income and Expenses*

For the year ended December 31, 2011, the Company made a net income of P914.1 million. Net service revenues and operating expenses for the year increased by 12% and 7%, respectively, compared to previous year's balance. Overall, the company increased its net income by 45% this year.

### *Revenues*

The increase of P125.2 million or 12% in total revenues were mainly contributed by internet casino business as a result of increase in PeGS Cafès, higher bet volume and higher average winning percentage. The increased was also attributable to sales of scratch cards in Timor and launch of Sweepscenter in Guam.

### *Salaries and Benefits*

The increase of P27.3 million or 30% was mainly due an increase in number of employees which was required for the expansion of the Company's operations and development of new gaming projects.

### *Depreciation and Amortization*

The decrease of P1.0 million or 34% in depreciation and amortization was due to increase in disposal and fully depreciated equipment in 2011; although it is mitigated by the acquisition of additional servers and computer equipment and leasehold improvements related to the expansion of PeGS and an increase in number of cafès.

### *Outsourced Services*

The increase in outsourced services of P11.7 million or 22% was primarily due to an increase in number of contracted employees at PeGS Cafès.

### *Representation and Entertainment*

The increase in representation and entertainment of P2.0 million or 4% was mainly business representation related to the launch of new gaming projects.

### *Rent*

The decrease of P5.1 million, or 11% in rent was mainly due to increase in share of rent charged to its related parties.

### *Utilities and communications*

The increase in utilities and communications of P3.8 million or 9% was due to additional power requirements from increased business operations.

### *Impairment Losses*

The decrease in provision for impairment losses of P14.0 million or 76% was due to lower write-off of value added tax input.

### *Professional Fees*

The decrease of P1.7 million or 8% was mainly due to lower professional fees incurred in its international operations; although, this is mitigated by the additional technical consultancy services availed by the Company for software development associated with growth in the Company's local operations.

### *Taxes and Licenses*

The increase in taxes and licenses of P1.1 million or 11% was mainly due increased business operations and the expansion in the number of PeGS Cafès operated by the wholly owned subsidiary.

### *Advertising and Promotion*

The decrease of P6.7 million, or 61%, in advertising and promotion was mainly due to limited advertising and promotional programs.

### *Supplies*

The increase of P1.0 million or 13% was mainly due to increase in business operations.

### *Operator Incentives*

The increase of P1.1 million or 31% was mainly due to additional incentive provided to the supervisors and cashier of wholly-owned PeGS Cafès whenever they hit certain target.

### *Donation & Sponsorship*

Relative to the increase in the Company's profit is the increase of donation and sponsorship of P6.9 million or 204%.

### *Miscellaneous*

The increase of P3.4 million was largely due to increase in various expenses to gaming operations.

### *Equity in Net Earnings of Associates*

The increase of P178.1 million was due to the higher net income reported by the associates.

### *Interest Income*

The increase of P9.1 million or 26% was mainly due to increase in cash deposits and investments in short-term placements during the year.

### *Interest Expense*

Interest expense was decreased by P13.0 million or 93% due to fully payment of bank loans.

### *Miscellaneous - net*

The decrease of P2.4 million or 120% was primarily because of recognized foreign currency exchange gain in 2010. In 2011, the Company had an unrealized foreign currency exchange loss of P0.5 million.

### *Key Variable and Other Qualitative and Quantitative Factors*

There were no known trends, events or uncertainties that will have material impact on the Company's liquidity.

There were no events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation.

There were no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Company with unconsolidated entities or other persons created during the reporting period.

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

No extraordinary purchase of plant and equipment are expected beyond those in the regular course of the Company's operations.

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

There are no significant elements of income that did not arise from the Company's continuing operations.

There were no known causes for any material changes from period to period of financial statements, which shall include vertical and horizontal analyses of any material item.

There are no seasonal aspects that have material effect on the Company's financial condition or results of operation.

## **Item 7. Financial Statements**

See attached.

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

Audit fees in relation with the services rendered for the examination and preparation of the Company's financial statements. The following table sets out the aggregate fees billed for each of the last three years for professional services rendered by the independent public accountant.

