



108132015001560



SECURITIES AND EXCHANGE COMMISSION

SEC Building, EDSA, Greenhills, Mandaluyong City, Metro Manila, Philippines
Tel: (632) 726-0931 to 39 Fax: (632) 725-5293 Email: mis@sec.gov.ph

Barcode Page

The following document has been received:

Receiving Officer/Encoder : Jojit Licudine
Receiving Branch : SEC Head Office
Receipt Date and Time : August 13, 2015 03:16:38 PM
Received From : Head Office

Company Representative

Doc Source

Company Information

SEC Registration No. AS94008678
Company Name WATERFRONT PHILS. INC.
Industry Classification
Company Type Stock Corporation

Document Information

Document ID 108132015001560
Document Type 17-Q (FORM 11-Q: QUARTERLY REPORT/FS)
Document Code 17-Q
Period Covered June 30, 2015
No. of Days Late 0
Department CFD
Remarks

CORPORATE COUNSEL S PHILIPPINES

RECEIVED
DATE 8-13-15
TIME 3:20 PM
BY: YINER L. EMITA

COVER SHEET

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| A | S | 0 | 9 | 4 | - | 8 | 6 | 7 | 8 |
|---|---|---|---|---|---|---|---|---|---|

SEC Registration Number

| | | | | | | | | | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| W | A | T | E | R | F | R | O | N | T | P | H | I | L | I | P | P | I | N | E | S | , | I | N | C |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|

(Company's Full Name)

| | | | | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| N | O | . | 1 | W | A | T | E | R | F | R | O | N | T | D | R | I | V | E | |
| O | F | F | S | A | L | I | N | A | S | D | R | I | V | E | L | A | H | U | G |
| C | E | B | U | C | I | T | Y | | | | | | | | | | | | |

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

| | |
|-----------------------|---------------|
| MS. IRISH CHARA LAWAS | (02) 559-0130 |
|-----------------------|---------------|

Contact Person

Company Telephone Number

| | | | |
|-------|---|-----|---|
| 1 | 2 | 3 | 1 |
| Month | | Day | |

17 - Q2

FORM TYPE

| | | | |
|-------|---|-----|---|
| 0 | 9 | 1 | 2 |
| Month | | Day | |

Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

469

Total No. of Stockholders

| | |
|----------------------------|--|
| Total Amount of Borrowings | |
| | |

Domestic

Foreign

To be accomplished by SEC Personnel concerned

| | | | | | | | | | |
|--|--|--|--|--|--|--|--|--|--|
| | | | | | | | | | |
|--|--|--|--|--|--|--|--|--|--|

File Number

LCU

| | | | | | | | | | |
|--|--|--|--|--|--|--|--|--|--|
| | | | | | | | | | |
|--|--|--|--|--|--|--|--|--|--|

Document I.D.

Cashier

S T A M P S

Remarks = pls. use black ink for scanning purposes

SECURITIES AND EXCHANGE COMMISSION SEC FORM 17-Q

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

1. For the quarterly period ended
June 30, 2015
2. SEC Identification Number
AS 094-8678
3. BIR Tax Identification No.
D80-003-978-254-NV
4. Exact name of issuer as specified in its charter
WATERFRONT PHILIPPINES, INC.
5. Province, country or other jurisdiction of incorporation or organization
PHILIPPINES
6. Industry Classification Code(SEC Use Only)
7. Address of principal office
No.1 Waterfront Drive, Off Salinas Drive, Lahug, Cebu City Postal Code 6000
8. Issuer's telephone number, including area code
(032) 232- 6888
9. Former name or former address, and former fiscal year, if changed since last report
NOT APPLICABLE
10. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA

| Title of Each Class | Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding |
|---------------------------------|--|
| Common Shares- P 1.00 par value | Issued- 2,498,991,753 |

11. Are any or all of registrant's securities listed on a Stock Exchange?

Yes

No

If yes, state the name of such stock exchange and the classes of securities listed therein:

Philippine Stock Exchange Common

12. Indicate by check mark whether the registrant:

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

Yes

No

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

Yes

No

The Exchange does not warrant and holds no responsibility for the veracity of the facts and representations contained in all corporate disclosures, including financial reports. All data contained herein are prepared and submitted by the disclosing party to the Exchange, and are disseminated solely for purposes of information. Any questions on the data contained herein should be addressed directly to the Corporate Information Officer of the disclosing party.

Waterfront Philippines, Incorporated(WPI)

PSE Disclosure Form 17-2 - Quarterly Report *References: SRC Rule 17 and Sections 17.2 and 17.8 of the Revised Disclosure Rules*

For the quarterly period ended June 30, 2015

Currency (indicate units, if applicable) Peso

| | Balance Sheet | |
|--------------------------------------|-------------------------------|--------------------------------|
| | Quarterly Period Ended | Calendar Year Ended |
| | As of June 30, 2015 | As of December 31, 2014 |
| Current Assets | 2,188,893,821 | 2,409,062,395 |
| Total Assets | 8,408,037,793 | 8,933,869,364 |
| Current Liabilities | 1,943,984,858 | 2,021,297,096 |
| Total Liabilities | 3,838,833,696 | 4,247,308,834 |
| Retained Earnings/(Deficit) | -1,395,744,370 | -1,319,219,643 |
| Stockholders' Equity | 4,569,204,097 | 4,686,560,530 |
| Stockholders' Equity - Parent | 3,813,045,708 | 3,941,444,970 |
| Book Value per Share | 1.828 | 1.58 |

Income Statement

| | Current Year-To- Date | Previous Year- To-Date | Current Year (3 Months) | Previous Year (3 Months) |
|--|--------------------------|---------------------------|-------------------------------|--------------------------------|
| Operating Revenue | 1,018,310,322 | 934,556,846 | 496,569,941 | 455,107,837 |
| Other Revenue | 14,958,480 | 14,409,387 | 7,236,520 | 6,438,067 |
| Gross Revenue | 1,033,268,802 | 948,966,233 | 503,806,461 | 461,545,904 |
| Operating Expense | 699,136,963 | 646,674,820 | 345,349,461 | 331,089,356 |
| Other Expense | 208,136,789 | 230,837,544 | 100,380,308 | 122,227,912 |
| Gross Expense | 907,273,752 | 877,512,364 | 445,729,769 | 453,317,268 |
| Net Income/(Loss) Before Tax | 125,995,050 | 71,453,869 | 58,076,692 | 8,228,636 |
| Income Tax Expense | 0.00 | 0.00 | 0.00 | 0.00 |
| Net Income/(Loss) After Tax | 125,995,050 | 71,453,869 | 58,076,692 | 8,228,636 |
| Net Income Attributable to Parent Equity Holder | 114,952,221 | 58,662,362 | 52,540,039 | 6,192,318 |
| Earnings/(Loss) Per Share (Basic) | 0.050 | 0.029 | 0.023 | 0.003 |
| Earnings/(Loss) Per Share (Diluted) | 0.050 | 0.029 | 0.023 | 0.003 |

Other Relevant Information

| | | | | |
|--|---|---|---|---|
| | ▲ | ▼ | ▶ | ◀ |
|--|---|---|---|---|

PART I--FINANCIAL INFORMATION

Item 1. Financial Statements.

Please refer to Annex A.

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

Please refer to Annex B.

PART II--OTHER INFORMATION

NONE.

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Registrant: *Waterfront Philippines, Inc.*

Issuer *Atty. Arthur R. Ponsaran*

Signature and Title


Corporate Secretary

Date

08/13/2015

Principal Financial/Accounting Officer/Controller *Precilla O. Toriano*

Signature and Title


Compliance Officer/ Director for Finance

Date

08/13/2015

| | CONSOLIDATED | | | | | |
|--|------------------------|----------|----------------------|----------|----------------------|--|
| | Unaudited | | Unaudited | | Audited | |
| | June 30, 2015 | | June 30, 2014 | | December 31, 2014 | |
| ASSETS | | | | | | |
| CURRENT ASSETS | | | | | | |
| Cash and Cash Equivalents | 200,363,953 | P | 183,759,861 | P | 139,690,211 | |
| Trade and Other Receivables-net | 182,535,595 | | 565,871,697 | | 188,543,585 | |
| Inventories | 28,194,734 | | 24,945,316 | | 27,815,901 | |
| Due from affiliated companies-current portion | 1,719,819,603 | | 1,480,807,142 | | 1,984,101,530 | |
| Prepaid Expenses and Other Current Assets | 57,979,936 | | 71,142,559 | | 68,911,168 | |
| Total Current Assets | 2,188,893,821 | | 2,326,526,575 | | 2,409,062,395 | |
| Noncurrent Assets | | | | | | |
| Property and equipment-net | 6,093,869,761 | | 6,403,805,389 | | 6,234,272,156 | |
| Available-for-sale Investments | 22,978,150 | | 16,908,450 | | 22,978,150 | |
| Deferred Tax Assets | 30,717,960 | | 44,164,488 | | 200,865,522 | |
| Other noncurrent assets | 71,578,101 | | 98,627,542 | | 66,691,141 | |
| Total Noncurrent Assets | 6,219,143,972 | | 6,563,505,869 | | 6,524,806,969 | |
| Total Assets | P 8,408,037,793 | P | 8,890,032,444 | P | 8,933,869,364 | |
| LIABILITIES AND EQUITY | | | | | | |
| Current Liabilities | | | | | | |
| Accounts payable and accrued expenses | P 1,285,506,443 | P | 1,049,471,890 | P | 1,308,453,420 | |
| Loans Payable-current portion | 375,000,000 | | 375,000,000 | | 574,168,300 | |
| Income tax payable | - | | - | | 25,032,556 | |
| Provisions | - | | - | | 45,575,012 | |
| Other current liabilities | 283,478,415 | | 190,721,278 | | 68,067,808 | |
| Total Current Liabilities | 1,943,984,858 | | 1,615,193,168 | | 2,021,297,096 | |
| Noncurrent Liabilities | | | | | | |
| Loans Payable-noncurrent portion | 144,954,761 | | 717,567,067 | | 273,638,142 | |
| Deferred tax liabilities | 819,724,753 | | 1,109,194,272 | | 1,175,389,157 | |
| Other noncurrent liabilities | 930,169,324 | | 779,277,354 | | 776,984,439 | |
| Total Noncurrent Liabilities | 1,894,848,838 | | 2,606,038,693 | | 2,226,011,738 | |
| Total Liabilities | 3,838,833,696 | | 4,221,231,861 | | 4,247,308,834 | |
| Equity Attributable to Equity Holders of the Parent Company | | | | | | |
| Capital Stock | 2,498,991,753 | | 2,498,991,753 | | 2,498,991,753 | |
| Additional paid-in capital | 706,364,357 | | 706,364,357 | | 706,364,357 | |
| Revaluation increment in property and equipment | 1,935,665,721 | | 2,072,860,019 | | 1,935,665,721 | |
| Unrealized valuation loss on AFS investments | 6,222,054 | | 2,701,628 | | 6,222,054 | |
| Foreign currency translation adjustment | 24,170,439 | | 24,042,754 | | 24,170,439 | |
| Deficit | | | | | | |
| Appropriated | | | - | | 140,000,000 | |
| Unappropriated | (1,395,744,370) | | (1,410,847,471) | | (1,459,219,643) | |
| Retirement Reserves | 37,375,754 | | 36,926,810 | | 89,250,289 | |
| Total Stockholders Equity | 3,813,045,708 | | 3,931,039,850 | | 3,941,444,970 | |
| Non-controlling Interest | 756,158,389 | | 737,760,733 | | 745,115,560 | |
| Total Liabilities & Stockholders Equity | P 8,408,037,793 | P | 8,890,032,444 | P | 8,933,869,364 | |