	2013	2012	2011
Audit and Audit-Related Fees	P1,161,045	P980,834	P869,300
Tax Fees	none	none	none
Other Fees	87,136	none	none
<b>Total</b>	<b>P1,248,181</b>	<b>P980,834</b>	<b>P869,300</b>

The auditor of the Company conducted its audit in accordance with the auditing standards generally accepted in the Philippines with the objective of expressing an opinion as to whether the presentation of the financial statements, taken as a whole conforms with the accounting principles generally accepted in the Philippines. They performed tests of the accounting records and such other procedures, as they considered necessary in the circumstances to provide a reasonable basis for an opinion on the financial statements. They also assessed the accounting principles used and significant estimates made by the management and evaluated overall financial statements presentation.

The auditor also considered the Company's internal control in order to determine the nature, timing and extent of the audit procedures for the purpose of expressing an opinion on the financial statements. There were no additional fees related to this.

There were no products and services provided by the external auditor other than the services reported under the above items.

The Audit Committee approved the policies and procedures in relation to the services of the external auditor.

**Part III - CONTROL AND COMPENSATION INFORMATION**

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

Name	Age	Position/Citizenship/Period Served/Term of Office
Roberto V. Ongpin	77	Director & Chairman/Filipino/14 yrs./1 yr.
Eric O. Recto	50	Director & Vice Chairman/Filipino/9 yrs./1yr.
Ray C. Espinosa	58	Director & Vice Chairman/ Filipino/8 yrs./1 yr.
Dennis O. Valdes	52	Director & President/Filipino/8 yrs./1yr.
Tomas I. Alcantara	67	Director /Filipino/12 yrs./1 yr.
Benito R. Araneta	70	Director/Filipino/11 yrs./1 yr.

Rodolfo Ma. A. Ponferrada	37	Director/Filipino/1 yr./1 yr.
Napoleon L. Nazareno	64	Director/Filipino/2 yrs./1 yr.
Mario J. Locsin	62	Director/Filipino/14 yrs./1 yr.
Anna Bettina Ongpin	49	Director/American/7 mos./1 yr.
Mario A. Oreta	68	Director/Filipino/9 yrs./1 yr.
Rafael B. Ortigas	42	Director/Filipino/10 yrs./1 yr.
Michael T. Grandinetti	61	Director/American/2 yrs./1 yr.
Marriana H. Yulo	30	Director/Filipino/1 yr./1 yr.
Zaldy M. Prieto	39	CFO/Filipino/7 yrs./1 yr.
Rodolfo Ma. A. Ponferrada	37	Corporate Secretary/Filipino/ 1 yr./1 yr.
Raymund Nonato S. Aquino	45	Assist. Corporate Secretary/Filipino/2 yrs./1 yr.

**Roberto V. Ongpin** was elected Chairman of the Company in January 2000, the year he founded the Company. He is also the Chairman of the following Philippine listed Corporations: ISM Communications Corporation, Alphaland Corporation, Atok-Big Wedge Co., Inc., Philippine Bank of Communications and a Director of San Miguel Corporation, Ginebra San Miguel, Inc. and Petron Corporation. In Hong Kong, he is the Non-Executive Director of Shangri-La Asia and the Deputy Chairman of the South China Morning Post, both listed in the Hong Kong Stock Exchange. He is also the Chairman of Acentic GmbH (Germany) and a Non-Executive Director of Forum Energy PLC (London). Mr. Ongpin joined SGV & Co. in 1964 and was Chairman and Managing Partner of the firm from 1970 to 1979. He served as the Minister of Trade and Industry of the Republic of the Philippines from 1979 to 1986. Mr. Ongpin graduated cum laude in Business Administration from the Ateneo de Manila University, is a Certified Public Accountant and has an MBA from the Harvard Business School.

**Eric O. Recto** was elected Vice Chairman on July 28, 2006 after having been President and Director of the Company since March 2005. He is also the Co-Chairman of the Philippine Bank of Communications, the Vice Chairman and Director of Alphaland Corporation, and Atok-Big Wedge Co., Inc., the President and Director of Petron Corporation, and ISM Communications Corporation, a Director of the Manila Electric Company, San Miguel Corporation, a Member of the Board of Supervisors of Acentic GmbH, and the President and Director of Top Frontier Investment Holdings, Inc., and Q-Tech Alliance Holdings, Inc. Prior to joining the Company, Mr. Recto served for three years as an Undersecretary of the Department of Finance of the Philippine Government in charge of handling both the International Finance Group and the Privatization Office. Before his work with the government, he was the CFO of Alaska Milk Corporation and prior to that, Belle Corporation. Mr. Recto has a degree in Industrial Engineering from the University of the Philippines as well as an MBA from the Johnson School, Cornell University.

**Ray C. Espinosa** was elected Vice Chairman of the Company on June 20, 2006. He is President and CEO of Mediaquest Holdings, Inc., ABC Development Corporation, and Mediascape, Inc. He is a Director of the Philippine Long Distance Telephone

Company, Meralco PowerGen Corporation, Manila Electric Co., and Metro Pacific Investment, Corp., a Director and Corporate Secretary of Cyber Bay Corp., and an Independent Director of Lepanto Consolidated Mining Company. He is also the President of Nation Broadcasting Corp. and other subsidiaries of Mediaquest Holdings, Inc. He was a partner of SyCip Salazar Hernandez & Gatmaitan from 1982 to 2000, a foreign associate at Covington and Burling (Washington, D.C., U.S.A.) from 1987 to 1988, and a law lecturer at the Ateneo de Manila School of Law from 1983 to 1985 and 1989. He is a member of the Integrated Bar of the Philippines and has a Master of Laws degree from the University of Michigan Law School.

**Dennis O. Valdes** was elected Director of the Company in July 2006. He is the President of the Company, a Director of ISM Communications Corporation, and serves as Director and Treasurer of Alphaland Corporation and Atok-Big Wedge Co., Inc. His previous work experience includes ten years with the Inquirer Group of Companies, as a Director of the newspaper, and also expanding their internet, printing and ink-making operations. Prior to that he spent six years with The NutraSweet Company developing their business in Asia. He is a Certified Public Accountant, graduated magna cum laude in Business Administration and Accountancy from the University of the Philippines, and has an MBA from the Kellogg School of Management, Northwestern University.

**Tomas I. Alcantara** was elected Independent Director of the Company in May 2002. He is the Chairman and President of Alsons Consolidated Resources, Inc., Alto Power Management Corp., Alsons Development and Investment Corporation, Lima Land, Inc., and Sarangani Agricultural Co., Inc., among others. He is a Director of Holcim Philippines and an Independent Director of DBP-Daiwa Securities Corp. He studied at the Ateneo de Manila University, the Columbia University Graduate School of Business, and the Harvard Business School. He was formerly the Chairman of the Manila Economic and Cultural Office and served the Philippine government in various capacities as Undersecretary for Industry and Investments, Department of Trade and Industry, Vice Chairman and Managing Head of the Board of Investments, and Special Envoy of the President of the Philippines to APEC.

**Benito R. Araneta** was elected Independent Director of the Company in March 2003. He is the Chairman of Takeda Pharmaceutical (Philippines), Inc., a Director of the Araneta Properties, Inc., Boie, Inc., Southeast Asia Cement Corp., Honda Philippines, Inc., and the Philippine-American Drug Co.

**Michael T. Grandinetti** was elected director of the Company in February 2012. He is also currently the President of PhilWeb Asia Pacific Corporation and was formerly a Director of eTelecare International (Philippines) and SPI Technologies (Philippines) and was a Partner at Touche Ross & Co. He is a U.S. certified public accountant and is a member of the American Institute of Certified Public Accountants.

**Mario J. Locsin** was elected Director of the Company in January 2000. He is also currently the President and Director of Atok-Big Wedge Co., Inc., Director and Executive Vice President of ISM Communications Corporation, Vice Chairman and Director of the Philippine Bank of Communications, Director of Alphaland

Corporation, as well as the President of Alphaland Heavy Equipment Corporation, and Inpilcom, Inc. In the past, he served as the President and COO (until February 8, 2011) of Eastern Telecommunications Philippines, Inc., a Director of Belle Corporation, APC Group, Southwest Resources, Philippine Long Distance Telephone Co. and Pilipino Telephone Co., as well as a Director, Executive Vice President and COO of Philippine Airlines. He holds a degree in LIA-Honors Math from De La Salle University and a Masters degree in Business Administration from the University of San Francisco.