| | CONSOLIDATED | | | | | |
|---|--------------|--------------------|--------------|---------------------|-------------------|----------------------|
| | Unaudited | | Unaudited | | Audited | |
| | Apr-Jun 2015 | | Apr-Jun 2014 | | December 31, 2014 | |
| REVENUES | | | | | | |
| Hotel | P | 485,042,893 | P | 431,155,893 | P | 1,894,206,167 |
| Nonhotel | | 11,527,048 | | 23,951,944 | | 47,411,970 |
| Interest and other income | | 7,236,520 | | 6,438,067 | | 31,661,948 |
| Subtotal | | 503,806,461 | | 461,545,904 | | 1,973,280,085 |
| OPERATING EXPENSES | | | | | | |
| Hotel | | 328,466,189 | | 315,286,027 | | 1,089,677,507 |
| Nonhotel | | 16,883,272 | | 15,803,329 | | 320,553,122 |
| Subtotal | | 345,349,461 | | 331,089,356 | | 1,410,230,629 |
| INCOME BEFORE FIXED FINANCIAL AND OTHER CHARGES | | 158,457,000 | | 130,456,548 | | 563,049,456 |
| FIXED, FINANCIAL AND OTHER CHARGES | | | | | | |
| Depreciation and amortization | | 84,500,011 | | 93,166,798 | | 398,822,715 |
| Interest Expense | | 15,880,297 | | 29,059,625 | | 132,547,184 |
| Interest Income | | - | | 1,488 | | (33,679,503) |
| Casualty Loss | | - | | - | | - |
| Impairment losses, bad debts written off and provisions | | - | | - | | 4,250,708 |
| Foreign exchange losses(gains) - net | | - | | - | | 6,036,591 |
| Others-net | | - | | - | | (1,965,226) |
| Subtotal | | 100,380,308 | | 122,227,912 | | 506,012,469 |
| INCOME BEFORE INCOME TAX | | 58,076,692 | | 8,228,636 | | 57,036,987 |
| PROVISION FOR INCOME TAX | | | | | | |
| Current | | - | | - | | 28,021,818 |
| Deferred | | - | | - | | - |
| INCOME (LOSS) BEFORE SHARE OF MINORITY INTEREST | | 58,076,692 | | 8,228,636 | | 29,015,169 |
| SHARE OF MINORITY INTEREST | | 5,536,653 | | 2,036,318 | | 4,482,312 |
| NET INCOME(LOSS) | | 52,540,039 | | 6,192,318 | | 24,532,857 |
| OTHER COMPREHENSIVE INCOME | | | | | | |
| Foreign currency translation differences for foreign operations | | - | | - | | 127,685 |
| Net change in fair value of available-for-sale financial assets | | - | | - | | 6,069,700 |
| Actuarial gains(losses) on defined benefit plan | | - | | - | | 76,446,443 |
| Deferred tax effect | | - | | - | | (22,933,932) |
| Total | | - | | - | | 59,709,896 |
| TOTAL COMPREHENSIVE INCOME | P | 58,076,692 | | 8,228,635.81 | P | 88,725,065 |
| EARNINGS (LOSS) PER SHARE | | P0.023 | | P0.003 | | P0.04 |

*There are no dilutive potential shares as of June 30, 2015 and 2014

WATERFRONT PHILIPPINES INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF INCOME -UNAUDITED
As of June 30, 2015

"Annex-A"
Page 3 of 5

| | CONSOLIDATED | | | | | |
|---|---------------|----------------------|---------------|--------------------|-------------------|----------------------|
| | Unaudited | | Unaudited | | Audited | |
| | Jan-June 2015 | | Jan-June 2014 | | December 31, 2014 | |
| REVENUES | | | | | | |
| Hotel | P | 978,255,669 | P | 886,807,813 | P | 1,894,206,167 |
| Nonhotel | | 40,054,653 | | 47,749,032 | | 47,411,970 |
| Interest and other income | | 14,958,480 | | 14,409,387 | | 31,661,948 |
| Subtotal | | 1,033,268,802 | | 948,966,233 | | 1,973,280,085 |
| OPERATING EXPENSES | | | | | | |
| Hotel | | 651,707,506 | | 596,457,175 | | 1,089,677,507 |
| Nonhotel | | 47,429,457 | | 50,217,645 | | 320,553,122 |
| Subtotal | | 699,136,963 | | 646,674,820 | | 1,410,230,629 |
| INCOME BEFORE FIXED FINANCIAL AND OTHER CHARGES | | 334,131,839 | | 302,291,413 | | 563,049,456 |
| FIXED, FINANCIAL AND OTHER CHARGES | | | | | | |
| Depreciation and amortization | | 170,376,294 | | 173,377,407 | | 398,822,715 |
| Interest Expense | | 37,760,495 | | 57,460,137 | | 132,547,184 |
| Interest Income | | - | | - | | (33,679,503) |
| Casualty Loss | | - | | - | | - |
| Impairment losses, bad debts written off and provisions | | - | | - | | 4,250,708 |
| Foreign exchange losses(gains) - net | | - | | - | | 6,036,591 |
| Others-net | | - | | - | | (1,965,226) |
| Subtotal | | 208,136,789 | | 230,837,544 | | 506,012,469 |
| INCOME BEFORE INCOME TAX | | 125,995,050 | | 71,453,869 | | 57,036,987 |
| PROVISION FOR INCOME TAX | | | | | | |
| Current | | - | | - | | 28,021,818 |
| Deferred | | - | | - | | - |
| INCOME (LOSS) BEFORE SHARE OF MINORITY INTEREST | | 125,995,050 | | 71,453,869 | | 29,015,169 |
| SHARE OF MINORITY INTEREST | | 11,042,829 | | 12,791,507 | | 4,482,312 |
| NET INCOME(LOSS) | | 114,952,221 | | 58,662,362 | | 24,532,857 |
| OTHER COMPREHENSIVE INCOME | | | | | | |
| Foreign currency translation differences for foreign operations | | - | | - | | 127,685 |
| Net change in fair value of available-for-sale financial assets | | - | | - | | 6,069,700 |
| Actuarial gains(losses) on defined benefit plan | | - | | - | | 76,446,443 |
| Deferred tax effect | | - | | - | | (22,933,932) |
| Total | | - | | - | | 59,709,896 |
| TOTAL COMPREHENSIVE INCOME | P | 125,995,050 | P | 71,453,869 | P | 88,725,065 |
| EARNINGS (LOSS) PER SHARE | | P0.050 | | P0.029 | | P0.04 |

*There are no dilutive potential shares as of June 30, 2015 and 2014

WATERFRONT PHILIPPINES INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY-UNAUDITED
As of June 30, 2015