**Napoleon L. Nazareno** was elected Director of the Company in May 2011. He is also currently the President and CEO of the Philippine Long Distance Telephone Company and Smart Communications, Inc. and PLDT Communications and Energy Ventures. He is also Chairman of the Board of Wolfpac Mobile, Inc., Smart Broadband, Inc., i-Contacts Corporation, and Airborne Access, Inc., and President of Connectivity Unlimited Resources, Inc., which are subsidiaries of Smart. He is also a Board Member of the GSM Association Worldwide; a Non-Executive Director of Hong Kong-based First Pacific Company Ltd., a Director at Manila Electric Company, Wireless Applications Community, ACeS Philippines Cellular Satellite Corporation, where he is also the President, PLDT Global Corporation and ePLDT, Inc., and recently, Digital Telecommunications Philippines Inc., and Digitel Mobile Phils. Inc.. Outside of his work in the PLDT Group, Mr. Nazareno generously shares his expertise with other organizations in his capacity as Chairman of the Board of Trustees and Governors of the Asian Institute of Management, Governor of the Management Association of the Philippines, Member of the Council of Advisors of the De La Salle University - Graduate School of Business, Partner-member of the Philippine Business for Social Progress, and Philippine-Thailand Business Council, Pacific Basin Economic Council, among others. He obtained a Master's degree in Business Management at the Asian Institute of Management in 1973 and also took the INSEAD Executive Program at the European Institute of Business Administration in Fountainebleau, France in 1983.

**Anna Bettina Ongpin** was elected Director of the Company in August 2013. She has more than 20 years of communications, marketing, project management, and operations experience in the management consulting and media fields. She has a bachelor's degree in Political Science from Wellesley College.

**Mario A. Oreta** was elected Independent Director of the Company in March 2005. He is also currently the President and Director of Alphaland Development, Inc., Alphaland Balesin Island Resort Corporation, Alphaland Makati Place, Inc., Alphaland Makati Tower, Inc., The City Club at Alphaland Makati Place, Inc., Alphaland Balesin Island Club, Inc., Alphaland Marina Corporation, Alphaland Marina Club, Inc., Aklan Boracay Properties, Inc., and Alphaland Property Management Corporation, the Vice Chairman and Director of Alphaland Heavy Equipment Corporation, and Alphaland Reclamation Corporation, and Chief Operating Officer of Jet Eagle International Limited, Inc. He is the Chairman of Major Holdings, Inc., Major Properties, Inc., and Major Homes, Inc. He is also a Director of ISM Communications Corporation, and Atok-Big Wedge Co., Inc. He was the Founder and Managing Partner of Tanjuatco Oreta and Factoran Law Offices.

**Rafael B. Ortigas** was elected Director of the Company in April 2002. He is the Chairman and President of Leafar Commercial Corporation, a Director of Sagitro, Inc., and Itogon-Suyoc Resources, Inc., and Vice President and Director of ISM Communications Corporation. He was a director of OCLP Holdings, Inc. and former General Partner of Ortigas and Company Ltd. Partnership. He is also a Trustee and President of Leafar Foundation, Inc. and a Trustee of the Ortigas Foundation, Inc. He has a Bachelor of Science degree in Computer Science from De La Salle University and an MBA from Ateneo de Manila Graduate School of Business.

**Rodolfo Ma. A. Ponferrada** was elected Director of the Company in April 2013 and Corporate Secretary of the Company in July 2012. He is the Corporate Secretary of Alphaland Corporation, ISM Communications Corporation, Atok-Big Wedge Co., Inc. and the Philippine Bank of Communications, and a member (representing the private sector) of the Board of Directors of the Social Housing Finance Corporation. He is a member of the Integrated Bar of the Philippines.

**Marriana H. Yulo** was elected Director of the Company in April 2013. She is the Head of Corporate Finance of the Company. She is the CFO of Alphaland Corporation. She is also the head of Corporate Finance for ISM Communications Corporation and Atok-Big Wedge Co., Inc. She graduated with a degree in Business Administration, major in Management at Palawan State University. She also holds an MBA from the University of St. La Salle and has successfully completed Level I of the Chartered Financial Analyst Program.

**Zaldy M. Prieto** was elected as the CFO and Treasurer of the Company in November 2008. He is also the CFO of ISM Communications Corporation. Mr. Prieto is a certified public accountant and certified financial consultant. He has been practicing as a finance professional since 1995. His previous work experiences include being a senior tax consultant of SGV & Co., assistant vice president for finance in Ford Motor Company and plant controller and assistant finance director of James Hardie Philippines. He has also served as a director of Primus Finance and Leasing Co., and Ford Philippines Component Manufacturing Company. He is a member of the Philippine Institute of Certified Public Accountants and Institute of Financial Consultants.

**Raymund Nonato S. Aquino** was elected Assistant Corporate Secretary of the Company in May 2011. He was a director of SGV & Co. He has a Juris Doctor Degree from the Ateneo de Manila University College of Law and a Bachelor of Arts degree major in Legal Management from the Ateneo de Manila University. He is a member of the Integrated Bar of the Philippines.

The following are the Company's independent directors:

1. Tomas I. Alcantara
2. Benito R. Araneta
3. Mario A. Oreta

## **Significant Employees**

There are no persons other than the executive officers that are expected by the Company to make a significant contribution to the business.

## **Family Relationship of Directors and Officers**

Messrs. Eric O. Recto, Dennis O. Valdes and Rafael G. Ongpin are nephews of Mr. Roberto V. Ongpin. Ms. Anna Bettina Ongpin is the daughter of Mr. Roberto V. Ongpin.

The Company does not know any other family relationship of directors and officers other than the ones provided.

## **Involvement of Directors and Officers in Certain Legal Proceedings**

1. Atty. Zenaida Ongkiko-Acorda, as attorney in fact of Atty. Mario E. Ongkiko and in behalf of Philex Mining Corporation vs. Roberto V. Ongpin, et al., SEC Case No. 11-166, pending before the Regional Trial Court of Pasig City, Branch 158, which involves a purported derivative suit filed on behalf of Philex Mining Corporation (Philex) in order to recover the "short-swing profits" which were allegedly realized from supposed transactions involving Philex shares. This case is in the discovery stage. A related Petition for Review on Certiorari is also pending before the Supreme Court in G.R. No. 204166, entitled Roberto V. Ongpin, et al. vs. Acorda, et al.;
2. Development Bank of the Philippines vs. Reynaldo G. David, et al., OMB Case No. C-C-11-0492-H, which is a criminal complaint for violations of R.A. No. 3019, and banking laws, rules and regulations, pending with the Office of the Ombudsman, in connection with transactions with the Development Bank of the Philippines also involving Philex shares. In an Order dated 26 November 2012 and approved on 8 January 2013, the Office of the Ombudsman denied all motions for reconsideration of its 24 September 2012 Review Resolution;
3. People vs. Reynaldo G. David, et al., S.B.-13-CRM-0105 and S.B.-13-CRIM-0106, pending before the Third Division of the Sandiganbayan in connection with two loans obtained by Deltaventure Resources, Inc. from the Development Bank of the Philippines. The Informations in both cases, respectively, for violations of Section 3 (e) of R.A. No. 3019 were filed on 10 January 2013. A Motion to Quash the Informations is pending resolution; and
4. Alphaland Holdings (Singapore) Pte. Ltd. v. Masrickstar Corporation, et. al. (Civil Case No. M-7565, Makati City RTC Branch 66) is a complaint for Interim Measure of Protection in Aid of Arbitration. The petitioner's application for a temporary restraining order or a temporary order of protection was denied for lack of merit by the RTC in an Order dated 22 January 2014. On 14 February 2014, the RTC issued an Order denying the petitioner's Motion for the issuance of an Order Enforcing Award No. 19 issued by the Emergency Arbitrator. On 19 February 2014, the RTC likewise issued an Order declaring Petitioner's Motion to Refer to Arbitration to have been rendered moot. The petitioner

brought the case to the Court of Appeals on Certiorari where it is presently pending resolution.

Other than the foregoing, the Company is not aware that any of its directors and officers is involved in the past five years up to the date of the filing of this Statement in any bankruptcy proceeding. Neither have they been convicted by final judgment in any criminal proceeding, nor been subject to any order, judgment or decree of competent jurisdiction, permanently enjoining, barring, suspending, or otherwise limiting their involvement in any type of business, securities, commodities or banking activities, nor found in action by any court or administrative body to have violated a securities or commodities law.

**Item 10. Executive Compensation**

The aggregate amount of compensation paid by the Company to all of its directors and management as a group for fiscal years 2012 and 2013 were P49,177,050.00 and P55,845,158.00, respectively. The estimated aggregate compensation for 2014 is P49,675,621.00.