"Annex-A"
Page 4 of 5

| | CONSOLIDATED | | | | | |
|---|---------------|------------------------|---------------|------------------------|-------------------|------------------------|
| | Unaudited | | Unaudited | | Audited | |
| | June 30, 2015 | | June 30, 2014 | | December 31, 2014 | |
| CAPITAL STOCK | | | | | | |
| Balance, beginning of the period | P | 2,498,991,753 | P | 2,498,991,753 | P | 2,498,991,753 |
| Issuance of shares | | - | | - | | - |
| Balance, end of period | | 2,498,991,753 | | 2,498,991,753 | | 2,498,991,753 |
| Additional Paid-in Capital | | 706,364,357 | | 706,364,357 | | 706,364,357 |
| Revaluation Surplus in Property and Equipment | | | | | | |
| Balance, beginning of the period | | 1,935,665,721 | | 2,072,860,019 | | 2,072,860,019 |
| Other comprehensive income, net of tax | | | | | | |
| Transfer of revaluation surplus absorbed through depreciation for the year-net of income tax effect | | - | | - | | (137,194,298) |
| Balance, end of the period | | 1,935,665,721 | | 2,072,860,019 | | 1,935,665,721 |
| Unrealized Valuation Gain (Loss) on AFS Investment | | | | | | |
| Balance, beginning of the period | | 6,222,054 | | 2,701,628 | | 2,701,628 |
| Other comprehensive income, net of tax | | - | | - | | 3,520,426 |
| Effect of the increase in non-controlling interest due to sale of an interest in a subsidiary | | - | | - | | - |
| Balance, end of the period | | 6,222,054 | | 2,701,628 | | 6,222,054 |
| Foreign Currency Translation | | | | | | |
| Balance, beginning of the period | | 24,170,439 | | 24,042,754 | | 24,042,754 |
| Translation adjustment during the year | | - | | - | | 127,685 |
| Balance, end of the period | | 24,170,439 | | 24,042,754 | | 24,170,439 |
| Deficit | | | | | | |
| Appropriation for renovation and business expansion | | | | | | |
| Unappropriated: | | | | | | |
| Balance beginning of the year | | (1,319,219,643) | | (1,609,509,833) | | (1,469,509,833) |
| Transfer of revaluation surplus absorbed through depreciation for the year net of tax effect | | - | | - | | 137,194,298 |
| Appropriation for the year | | - | | - | | - |
| Derecognition of retirement benefits reserve | | 140,000,000 | | 140,000,000 | | 3,382,272 |
| Net Income (Net Loss) | | (216,524,727) | | 58,662,362 | | 9,713,620 |
| Balance, end of the period | | (1,395,744,370) | | (1,410,847,471) | | (1,319,219,643) |
| Total deficit | | (1,395,744,370) | | (1,410,847,471) | | (1,319,219,643) |
| Retirement benefits reserve | | 37,375,754 | | 36,926,810 | | 89,250,289 |
| Total Equity Attributable to Equity Holders of the Parent Company | P | 3,813,045,708 | P | 3,931,039,850 | P | 3,941,444,970 |

WATERFRONT PHILIPPINES INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS-UNAUDITED
As of June 30, 2015

"Annex-A"
Page 5 of 5

| | CONSOLIDATED | | | | | |
|--|---------------|----------------------|---------------|----------------------|-------------------|----------------------|
| | Unaudited | | Unaudited | | Audited | |
| | June 30, 2015 | | June 30, 2014 | | December 31, 2014 | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | | |
| Income before income tax | P | 125,995,050 | P | 71,453,869 | P | 57,036,987 |
| Adjustments for: | | | | | | |
| Depreciation and amortization | | 170,376,294 | | 173,377,407 | | 398,822,715 |
| Interest expense | | 37,760,495 | | 57,460,137 | | 132,547,184 |
| Casualty loss | | - | | - | | - |
| Retirement benefits reserve | | (51,874,535) | | (488,751) | | 32,167,172 |
| Provision for impairment losses on receivable | | - | | - | | 1,255,683 |
| Unrealized foreign exchange loss(gain) | | - | | - | | 127,685 |
| Loss on disposal of property and equipment | | - | | - | | 344,940 |
| Interest income | | (6,624,389) | | (12,870,852) | | (33,679,503) |
| Operating income before working capital changes | | 275,632,915 | | 288,931,810 | | 588,622,863 |
| Decrease (increase) in: | | | | | | |
| Receivables | | 6,007,990 | | (374,531,372) | | 3,309,089 |
| Inventories | | (378,833) | | 1,746,265 | | (2,229,680) |
| Prepaid expenses and other current assets | | 10,931,232 | | (3,230,370) | | (2,085,898) |
| Increase (decrease) in: | | | | | | |
| Accounts payable and accrued expenses | | (22,946,977) | | (199,571,153) | | 59,410,377 |
| Other current liabilities | | 215,410,607 | | 79,940,234 | | 2,861,776 |
| Cash generated from operations | | 484,656,934 | | (206,714,586) | | 649,888,527 |
| Interest received | | 6,624,389 | | 12,870,852 | | 2,017,555 |
| Income taxes paid | | (25,032,556) | | (17,970,786) | | (73,373,176) |
| Retirement plan contributions paid | | - | | - | | (4,000,000) |
| Benefits paid | | (45,575,012) | | - | | (20,286,657) |
| Interest paid | | (37,760,495) | | (57,460,137) | | (132,547,184) |
| Net cash provided by (used in) operations | | 382,913,260 | | (269,274,657) | | 421,699,065 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | | |
| Acquisitions of property and equipment | | (29,973,899) | | (71,773,138) | | (128,692,825) |
| Investment in subsidiary | | - | | - | | - |
| Payment of contract payable | | - | | - | | - |
| Decrease in due from related parties | | 264,281,927 | | 520,821,198 | | 49,188,758 |
| Proceeds from sale of an equity interest in subsidiary | | - | | - | | - |
| Decrease (increase) in other non-current assets | | 165,260,601 | | 179,406,747 | | 7,981,953 |
| Net cash provided by (used in) investing activities | | 399,568,629 | | 628,454,807 | | (71,522,114) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | | | |
| Increase(decrease) in loans payable | | (327,851,681) | | (5,914,571) | | (250,675,196) |
| Decrease in due from related parties | | - | | - | | - |
| Increase (decrease) in other non-current liabilities | | (393,956,466) | | (241,313,668) | | (31,619,494) |
| Payment of obligation under finance lease | | - | | - | | - |
| Net cash used in financing activities | | (721,808,147) | | (247,228,239) | | (282,294,690) |
| Decrease in translation adjustment for the year | | - | | - | | - |
| Net increase (decrease) in cash and cash equivalents | | 60,673,742 | | 111,951,911 | | 67,882,261 |
| Cash and cash equivalents at beginning of year | | 139,690,211 | | 71,807,950 | | 71,807,950 |
| Cash and cash equivalents at end of year | P | 200,363,953 | P | 183,759,861 | P | 139,690,211 |

WATERFRONT PHILIPPINES, INCORPORATED AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Organization and Status of the Business

Corporate Information

Waterfront Philippines, Incorporated (“the Parent Company”) was incorporated in the Philippines, and registered with the Philippine Securities and Exchange Commission (SEC) on September 23, 1994. WPI is 46%-owned by The Wellex Group, Inc. (“TWGI”) and is listed in the Philippine Stock Exchange (PSE). It holds equity interest in hotels and resorts, a fitness gym, entities engaged in the international marketing and promotion of casinos, manufacturing of pastries, hotel management and operations.

The Parent Company and the following subsidiaries were incorporated in the Philippines, except for Waterfront Promotion Ltd (WPL) and Club Waterfront Limited (CWIL), which were registered in the Cayman Islands. The details of the equity interest of the Parent Company are shown below:

| | <u>Percentage of Ownership</u> | |
|--|--------------------------------|----------|
| | Direct | Indirect |
| <i>Hotels and resorts:</i> | | |
| Waterfront Cebu City Casino Hotel, Inc. (WCCCHI) | 100 | - |
| Waterfront Mactan Casino Hotel, Inc. (WMCHI) | 100 | - |
| Davao Insular Hotel Company, Inc. (DIHCI) | 98 | - |
| Acesite (Philis.) Hotel Corporation (APHC) | 58 | - |
| Grand Ilocandia Resort and Development, Inc. (GIRDI) | 54 | - |
| <i>Real Estate:</i> | | |
| CIMA Realty Phils. Inc. | | 58 |
| <i>Fitness gym:</i> | | |
| Waterfront Wellness Group, Inc. (W Citigym) | 100 | - |
| <i>International marketing and promotion of casinos:</i> | | |
| Waterfront Promotion Ltd. (WPL) | 100 | - |
| Mayo Bonanza, Inc. (MBI) | 100 | - |
| Club Waterfront International Limited (CWIL) | - | 100 |
| <i>Pastries manufacturing:</i> | | |
| Waterfront Food Concepts, Inc. (WFC) | 100 | |
| <i>Hotel management and operation:</i> | | |
| Waterfront Management Corporation (WMC) | 100 | - |

Hotels

Waterfront Cebu City Casino Hotel Inc. (WCCCHI) was incorporated on September 23, 1994. It started commercial operations in January 1998.

WCCCHI achieved a milestone during the year by opening the doors of WCCHC on January 5, 1998, with 158 guest-rooms which has already grown to 561 by the last quarter of 1999, six-storey convention center known as the Waterfront Convention Center, previously known as Cebu International Convention Center and six-storey Entertainment Block. Located in this Entertainment

Block is a 1,000-square meter 5-star restaurant, which completes the Company's restaurants row. On February 5, 1998, PAGCOR commenced operations at the new purposely-built casino at the Entertainment Block.

-Waterfront Convention Center-(WCC)

Waterfront Convention Center previously known as Cebu International Convention Center is a six-storey building, especially-designed to adapt to any event size and purpose, with a total gross area of 40,587 square meters, and has been in operation since January 5, 1998. Major amenities of the center include ten (10) function rooms and two (2) Grand Ballrooms with a seating capacity of 4,000. WCC is the only convention and exhibition center of international standard in Cebu City.

- Entertainment Block

The Entertainment block is a six-storey building with a total gross area of 34,938 square meters. It is comprised of eleven (11) Food and Beverage entertainment outlets, an 11,000 square meters of public and international gaming area that includes the "Casino Filipino", and 62 hotel rooms and suites

- Hotel Tower Block

The Hotel Tower block is a 22-storey building with a total gross area of 44,334 square meters. It consists of a podium, containing the lobby, a food and beverage outlet, a reception, a shopping arcade, three (3) press function rooms, and a high rise block of 498 hotel rooms and suites.

The Hotel, with its fairytale-inspired façade, is conveniently located in the center of Cebu City and is within easy reach from key business, commercial and shopping districts and is just 30 minutes away from the Mactan International Airport.