**Annual Compensation of Five Most Highly-Paid Executives including the CEO**

(a) Name and Principal Position	(b) Year	(c) Salary	(d) Bonus	(e) Other Annual Comp.
1. Roberto V. Ongpin Chairman (elected January 18, 2000)				
2. Dennis O. Valdes President (elected in July 2006)				
3. Brian K Ng Senior Vice President (effective January 2011)				
4. Rodolfo Ma. A. Ponferrada Senior Vice President (effective July 2012)				
5. Zaldy M. Prieto Senior Vice President & CFO (effective November 2008)				

**Aggregate Compensation of the CEO  
& Five Most Highly-Paid Executives**

2012	20,621,204	1,706,000	695,100
2013	20,832,065	1,356,824	529,412
2014 <sup>1</sup>	21,665,348	1,411,097	550,588

All Officers and Directors as a Group  
Unnamed

2012	43,785,000	3,648,750	1,236,900
2013	55,845,158	5,036,767	823,529
2014 <sup>2</sup>	49,675,621	4,868,209	647,059

There are no standard arrangements with regard to election, bonus, profit sharing, pension/retirement plan granting or extension of any option, warrant or right to purchase any securities. The Company has a stock option plan, which is administered by a stock options committee.

Employment Contracts and Termination of Employment and Change-in-Control Arrangements

Except for the chairman, the rest of the abovementioned executive officers have employment contracts with the Company.

There has been no change in control arrangements with the present management.

Warrants and Options Outstanding

On February 16, 2001, the Securities and Exchange Commission ("SEC") approved the exemption of 4,447,134,695 common shares under the Company's Stock Option Plan from the registration requirements under the Securities Regulation Code (SEC Resolution No. 005, Series of 2001).

On November 18, 2003, The Stock Option Committee approved the awarding to selected individuals who have helped develop the business of the Company over the past two years option to subscribe to a total of One Billion Three Hundred Million (1,300,000,000) common shares at a price of P0.01 per share (the then prevailing market price was P0.012 per share).

On October 14, 2004, the Stock option Committee of the Company approved the award to selected officer options to subscribe to 500,000,000 common shares, at a subscription price of P0.01 per share (the then prevailing market price was P0.012 per share).

On March 2, 2005, the Stock Option Committee of the Company approved the award to selected officers, employees and third parties options to subscribe to 1,391,000,000 common shares, at a subscription price equivalent to a twenty percent (20%) discount over the average closing price during the past thirty (30) trading days (the then prevailing market price was P0.0169 per share).

<sup>1</sup> Estimated figures

<sup>2</sup> Estimated figures

On January 20, 2006, the Stock Option Committee of the Company approved the award to selected officers and employees options to subscribe to a total of 1,786,500 common shares, at a subscription price of P0.013 per share (the then prevailing market price was P0.016 per share).

On November 29, 2006, the Stock Option Committee of the Company approved the award to selected officers options to subscribe to total of 1,156,000,000 common shares, at a price of P0.0248 (the then prevailing market price was P0.031 per share).

On April 9, 2008, the PSE approved the Company's application for the listing of additional 1,982,399,858 common shares with a par value of P0.01 per share, to cover the Stock Option Plan of PhilWeb.

On April 19, 2012, the Stock Option Committee of the Company approved the award to selected officers and employees of options to subscribe to a total of 8,900,000 common shares, at a price of P14.00 per share.

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

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

As of March 31, 2014, PhilWeb Corporation knows of no one who beneficially owns more than 5% of its common stock except as set forth in the table below:

<i>Title of Class</i>	<i>Name and Address of Record Owner and Relationship with Issuer</i>	<i>Name of Beneficial Owner and Relationship with Record Owner</i>	<i>Citizenship</i>	<i>Amount and Nature of Record / Beneficial Ownership (indicate "r" or "b")</i>	<i>Percent Held</i>
Common	PhilWeb Casino Corporation The Penthouse, Alphaland Southgate Tower, 2258 Chino Roces Avenue cor. EDSA, Makati City Stockholder	Dennis O. Valdes Stockholder	Filipino	260,392,307 (r&b - direct)	18.18%
Common	Azurestar Corporation The Penthouse, Alphaland Southgate Tower, 2258 Chino Roces Avenue cor. EDSA, Makati City Stockholder	Roberto V. Ongpin Proxy/Representative	Filipino	86,217,048 (r&b - indirect)	6.02%
Common	Dominion Equities, Inc. The Penthouse, Alphaland Southgate Tower, 2258 Chino Roces Avenue cor. EDSA, Makati City Stockholder	Roberto V. Ongpin Proxy/Representative	Filipino	90,842,400 (r&b - indirect)	6.34%
Common	Compact Holdings, Inc. The Penthouse, Alphaland Southgate Tower, 2258 Chino Roces Avenue cor. EDSA, Makati City Stockholder	Roberto V. Ongpin Proxy/Representative	Filipino	95,574,500 (r&b - indirect)	6.67%
Common	Deltaventure Resources, Inc. The Penthouse, Alphaland	Roberto V. Ongpin Proxy/Representative	Filipino	90,001,797 (r&b - direct)	6.28%

<i>Title of Class</i>	<i>Name and Address of Record Owner and Relationship with Issuer</i>	<i>Name of Beneficial Owner and Relationship with Record Owner</i>	<i>Citizenship</i>	<i>Amount and Nature of Record / Beneficial Ownership (indicate "r" or "b")</i>	<i>Percent Held</i>
	Southgate Tower, 2258 Chino Roces Avenue cor. EDSA, Makati City Stockholder				

## (2) Security Ownership of Management

As of March 31, 2014, the following are the details of the security ownership of Management based on total outstanding shares of 1,432,612,814:

<i>Title of Class</i>	<i>Name of Beneficial Owner</i>	<i>Citizenship</i>	<i>Number of Shares and Nature of Beneficial Ownership</i>	<i>Percentage of Ownership</i>
Common	Roberto V. Ongpin Chairman	Filipino	21,840,000 (direct) 736,339,396 (indirect)	1.52% 51.26%
Common	Eric O. Recto Vice Chairman	Filipino	11,400,000 (direct)	0.77%
Common	Ray C. Espinosa Vice Chairman	Filipino	601,200 (direct)	0.04%
Common	Dennis O. Valdes President	Filipino	2,443,200 (direct)	0.17%
Common	Anna Bettina Ongpin Director	American	100 (direct)	0.00%
Common	Tomas I. Alcantara Independent Director	Filipino	372,000 (direct)	0.03%
Common	Benito R. Araneta Independent Director	Filipino	240,000 (direct)	0.02%
Common	Napoleon L. Nazareno Director	Filipino	1 (direct)	0.00%
Common	Mario J. Locsin Director	Filipino	1 (direct)	0.00%
Common	Mario A. Oreta Independent Director	Filipino	600,000 (direct)	0.04%
Common	Rafael B. Ortigas Director	Filipino	1,200 (direct)	0.00%
Common	Michael T. Grandinetti Director	Filipino	1 (direct)	0.00%
Common	Marriana H. Yulo Director	Filipino	100 (direct)	0.00%
Common	Prieto, Zaldy M. CFO	Filipino	0 (direct)	0.00%
Common	Rodolfo Ma. A. Ponterrada Corporate Secretary	Filipino	36,000(direct)	0.00%
Common	Raymund S. Aquino Asst. Corp Secretary	Filipino	6,000 (direct)	0.00%
Common	Rafael G. Ongpin Senior Vice President	Filipino	507,600 (direct)	0.03%
Common	Antonio K. Garcia Senior Vice President	Filipino	0 (direct)	0.00%
Common	Brian K. Ng Senior Vice President	Filipino	0 (direct)	0.00%
Common	Ferdinark L. Mariano Vice President	Filipino	0 (direct)	0.00%
Common	Cliburn Anthony A. Orbe	Filipino	202,800(direct)	0.01%

	Vice President			
Aggregate Ownership of Directors and Officers as a Group Unnamed			774,589,599	54.06%

There are no voting trust agreements or any other similar agreement that may result in a change in control of the Company of which the Company has any knowledge. No change in control of the Registrant has occurred since the beginning of its last fiscal year.

**Item 12. Certain Relationships and Related Transactions**

The Company's legal counsel is the law firm of Ponferrada Orbe & Altubar Law Offices where Atty. Rodolfo Ma. A. Ponferrada is a senior partner. Please also refer to Note Number 15 on Related Party Transactions of the enclosed Consolidated Financial Statements for the year 2013.

Other than the foregoing, there has been no transaction outside of the ordinary course of business during the last two years, nor is any transaction presently proposed, to which the Company was or is to be a party in which any director or executive officer of the Company, or owner of more than 10% of the Company's voting securities or any member of the immediate family of any of the foregoing persons had or is to have a direct or indirect material interest. In the ordinary and regular course of business, the Company had or may have had transactions with other companies in which some of the foregoing persons may have an interest.

The Chairman, Mr. Roberto V. Ongpin directly and indirectly owns at least 52.78% of the Company's voting securities. No person, natural or juridical, owns more than 50% of the Company's voting securities.