Waterfront Cebu City Hotel & Casino has elegantly designed and well-appointed guest rooms and suites. The 18th Floor is the Waterfront Ambassador Club with a two floor Club Lounge exclusive for Ambassador Floor guests. Waterfront Ambassador Club guests enjoy butler service, complimentary business services and a business boardroom fit for a group of up to 8 people, equipped with a built-in LCD projector, a roll-up screen, PA and recording system, a local area network (LAN) and a poly communication system. The 2nd floor lounge is outfitted with 3 computer stations, where guests can avail of complimentary WIFI access, flat-screen television entertainment, an array of lifestyle and business magazines as well as newspapers and board games. The hotel offers a 10,000-square meter convention center, which is the largest convention center in the Visayas and Mindanao, and is designed to adapt to multiple types of events. The convention center is equipped with 10 function rooms, 2 executive board rooms, and 2 Grand Ballrooms, each seating 4,000 people. It has played host to a myriad of national as well as regional events, conventions and conferences.

In addition to its features, Waterfront Cebu City Hotel and Casino's massive, high-ceilinged lobby has always been its principal attraction in fact it is touted as the largest hotel lobby in Visayas-Mindanao area. Spanning 22 meters wide, 96 meters in long and 35 meters high and criss-crossed by hundreds of people each day, the hotel's grand lobby sets the whizzing pulse for the hotel and dictates its overall ambiance.

Waterfront Cebu operates 9 F&B outlets, including a hotel coffees hop, a Japanese restaurant, an Italian restaurant and a poolside snack bar. The hotel has a fully functional business center paired with flat-screen computers, internet access and private boardrooms.

More than renovating the lobby, the Lobby Lounge itself now offers an all-new dining and lounging experience, with newly-installed glass panels, semi-enclosing each side of the lounge. Fully-equipped bar areas have also been installed in the middle of each of the lounge's two sections, ensuring diners

of more efficient and prompt service. To enhance the overall guest experience, additional features such as nightly entertainment from the city's top performers, soulful afternoon music by soloists, a selection of afternoon tea packages. Diners now have the option to choose from a variety of flambé creations, which will be prepared by the lobby's server's right in front of the guests. A selection of fine wines is also available from the lobby's very own wine dispenser, with enomatic cards of varied denominations.

Waterfront Mactan Casino Hotel, Inc. (WMCHI) was incorporated on September 23, 1994. Located right across the Mactan Cebu International Airport, it features 164 rooms and suites, 4 food-and-beverage outlets and a Casino Filipino facility. It has the advantage of proximity to the Mactan International Airport. It has the largest number of rooms among airport hotels. WMCHI has made Cebu the only city in Southeast Asia that offers casino facilities to transients while waiting for their flights.

It is just a 3-minute drive to the industrial zone of Cebu, and a 15-minute drive to the beaches of Mactan Island. This hotel is just a short 30-minute drive from Cebu City's shopping and financial districts. The hotel has 164 well-appointed guest rooms and suites. The hotel has an Ambassador Club floor which consists of 14 Ambassador Rooms and 6 Ambassador Suites. The suites are designed with the business travelers in mind and are equipped with a work desk, dual telephone lines for broadband internet access. The business center is equipped with secretarial services and board rooms that cater to business meetings. Its computer area is outfitted with flat screen computers subdivided with modular partitions.

The hotel operates 4 F&B outlets including Uno, the Lobby Lounge, and Café Fortuna. The hotel's convention center consists of three function rooms and a boardroom. Both are equipped with audio-visual equipment. Function rooms can accommodate groups of up to 200 in banquet style. For guests who wish to hold events outdoors, the Veranda is a spacious open area that can accommodate as much as 250 people.

For 2014 improvements, hallways and guest rooms were recarpeted located at the 2nd, 3rd, 5th and 6th floor. Rooms were also repainted and refurbished that improved the look and feel of the hotel.

DIHCI was incorporated on July 3, 1959 and is currently operating under its trade name "Waterfront Insular Hotel Davao".

Waterfront Insular Hotel is a resort hotel overlooking the Davao Gulf. It is 20 minutes away from downtown Davao City. The hotel holds a superior position over other hotels in the city in terms of space and location.

With a greater area than any other hotel facility in the city, it is unmatched in servicing large business meetings, conventions, and exhibit groups. The hotel consists of four low-rise buildings of 158 guest rooms and suites. Every room opens to a lanai overlooking a lush garden, the blue waters of the Davao Gulf or a scenic coconut grove. The hotel has 5 restaurants. The hotel's function rooms suit different event requirements: 1 Grand Ballroom that can accommodate up to 400 persons, 3 boardrooms that can accommodate 30 persons each, and the Kalaw function room that can accommodate groups of up to 150 persons. The pavilion in the hotel's garden is also popular for bigger celebrations.

The hotel is every guest's gateway to the diverse, colorful and rich cultural heritage of Davao City. Discover the rich cultural heritage of Davao which stems from the different groups and tribes that populated the area throughout its history and be astonished of artworks in the hotel lobby where it showcases pieces of artifacts featuring the various object d'art from the different tribes and historical periods. These range from tribal handicrafts, instruments, pottery, jars and vases. Most of the sculptures and carvings dated from the ancient times.

Acesite (Phils.) Hotel Corporation (APHC) was incorporated on October 10, 1952 and commenced commercial operations in March 1968. It is currently operating under its trade name Manila Pavilion Hotel. Situated in the heart of Manila, this property is opposite the Rizal National Park and is close to the historic walled city of Intramuros. It was acquired by WPI in June 24, 2004. This property is a few

minutes away from the Philippine International Convention Center, World Trade Center and the Cultural Center of the Philippines. The Ninoy Aquino International Airport is 11 kilometers away while the Makati Central Business District is only 6 kilometers away.

The hotel has 534 rooms and suites. All rooms have individually controlled central air conditioning, private bathroom with bath tub and shower, multi-channel radio, color TV with cable channels and internet connections.

The hotel has 5 food and beverage outlets that serve an international selection of culinary cuisines from European, to Chinese, Malaysian, and Cantonese. The hotel also has a music lounge and a lobby café that serves light meals and has an extensive pastry and deli counter.

Other guest services and facilities include a chapel, swimming pool, gym, business center, and a valet-service basement car park. Concessionaires and tenants include a spa, photography services, transportation services, travel agency and flower shop.

In addition, Casino Filipino -Pavilion, owned and operated by PAGCOR, occupies parts of the first five floors of the building. PAGCOR covers approximately 13,000 square meters of gaming and administrative area within the hotel structure. Casino Filipino - Pavilion is the highest earning location of PAGCOR in the country and accounts for a large percentage of PAGCOR's total gaming revenue.

The year 2013 signals a product rebirth for us. Our key property in the Manila Bay area, the Manila Pavilion Hotel (MPH), finished its second phase of room renovations—an initiative that began in mid-2012 and was completed by July 2013. Manila Pavilion's renovation program is a PhP500million project involving several phases. The two completed phases cover 223 upper floor rooms and suites, all redesigned by famed international designer Sonia Santiago-Olivares. The newly refurbished room categories include the Ambassador Club Rooms and Suites, Executive Suites, Premier Rooms and Suites, and Deluxe Rooms.

Recently, newly renovated Alcuaz function room has its launching and can accommodate 250-300 guests. This year 2015, we also opened 111 rooms under superior room category.

GIRDI was incorporated on December 18, 1990 to engage in the hotel and resort business.

In November 2000, all of the property and equipment of GIRDI, including the hotel facilities and other operating assets, as well as its investment in marketable securities, were transferred to a third party. With this transfer, GIRDI ceased its involvement in the hotel and resort business. Management is currently looking for new business opportunities for GIRDI and intends to continue operating GIRDI as a going concern entity.

Mayo Bonanza, Inc. (MBI), a wholly-owned subsidiary of Waterfront Philippines, Incorporated (WPI) was registered with the Securities and Exchange Commission on November 24, 1995. Its primary purpose is to establish, operate, and manage the business of amusement entertainment, and recreation facilities for the use of the paying public.

MBI has been appointed by Atlantic Dynamo of the British Virgin Islands as its agent in the Philippines. Atlantic Dynamo has a contract with PAGCOR under which it will lease space and slot machines to PAGCOR for the operation of VIP slot machine arcades. MBI shall provide space and machines to PAGCOR, while PAGCOR operates the slot machine arcade.

WPI's entry into the VIP slot machine arcade market space is in line with PAGCOR's growth strategy. The first such VIP slot machine arcade was opened by MBI in Sta. Cruz, Manila. The 1,200 square

meter area is located at the Universal Mall along Rizal Avenue.

The slot machines are supplied by Elixir Gaming Technologies, which is part of the Melco Group of Hong Kong. This partnership is both strategic and operational in nature. It is strategic because they

are a big operator in Macau. Operationally, WPI is at an advantage because the Melco Group creates its own slot machines and does their own game programming.

WPL, CWIL On March 23, 1995, WPL became a wholly-owned subsidiary following its acquisition by the Company from Waterfront Amusement and Gaming Limited. WPL and its wholly-owned subsidiary, CWIL were primarily established for the international marketing and promotion of hotels and casinos. In 2003, these companies have been temporarily laid inoperative in response to a general slow down in the economy. Management, however, commits to resume operations when better business opportunities present themselves in the future.

Waterfront Wellness Group, Inc. (formerly W Citigyms and Wellness Corp.) was incorporated and registered with the Securities and Exchange Commission on January 26, 2006, to engage in, conduct and carry on the general business of sporting and other recreational activities. The facilities of W Citigym include a fitness gym with the top-of-the line equipments and amenities. The Company also offers in-house massage for guests staying in Waterfront Cebu City Casino Hotel, Inc.

Waterfront Food Concepts, Inc. was incorporated and registered with the Securities and Exchange Commission on January 26, 2004, to engage in the operation of restaurants and food outlets, manufacture, baked and unbaked desserts, breads and pastries supplies to in-store bakeries, coffee shops and food service channels. WFC supplies the pastries and desserts offered by WCCHI and WMCHI food outlets, as well as its local customers.

Waterfront Hotel Management Corp. was registered with the Securities and Exchange Commission on March 31, 2003 to engage in the management and operation of hotels, except management of funds, portfolios, securities, and other similar assets of the managed entity. In November 2006, WHMC started its commercial operations by managing the hotel operations of G-hotel Manila by Waterfront.

G-Hotel Manila by Waterfront located is located at 2090 Roxas Boulevard, Malate, Manila is being managed by Waterfront Hotel Management Corporation (formerly Waterfront Management Corp.). It started its commercial operations in November of 2006. It is a seven-story building with 10 deluxe suites, 20 deluxe king and 20 deluxe twin rooms which offers a personalized butler service. A boutique hotel boasting with its trendy Café Noir, pool bar Mirage and an elegant ballroom, Promenade, added to the list of must-go places in the busy district of Manila. The black and white concept of its lobby is distinctly G-Hotel.

This October 01, 2014, the BOD approved the cessation of the Company's business operations. Consequently, the Company's activities are currently confined mainly to the collection of receivables, settlement of liabilities, and other administrative matters, while maintaining its status as non-operating entity seeking for other business opportunities.

WEC, was registered with the Securities and Exchange Commission on August 13, 2003 and successfully established the country's first ever integrated hotel reservations and booking system featuring a full-service, round-the-clock, 7 days a week Central Reservation Office last October 2009. This service ranges from systems and solutions specializing in the operations hotel framework. It offers specialize hotel consultancy services to hotel owners, operators, brands, developers, lenders and investors with the support of hand-picked networks of experts covering all elements of the hotel or hospitality business within a global perspective.

Principles of Consolidation

The consolidated financial statements include the accounts of the Parent Company, as well as those of its subsidiaries enumerated in Note 1 to the consolidated financial statements.

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity if and only if, the

Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of

the three elements of control.

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company and are included in the consolidated financial statements from the date when control commences until the date when control ceases.

The accounting policies of subsidiaries are being aligned with the policies adopted by the Group. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests ("NCI") to have a deficit balance.

Accounting for NCI

NCI represents the portion of profit or loss, other comprehensive income and the net assets not held by the Group and are presented separately in the consolidated statements of comprehensive income and within equity in the consolidated statements of financial position, separately from the Parent Company's equity.

Acquisitions of NCI are accounted for as transaction with owners in their capacity as owners and therefore no goodwill is recognized as a result of such transactions. The adjustments to NCI, if any, are based on a proportionate amount of the net assets of the subsidiary.

Loss of Control

Upon the loss of control, the Group derecognizes the assets and liabilities of the subsidiary, any non-controlling interests and other components of equity related to the subsidiary. Any surplus or deficit resulting from loss of control is recognized in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or as an AFS investment depending on the level of influence.

Transactions Eliminated on Consolidation

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

Segment Reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating results are reviewed regularly by the Group's BOD, the chief operating decision maker of the Group, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Group's BOD include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, head office expenses and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the year to acquire property and equipment.

The Group's businesses are operated and organized according to the nature of business provided, with each segment representing a strategic business unit, namely, the Hotel operations, Marketing operations and Corporate and Other Operations segments.

The Group's only reportable geographical segment is the Philippines.

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Income is measured at the fair value of the

consideration received, net of trade discounts, rebates, and other sales taxes or duties. The following specific criteria must also be met before income is recognized:

Rooms

Room revenue is recognized based on actual occupancy.

Food and Beverages

Food and beverage revenue is recognized when orders are served and billed.

Rent Income

Rent and related income on leased areas of the Group's properties is accounted for on a straight-line basis over the term of the lease, except for cancellable leases which are recognized at amount collected or collectible based on the contract provision.

Other Revenues

Other revenues are recognized upon execution of service or as contracted.

Interest Income

Interest income is recognized as it accrues using the effective interest method.

Other Income

Other income is recognized when earned.

Cost and Expense Recognition

Costs and expenses are recognized in profit or loss upon utilization of the service or at the date they are incurred. Interest expense is recognized in profit or loss in the period in which they are incurred using the effective interest method.

Earnings (Loss) Per Share

Earnings (loss) per share ("EPS") is determined by dividing net income or loss for the year by the weighted average number of common shares subscribed and issued during the year, after retroactive adjustment for any stock dividend declared during the year. Diluted EPS is computed in the same manner as the aforementioned, except that all outstanding convertible preferred shares were further assumed to have been converted to common stock at the beginning of the period or at the time of issuance during the year.

1. Cash and Cash Equivalents

Included in cash and cash equivalents as of June 30, 2015 are composed mainly of cash deposited in various banks and short-term placements that earn interest of 2% with an average maturity date of 30 days.

2. Receivables

This account consists:

| | June 2015 | June 2014 |
|--------------------------------------|--------------------|--------------------|
| Trade | 108,449,011 | 156,051,132 |
| Others | 91,523,289 | 431,364,193 |
| | 199,972,300 | 587,415,325 |
| Less allowance for doubtful accounts | -17,436,705 | -21,543,628 |
| Total | 182,535,595 | 565,871,697 |

3. Inventories

This account consists of:

| | June 2015 | June 2014 |
|--------------------|-------------------|-------------------|
| Food and Beverage | 14,396,374 | 12,682,305 |
| Operating Supplies | 11,811,149 | 10,836,470 |
| Others | 1,987,211 | 1,426,541 |
| Total | 28,194,734 | 24,945,316 |

4. Related Party Transactions

These are interest bearing advances to MAHEC, TWGI and PRC subject for re-pricing and yearly renewal.

5. Accounts Payable and Accrued Expenses

This account consists of:

| | June 2015 | June 2014 |
|------------------|----------------------|----------------------|
| Trade | 199,396,012 | 224,160,148 |
| Accrued Expenses | 489,873,276 | 341,366,814 |
| Others | 596,237,155 | 483,944,928 |
| Total | 1,285,506,443 | 1,049,471,890 |

6. Loans Payable

This account consists of:

SSS Loan

SSS vs WPI. Et al civil case no. Q-04-52629 at regional trial court, Quezon City

On January 13, 2015, the RTC of Quezon City issued a decision declaring null and void the contract of loan and the related mortgages entered into with SSS on the ground that the officers and the SSS are not authorized to enter the subject loan agreement. In the decision, the RTC of Quezon City directed the Parent Company to return to SSS the principal amount of loan amounting to P375 million and directed the SSS to return to the Parent Company and to its related parties titles and documents held by SSS as collaterals.

As of report date, SSS has not yet appealed or filed a motion for reconsideration.

ICBC Loan

This represents the balance of the US\$15 million loan obtained from ICBC under the terms and conditions of a Facility Agreement issued on March 27, 1995 which was amended on September 17, 1997 (collectively, the "Existing Facility Agreement"). The loan underwent several restructurings. The latest restructuring was approved by ICBC on November 12, 2013 after the Group made partial payment of US\$700,000. Based on the approved restructured loan, the outstanding loan balance of US\$4,967,900 as at December 31, 2014 is scheduled to be paid as follows:

| Year | in US\$ |
|------|--------------------|
| 2015 | \$3,372,000 |
| 2016 | 1,595,900 |
| | \$4,967,900 |

Other significant terms and conditions of the restructured loan include the following:

- Payment of restructuring fee of US\$50,000 upon receipt of restructured loan documents (this is not yet paid as of the end of reporting period pending the copy of the restructured loan documents);
- Annual interest shall be at 3% above SIBOR;
- WPI shall be a corporate guarantor, and shall maintain at least 51% shareholding of the
- Parent Company throughout the loan tenor;
- The loan is covered a first legal mortgage over the parcel of land owned by CIMAR where the hotel is situated, the hotel building and equipment, and the furniture, fixtures and all other items thereon which belong to the APHC (see Note 11); and
- The loan will be considered in default if no repayment of principal plus interest for two (2) consecutive months.

As at December 31, 2014 and 2013, the Group is compliant with the terms and conditions of the restructuring agreement. Also, the restructuring agreement does not require the Group to maintain a certain level of capital.

PBB Loan

On December 19, 2011, WMCHI entered into a term loan agreement with PBB amounting to P300 million with interest from the date hereof fixed at 12% per annum to be repriced every month and payable in arrears. The loan is contractually payable in lump sum in 2014. WMCHI, however, is allowed to fully or partially pre-terminate the loan. The loan is secured by: a) the assignment of rental receivable from PAGCOR on the leases of the hotel; b) hotel building and other improvements; and c) a real estate property of PRC, a related party. The proceeds of the loan shall be used exclusively to repay the remaining loans of TWGI with Cameron Granville Asset Management, Inc. ("CGAMI"). The loan proceeds were subsequently advanced to WPI who ultimately remitted to CGAMI on behalf of TWGI.

On January 9, 2013, WMCHI entered into another term loan agreement with PBB amounting to P300 million. The loan had been released in four (4) installments starting on January 9, 2013 for P80 million, on February 4, 2013 for P120 million, on March 11, 2013 for P50 million and on April 4, 2013 for P50 million with a stated interest rate fixed at 10% per annum from the date the loan was released to be repriced every month and payable in arrears. The loan will mature in two (2) years and is not secured by any assets or properties. The proceeds of the loan shall be used exclusively for the Phase II renovation costs of APHC. The loan proceeds were subsequently advanced to WPI who ultimately advance the same to APHC.