**Item 13. Corporate Governance**

The Company through its Compliance Officer Atty. Rodolfo Ma. A. Ponferrada, has monitored the Company's compliance with SEC Memorandum Circular No. 2 dated April 15, 2002 and the relevant SEC Circulars on Corporate Governance and noted that no substantive or major deviations occurred. The Company's directors and officers have complied with the practice and policies contained in the Company's Manual on Corporate Governance. The Company has submitted its self-rating performance assessment sheet in compliance with SEC requirements. All of the Company's directors and officers attended a seminar on corporate governance. The Company's new directors will be encouraged to attend seminars as well.

The Company's Board of Directors and officers have been properly briefed on their specific responsibilities as embodied on the Manual on Corporate Governance. The compliance officer monitors the Company's compliance with the provisions and requirements of the manual and determines violations if any.

There were no deviations made from the adopted Manual on Corporate Governance.

The Company's management considers its Manual on Corporate Governance sufficient and believes that there is no need to amend it. It ensures that the provisions of the manual are properly implemented.

#### **Part IV - EXHIBITS AND SCHEDULES**

##### **Item 14. Exhibit and Reports on SEC Form 17-C**

###### **a. Exhibit**

Exhibit A - Material Contracts

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

June 13, 2013

Announcement that PhilWeb Casino Corporation and ePLDT, Inc. transacted the third tranche of Company shares totaling 93,457,944 shares by means of a special block sale through the facilities of the Philippine Stock Exchange, Inc.

August 15, 2013

Announcement of the resignation of Mr. Craig Ehrlich as director of the Company.

August 16, 2013

Announcement of the election of Ms. Anna Bettina Ongpin as director of the Company.

October 1, 2013

Announcement that the Company has declared a cash dividend of P0.10 per share which will be paid on October 25, 2013 to the holders of common stock of record as of October 15, 2013.

November 19, 2013

Announcement that the Company executed a Stock Purchase Agreement with Monfortino Holdings, Inc. wherein the Company sold its 465,597,499 common shares in ISM Communications Corporation including shares held by Uscon Limited (a wholly-owned subsidiary of the Company) to Monfortino Holdings, Inc. for a price of Php1.50 per share.

December 13, 2013

Announcement that PhilWeb Casino Corporation and ePLDT, Inc. transacted the fourth and last tranche of Company shares totaling 117,518,475 shares by means of a special block sale through the facilities of the Philippine Stock Exchange, Inc.

March 4, 2014

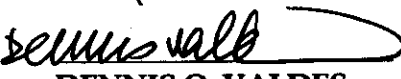
Announcement that the Company has declared a cash dividend of P0.10 per share which will be paid on March 28, 2014 to the holders of common stock of record as of March 18, 2014.

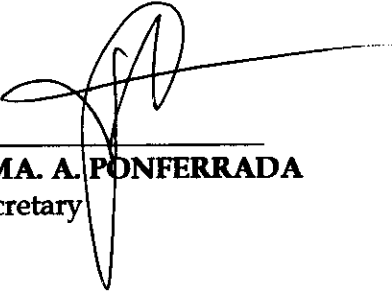
**SIGNATURES**

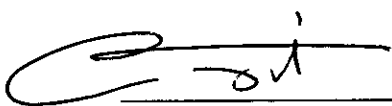
Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Makati on 8 April 2014.

By:

  
ROBERTO V. ONGPIN  
Chairman

  
DENNIS O. VALDES  
President


  
RODOLFO MA. A. PONFERRADA  
Corporate Secretary

  
ZALDY M. PRIETO  
SVP & Chief Finance Officer

**SUBSCRIBED AND SWORN** to before me this **APR 08 2014** day of April 2014 affiants exhibiting to me their Tax Identification Numbers, as follows:

Name	Tax Identification No.
Roberto V. Ongpin	130-725-714
Dennis O. Valdes	141-808-056
Rodolfo Ma. A. Ponferrada	215-793-472
Zaldy M. Prieto	193-976-155

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Series of 2014.

  
CARLO ANTONIO A. BAUTISTA  
Commission No. M-506  
Notary Public for Makati City  
Until December 31, 2014  
The Penthouse, Alphaland  
Southgate Tower, Makati City  
Roll No. 59384  
PTR No. 4256231; 01/27/14; Makati City  
IBP No. 961319; 01/27/14; RSM  
MCLE No. IV-0817797 / TIN No. 408-377-800

**EXHIBIT "A"**

**(Please refer to the Registration Statement for copies  
of other material contracts of PhilWeb Corporation)**