7. The earnings (loss) per share is computed as follows:

| | June 2015 | June 2014 |
|---|------------------|------------------|
| Net Income (Loss) | 125,995,050 | 71,453,869 |
| Weighted Average Number of Shares Outstanding | 2,498,991,753 | 2,498,991,753 |
| Earnings (Loss) per share | 0.050 | 0.029 |

There are no dilutive potential shares as of June 30, 2015 and 2014.

8. Lease Agreement with Philippine Amusement and Gaming Corporation ("PAGCOR")

In compliance with the decision of the Board of Arbitrators rendered on January 28, 2003, PAGCOR and the Parent Company (together with WCCCHI and WMCHI) executed an

Amended Contract of Lease (“ACL”) on January 31, 2003, which entirely superseded the Original Contract of Lease (“OCL”) of September 13, 1995, and revoked the exclusive right of the Parent Company (together with WCCCHI and WMCHI) to provide the sole venue for land-based casinos of PAGCOR in the Province of Cebu under a memorandum of agreement. The new lease period retroacts to January 1, 2001, and shall remain in force until December 31, 2008, unless sooner shortened or renewed, upon mutual agreement of the parties.

The ACL mandated for a straight rental of P1,200 per square meter of floor area, subject to a 5% cumulative increase computed on an annual basis commencing on the fourth year. This provision completely replaced the marketing incentive fee as stipulated in the OCL. In

addition, the ACL provided for the immediate payment of PAGCOR of its lease rentals from January 1, 2001 to December 31, 2002 based on the new rate, net of amounts already paid. Likewise, PAGCOR agreed to pay refundable deposits starting in 2003, which amount shall be maintained at all times. Furthermore, PAGCOR will pay a sum equal to the total rental payments previously made for the years 2001, 2002 and 2003 under the OCL, which sum shall be considered as cash advances.

PAGCOR also agreed to pay WCCCHI and WMCHI security deposit equivalent to the one year rental based on monthly rentals for 2004, which amount shall be maintained at all times. The security deposit is recorded as part of “PAGCOR and concessionaires’ deposits” account under “Other noncurrent liabilities” in the consolidated statements of financial position (see Note 15).

In 2007, WCCCHI also executed a contract of lease with PAGCOR, whereby the latter shall lease an area of 883.38 square meters, more or less, of air-conditioned space at the ground floor of WCCCHI’s hotel. The contract shall commence on the date PAGCOR starts its slot machines operations and shall be valid until the expiration of the present charter of PAGCOR on July 11, 2008. PAGCOR shall pay a cash deposit equivalent to six months lease rental and shall pay a monthly rental of P729 per square meter, subject to 5% escalation rate starting on its second year. On March 15, 2008, the lease contract was amended stating that the contract of lease shall commence on the date PAGCOR started its commercial operations, which was on March 15, 2008, and shall be valid for two years.

On July 31, 2008, PAGCOR requested for a refund of security deposit from surrendered areas at WCCCHI amounting to P48.1 million, inclusive of interests and charges. The reconciliation of the final amount due will be based on the computation of interests and penalties and will be paid on the date of final payment of the PAGCOR loan.

On September 3, 2008, WCCCHI & WMCHI renewed the ACL with PAGCOR for two (2) years and six (6) months. Monthly rental shall be at P1,531.54 per square meter of the main area and P1,458.61 per square meter of the chip washing area at WMCHI, subject to a 5% annual escalation rate starting on its second year of the renewal of the contract of lease. In addition, PAGCOR shall pay an advance rental of six (6) months which shall be applied to the rentals due for the first six months of the lease period of the renewal of the contract of lease. Moreover, the security deposit placed by PAGCOR shall also be updated based on the monthly rental rate in the renewed contract of lease. The updating shall cover only the period of six (6) months and shall be paid upon the execution of the contract.

On February 12, 2009, the renewal contract was amended extending the lease period from two (2) years and six (6) months to three (3) years and six (6) months. The annual escalation rate was also amended to apply only on the second and third year of the lease period.

APHC also had a lease agreement with PAGCOR which was renewed on September 15, 2008, for two (2) years and six (6) months. Monthly rental rate is subject to 5% annual escalation starting on the second year of the renewal of the contract of lease. Monthly rental shall be P2,378.03 per square meter of the main area and P1,132.40 per square meter of the expansion area, both covering a floor area totaling 9,234.37 square meters. PAGCOR shall also pay APHC an advance rental of six (6) months to be paid upon execution of the renewed contract

of lease and shall be applied to the rentals due for the first six (6) months.

Moreover, the security deposit placed by PAGCOR shall also be updated based on the monthly rental rate in the renewed contract of lease. The updating shall cover only the period of three (3) months for the Main area and six (6) months for the expansion and shall be paid upon the execution of the contract.

On February 12, 2009, the renewal contract was amended extending the lease period from two (2) years and six (6) months to three (3) years and six (6) months. The annual escalation rate was also amended to apply only on the second and third year of the lease period.

On December 1, 2010, PAGCOR and APHC amended the lease contract, otherwise known as

the Omnibus Amended Lease Contract ("OALC") extending the lease term and expanding the lease area. The OALC shall cover the Main Area (7,093.05 sq. m.), Expansion Area A (2,130.36 sq. m.), Expansion Area B (3,069.92 sq. m.) and Air Handling Unit ("AHU") Area (402.84 sq. m.) for a total lease area of 12,696.17 square meters. The lease period for the Main Area, Expansion Area A and AHU Area shall commence upon the signing of the lease agreement until December 16, 2016. While Expansion Area B shall commence ten (10) months after the turnover of the Expansion Area B to the lessee or the commencement of commercial gaming operations in the Expansion Area B, whichever comes earlier, and shall terminate on December 31, 2016. The OALC may be renewed at the option of the lessee under such terms and conditions as may be agreed upon by the parties.

The monthly rent to be applied on the leased areas are as follows: Main Area shall be P2,621.78 per square meter, Expansion Area A shall be P1,248.47 per square meter, Expansion Area B shall be P1,600 per square meter and the AHU Area shall be free of rent. Annual escalation rate of 5% shall be applied on the third and fourth year of the lease.

Upon the execution of the OALC, PAGCOR shall pay six (6) months advance rental or P127.54 million for the Main Area and Expansion Area A, which shall be applied to the rent due on the first six months of the last year of the lease term. Further, PAGCOR shall pay advance rental on Expansion Area B amounting to P58.94 million or equivalent to one (1) year rent.

Relative to the OALC, the existing refundable security deposits amounting to P131.89 million received by the APHC upon the execution of the prior contracts were retained by the APCH. These deposits were presented as part of "Other noncurrent liabilities" account in the consolidated statements of financial position and were carried at its present value of P84.55 million computed using an effective interest rate of 8% over the term of the OALC. Consequently, a day-one gain, net of the discount amortization, amounting to P47.99 million was recognized in 2010 as accretion income and was presented as part of "Rent and related income" account in the consolidated statements of comprehensive income. The amortized cost of the refundable security deposits was determined by calculating the present value of the cash flows anticipated until the end of the lease term using the interest rate of 8%. As the deposit does not have an active market, the underlying interest rate was determined by reference to market interest rates of comparable financial instruments.

On February 16, 2009, APHC assigned its future rental receivables from PAGCOR in payment of the loan of PRC and the loan of WMCHI from PBB.

Also in 2010, WCCCHI and PAGCOR agreed to reduce the area leased by the latter by 2,267 square meters thereby decreasing the security deposit accordingly.

On March 21, 2011, WCCCHI and PAGCOR renewed the lease contract for the Main Area, Slot Machine Expansion Area, Mezzanine and 5th Floor Junket Area. The lease period for the Main Area and Slot Machine Expansion Area shall be for five (5) years and five (months) and five (5) years and four (4) months, respectively, and shall commence on March 3, 2011 and March 16, 2011 for the Main Area and Slot Machine Expansion Area, respectively. The lease

for the Mezzanine shall commence within ten (10) months after the execution of this contract, or simultaneously with the commencement of commercial gaming operations in the said Area. The lease for the 5th Floor Junket Area shall commence upon the execution of this lease contract for an initial period of one (1) year and within the said period, the lessee shall inform the lessor in writing whether the lessee will continue the lease over the said area or terminate the same.

The monthly rental to be applied on the leased areas are as follows: the Main area, Slot Machine Expansion Area and Mezzanine shall be P1,772.96 per square meter . The 5th Floor Junket Area shall be rent free for a period of one (1) year from the execution of the lease contract. In the event that the lease over the 5th Floor Junket Area is continued by the lessee,

the parties shall agree on the monthly rent and the duration of the lease for the said area.

The lessee shall pay the lessor a six (6) months advance rental payment totaling P120.7 million upon execution of the Lease Contract. The advance rental payments shall be applied to the rent due on the leased premises for the first six (6) months of the last year of the lease. Starting on January 3, 2013 and every year thereafter, the monthly rent for the Main Area, Slot Machine Expansion Area and the Mezzanine, shall be adjusted by five percent (5%).

Also, on March 21, 2011, WMCHI and PAGCOR have amended the said contract in order to simplify, reconcile and update the terms and conditions of the Contract of Lease and its amendments. The lease shall commence on March 3, 2011 until August 2, 2016 or an extended period of five (5) years and five (5) months. Monthly rental shall be at P1,772.96 per square meter of the main area and P1,688.53 per square meter of the chip washing area subject to a 5% escalation rate starting on January 3, 2013 and every year thereafter. In addition, PAGCOR shall pay a six (6) months advance rental or P50.2 million for the main casino area and six (6) months advance rental payment, or P12.6 million, for the Chip washing area, or a total advance rental of P62.8 million, upon execution of the Lease Contract. The advance rental payments shall be applied respectively to the rent due on the main casino area and chip washing area for the first six months of the last year of the lease.

9. Other Lease Agreements

Land under Operating Lease

On September 15, 1994, Waterfront Hotel and Resort Sdn. Bhd. ("WHR"), a former related party, executed a lease contract with Mactan Cebu International Airport Authority ("MCIAA") for the lease of certain parcels of land where the two hotels were constructed. On October 14, 1994, WHR assigned its rights and obligations on the MCIAA contracts to WCCCHI and WMCHI.

WCCCHI and WMCHI shall pay MCIAA fixed rentals per month plus a 2% variable rent based on the annual gross revenues of WCCCHI and WMCHI, as defined in the agreements. The leases are for a period of 50 years, subject to automatic renewal for another 25 years, depending on the provisions of the applicable Philippine laws at the time of renewal. Total annual rent expense recognized in profit or loss amounted to P86.7 million, P99.1 million and P102.7 million in 2014, 2013 and 2012, respectively.

Equipment under Finance Lease

DIHCI leased a certain equipment for a monthly fee of P125,000 starting November 2005 for 10 years from Edward Marcs Philippines, Inc. ("EMPI"). At the end of the 10-year lease period, EMPI shall transfer to DIHCI, free from any lien or encumbrance created by EMPI and without any payment of any compensation, all its rights, title and interest in and to the equipment.

At the inception of the lease, DIHCI capitalized the equipment and recognized the related

lease liability equivalent to the present value of the total expected lease payments determined at P9,763,129. Depreciation expense recognized in the consolidated statements of comprehensive income for the each of the years ended December 31, 2014, 2013 and 2012 related to the leased equipment amounted to P976,319.

The carrying value of the leased asset amounted to P0.8 million and P1.8 million as at December 31, 2014 and 2013, respectively (see Note 10).

On August 22, 2006, WCCCHI executed a lease-to-own contract with Philippine Long Distance Telephone Company ("PLDT") for a PABX Nortel Option 81C for its telecommunications requirements with initial configuration of 50 trunks with 1022 local lines. WCCCHI made a down payment of P1.4 million in January 2007 upon acceptance of the

PABX equipment and shall pay the remaining balance in a fixed minimum monthly lease payments of P370,000 for a period of 80 months. Upon full payment of the pre-termination penalty and all amounts due owing to PLDT under the executed contract, PLDT shall transfer ownership over the PABX Equipment and issue the documents necessary for ownership transfer to WCCCHI at the end of the term of lease agreement.

In 2013, the Hotel has fully paid the finance lease liabilities to PLDT.

Lease Agreements with Concessionaires

WCCCHI, WMCHI, DIHCI and APHC have lease agreements with concessionaires of the commercial spaces available in hotels. These agreements typically run for a period of less than one year, renewable upon the mutual agreement of the parties.

Total rent income with concessionaires amounted to P398.2 million, P385.7 million and P305.6 million for the years ended December 31, 2014, 2013 and 2012, respectively.

Lease Agreements Entered into by MBI

a. Lease of Offices Spaces

In May 2006, MBI entered into a contract of lease with TT&T Development, Inc. for the lease of the ground and second floors of its commercial building located at Rizal Avenue, Sta. Cruz, Manila. The covering lease agreement requires MBI to pay a monthly fixed rental of P368,000 with 5% annual increase starting on the second year of the lease term. The lease is for ten (10) years, subject to renewal upon such terms and conditions mutually acceptable to both parties.

b. Lease of Slot Machines to PAGCOR

On January 31, 2007, Dynamo, a foreign corporation duly organized, existing and registered at the British Virgin Islands (represented by MBI), as lessor, entered into a contract of lease and variation agreement with PAGCOR, as lessee, for the lease of the slot machine VIP Club at the Universal Park Mall Building in Sta. Cruz, Manila. The covering lease agreement requires the lessee to pay the lessor a monthly variable rent equivalent to 40% of the slot machines' gross revenues after deducting the player's winnings/prizes and all applicable taxes. The lease agreement of Dynamo with PAGCOR was assigned by Dynamo to MBI on February 22, 2008.

c. Lease of Slot Gaming Machines

On November 13, 2007, Dynamo, represented by MBI, entered into a Memorandum of Agreement ("MOA") with Elixir, for the 10-year lease of 240 new units of electronic gaming machines for installation and operation in Universal Park Mall Building located at Rizal Avenue, Sta. Cruz, Manila. The MOA requires Dynamo to pay rent amounting to 25% of monthly net winnings after 5% franchise tax for the first 36 months and 23% of monthly net winnings after 5% franchise tax for the succeeding months.

On October 23, 2009, the parties amended the MOA, with retroactive effect to October 1, 2008 and until the termination or expiration of the same. The new share rate which

replaces the original share rate is a progressive rate of sharing of the monthly net winnings which requires Dynamo to pay rent amounting to 18% of the first P15 million, 20% for any amount in excess of P15 million but up to P20 million, and 23.75% for any amount in excess of P20 million.

Total rent expense for lease of slot machine and slot gaming machines amounted to P32.7 million, P44.6 million and P46.9 million in 2014, 2013 and 2012, respectively.

d. Deed of Assignment

On February 22, 2008, Dynamo executed a deed of assignment in favor of MBI whereby Dynamo has given complete authority to MBI to manage and operate the business operations in the Philippines, more specifically those pertaining to the casino-related operations with PAGCOR. Under the deed of assignment, Dynamo agrees to assign the revenues pertaining to dealings with PAGCOR and the lease of the electronic gaming

machines to MBI. In exchange for this arrangement MBI agreed to have future joint international business cooperation with Dynamo.

10. Commitments and Contingencies

The following are the significant commitments and contingencies involving the Group:

On November 10, 2008, the Parent Company received a preliminary assessment notice from the BIR for deficiency taxes for the taxable year 2006. On February 9, 2009, the Parent Company sent a protest letter to BIR contesting the said assessment. On February 18, 2009, the Regional Office of the BIR sent a letter to the Parent Company informing the latter that the docket was returned to Revenue District Office for reinvestigation and further verification.

On December 8, 2009, the Parent Company received BIR's Final Decision on Disputed Assessment for deficiency taxes for the 2006 taxable year. The final decision of the BIR seeks to collect deficiency assessments totaling to P3.3 million. However, on January 15, 2010, the Parent Company appealed the final decision of the BIR with the Court of Tax Appeals ("CTA") on the grounds of lack of legal and factual bases in the issuance of the assessments.

In its decision promulgated on November 13, 2012, the CTA upheld the expanded withholding tax ("EWT") assessment and cancelled the VAT and compromise penalty assessments. WPI decided not to contest the EWT assessment. The BIR filed its motion for reconsideration ("MR") on December 4, 2012 and on April 24, 2013, the Court issued its amended decision reinstating the VAT assessment. The Parent Company filed its MR on the amended decision that was denied by the CTA in its resolution promulgated on September 13, 2013.

The Parent Company appealed the case to the CTA sitting En Banc on October 21, 2013 docketed as CTA EB No. 1070 where it is awaiting decision by the CTA.

The information usually required of contingent liabilities by PAS 37, Provisions, Contingent Liabilities, and Contingent Assets, is not disclosed on the grounds that it can be expected to prejudice seriously the outcome of the final assessment.

APHC has an outstanding tax assessment from the BIR for taxable year 2006. On May 18, 2011, the BIR sent a follow up letter to the APHC for various verbal requests of the BIR for the submission of related schedules and documents. As at report date, the APHC's management is waiting BIR action on its letter of protest and explanation dated February 23, 2012.

Provisions and Contingencies

The reconciliation of the carrying value of the Group's provision follows:

In consultation with the legal counsels, management believes that the provision recognized sufficiently represents the amount of probable liability that the Group may settle in the event that the cases as discussed below will ultimately be decided against the Group.

Tax Case Involving Tax Assessment from the Treasurer of the City of Manila

After filing of protest letters, petitions and appeals, the case was subsequently decided against the Group on January 9, 2014 by the CTA En Banc who ordered the dismissal of the petition for review filed by the Group and ordered the Group to pay the Manila City treasurer's office for P45.6 million. As at reporting date, the case is still being appealed with the Supreme Court.

The case arose from the notice of assessment issued by the Manila City treasurer's office on July 13, 2007 demanding the Group to pay for deficiency business tax for the years 2004 to 2006 totaling P45.6 (including interest and penalties), arising principally from non declaration for local tax purposes of revenues derived from services in connection with

the operation of PAGCOR in the Group's hotel.

In consultation with the legal counsels, management believes that the provision recognized sufficiently represents the amount of probable liability that the Group may settle in the event that the cases as discussed below will ultimately be decided against the Group.

WMCHI has a tax case involving VAT assessment for the taxable year 2006. The case was elevated to the CTA in 2011. In 2012, the Hotel offered its formal evidence to the court. In its decision promulgated on May 31, 2013, the CTA cancelled the VAT assessment in its entirety. The BIR filed a motion for reconsideration that was denied by the CTA in its resolution promulgated on August 16, 2013.

The BIR appealed the case to the CTA sitting En Banc on September 20, 2013 where it is awaiting decision by the CTA.

In the normal course of business, the Group enters into commitments and encounters certain contingencies, which include a case against a contractor of one of its hotels for specific performance. Management believes that the losses, if any, that may arise from these commitments and contingencies would not be material to warrant additional adjustment or disclosure to the consolidated financial statements.

Also, the Group is defendant in other legal cases which are still pending resolution. Management and legal counsel believe that the outcome of these cases will not have any material effect on the Group's financial position and financial performance.

**MANAGEMENT DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS**

Below are the results of operations of the Parent Company and its subsidiaries, for the period ending June 30, 2015 and 2014 together with its financial conditions as of the same period.

RESULTS OF OPERATIONS

| | Jan-June 2015 | Jan-June 2014 |
|---|---------------|---------------|
| Revenues | 1,033,268,802 | 948,966,233 |
| Less: Costs and Expenses | 699,136,963 | 646,674,820 |
| Net Income (Loss) Before Fixed Financial and Other Charges | 334,131,839 | 302,291,413 |
| Less: Fixed Financial and Other Charges (Dep'n and Amort'n, and Interest) | 208,136,789 | 230,837,544 |
| Income (Loss) before Income Tax | 125,995,050 | 71,453,869 |
| Income Tax Expense (Benefit) | - | - |
| Income (Loss) before Share in Minority Interest | 125,995,050 | 71,453,869 |
| Share of Minority Interest | -11,042,829 | -12,791,507 |
| Net Income (Loss) | 114,952,221 | 58,662,362 |
| Earnings (loss) Per share | 0.050 | 0.029 |

FINANCIAL CONDITION

| | June 2015 | June 2014 |
|---|---------------|---------------|
| Assets | | |
| Current assets | 2,188,893,821 | 2,326,526,575 |
| Non-current Assets | 6,219,143,972 | 6,563,505,869 |
| Total Assets | 8,408,037,793 | 8,890,032,444 |
| Liabilities and Stockholders' Equity | | |
| Current Liabilities | 1,943,984,858 | 1,615,193,168 |
| Non-current Liabilities | 1,894,848,838 | 2,606,038,693 |
| Total Stockholders' Equity | 3,813,045,708 | 3,931,039,850 |
| Minority Interest | 756,158,389 | 737,760,733 |
| Total Liabilities and Stockholders' Equity | 8,408,037,793 | 8,890,032,444 |

RESULTS OF OPERATIONS

Period ended June 30, 2015 compared to Period Ended June 30, 2014.

Income Statement

Hotel and other subsidiaries gross revenues for the 2nd quarter are Php1.03 billion compared to the 2nd quarter of last year of Php949 million; an increase of 9%.

Seasonality or Cyclicalilty of Interim Operations

1ST QUARTER

The occupancy for the two (2) hotels, WCCCHI and WMCHI, are high during the months of January and February because of the celebration of the Feast of Sto. Niño better, renowned as the “Sinulog” as well as the celebration of the Chinese New Year. Many visitors come to Cebu during this time just to witness and participate in the festivities. Sinulog is one of the city’s main pull for tourists as well as other locals. The celebration of the Chinese New Year also added to the Company’s revenues.

This year also (January 2015), marked the Papal visit which resulted to an increase of our revenue from Manila Pavilion Hotel.

Despite the steady growth of our tourism industry, Waterfront remains afloat by continually improving our different distribution networks, online and offline. And also, constantly find ways to streamline costs.

2nd QUARTER

Through the difficult times, we refused to rest on our laurels as one of the country’s leading Filipino hotel chains and prudently implemented measures to boost our competitiveness in the industry. Foresight has enabled us to embark on timely measures that addressed fundamental areas of hotel operations, resulting in a strengthened organization.

Measures include expertly managing our major cost centers: streamlining our labor, addressing our energy expenditures and limiting cost of services.

Software is the lifeblood of our business--it provides a genuine connection with our customers through various touch points, conveys the Waterfront brand in a personal manner and introduces new sales-generating streams in step with today’s growing online patronage. We have further strengthened our online presence with the launch of our free mobile app for iOS and Android. We continue to expand our traditional offline distribution networks, which provide the bulk of our room revenue. Through an effective and aggressive sales strategy in both online and offline segments, we maximize our sales potential.

The aggregate of all our efforts in cost-cutting, streamlining, product enhancement, innovation, improvements in our labor force and distribution network has made us rise above the challenges.

TOP FIVE (5) PERFORMANCE INDICATORS

| | Jan-June 2015 | Jan-June 2014 |
|----------------------|----------------------|----------------------|
| Occupancy Percentage | 63% | 53% |
| Average Room Rates | 2,262 | 2,577 |
| Food Covers | 134,769 | 114,065 |
| Average Food Checks | 347 | 394 |
| Average Food Costs | 33% | 38% |

Occupancy Percentage

The occupancy percentage grew down by 10% as compared to 2nd quarter last year. Occupancy percentage is computed by dividing the total number of rooms sold over the total number of rooms available for sale.

Average Room Rate

Average room rate is 12% lower compared to 2nd quarter last year. Average room rate is computed by dividing the net rooms revenue over the total number of rooms sold.

Food Covers

Food covers this quarter increased by 18% compared to the 2nd quarter last year. This is mainly because there were increasing number of functions and conventions. Food covers pertains to the number of guests that availed of the restaurants services.

Average Food Check

The average food check or average consumption per guest this quarter went down by 12% compared to 2nd quarter last year. Average Food Check is derived by dividing the total food and beverage revenue by total food covers.

Average Food Cost

The average food cost decreased by 5% from previous year of the same quarter. Average Food Cost is computed by dividing the total food and beverage revenue by total food cost.

Revenues and Earnings per Share

Revenues increased by 9% for the 2nd quarter of 2015 as compared to previous year of the same quarter while operating expenses increased also by 8%. The whole operation resulted to a net income before tax of P334 million, which is 11% higher compared to last year same quarter.

Earnings per share this quarter is P0.050 while same quarter last year was P0.029.

Fixed Financial and Other Charges

Total fixed financial and other charges for this quarter is 10% lower compared to same quarter last year. This account includes the depreciation and interest expenses from the loans from the banks.

FINANCIAL CONDITION**Cash and Cash Equivalent**

Cash and cash equivalents as of the 2nd quarter of this year is Php200 million compared to last year of the same quarter, Php184 million; an increased of 9%.

Receivables

Receivables for the period decreased by 68% from P566 million 2nd quarter last year to P183 million 2nd quarter this year. The company continues to monitor the credit sales and strictly followed the given days credit term.

Inventories

Inventory for this quarter is P28 million this year while last year was P25 million. Best effort was exerted to maintain the inventories on a very reasonable level. The company was nimble enough to react quickly to changes in customer demand and do it with little inventory to prevent a long lead times in-order to minimize cost.

Due from related parties-current portion

This account has increased by 16% from last year's 2nd quarter. This also represents interest bearing advances with MAHEC, TWGI and PRC at a rate of two percent (2%) per annum. Advances to TWGI, MAHEC and PRC are subject for annual re-pricing and renewal.

Property, Plant and Equipment

There is a decreased of 5% on this account. This is mainly due to depreciation.

Other Non-current assets

This is composed of rent receivables, refundable deposits and others.

Others represent input VAT, advances to officers and employees, and deposits to service providers such as security and janitorial services.

Loans Payable - current and non-current

There is a decreased of 52% or Php573 million on this account. This comprises loans from Phil. Business Bank, Social Security System and Industrial Commercial Bank of China. Series of payments were made to fulfill its obligation to settle the account.

Other Non-current Liabilities

There is an increased of 19 % of this account from 779 million to 930 million in 2nd quarter of 2015. The account compiles rent received in advance from PAGCOR and retirement benefits.

Deferred Tax Assets and Deferred Tax Liabilities

Deferred income tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred income tax is not recognized for:

***temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;

***temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and taxable

***temporary differences arising on the initial recognition of goodwill.

Deferred income tax is measured at the tax rates that are expected to be applied to temporary

differences when they reverse based on the laws that have been enacted or substantively enacted at the reporting date.

A deferred tax asset (DTA) is recognized only to the extent that it is probable that future taxable profits will be available against which the DTA can be utilized. DTA is reduced to the extent that it is no longer probable that the related tax benefit will be realized. The items comprising the DTA are reviewed at each reporting date and adjustments are made, if appropriate.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and if they relate to income taxes levied by the same tax authority on the same

taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or either tax assets and liabilities will be realized simultaneously.

Key Variable and Other Qualitative and Quantitative Factors:

- a. Any known Trends, Events or Uncertainties-(material impact on liquidity)-NONE
- b. There are no events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.
- c. There are 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.
- d. The Group is not subject to externally-imposed capital requirements.
- e. From continuing operations, the Company is not exposed to any significant elements of income or loss except for those already affecting profit or loss.
- f. There are no significant elements of income or loss or any events that did not arise from the issuer's continuing operations other than those already affecting profit or loss.
- g. The nature and amount of changes in estimates of amounts reported in prior interim periods of the current financial year or changes in estimates of amounts reported in prior financial years, if those changes have material effect in the current interim period. – NONE
- f. There were no dividends paid aggregate or per share separately for ordinary shares and other shares.

i. Separate Financial Statements

PAS 27 (2011) supersedes PAS 27 (2008). PAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications.

Investment Entities (Amendments to PFRS 10, PFRS 12, and PAS 27 (2011)). These amendments provide consolidation exception for investment funds and require qualifying investment entities to recognize their investments in controlled entities, as well as investments in associates and joint ventures, in a single line item in the statement of financial position, measured at fair value through profit or loss; the only exception would be subsidiaries that are considered an extension of the investment entity's investing activities. However, the parent of an investment entity (that is not itself an investment entity) is still required to consolidate all subsidiaries. This consolidation exception is mandatory.

ii. Investments In Associate and Joint Ventures – Not Applicable

iii. Government Loans – Not Applicable

iv. Disclosure –Offsetting Financial Asssts and Financial Liabilities – Applicable

Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to PFRS 7).

These amendments include minimum disclosure requirements related to financial assets and financial liabilities that are:

***offset in the statement of financial position; or

***subject to enforceable master netting arrangements or similar agreements

They include a tabular reconciliation of gross and net amounts of financial assets and financial liabilities, separately showing amounts offset and not offset in the statement of financial position.

v. Consolidated Financial Statements

The amendments simplify the process of adopting PFRSs 10 and 11, and provide relief from the

disclosures in respect of unconsolidated structured entities. Depending on the extent of comparative information provided in the financial statements, the amendments simplify the transition and provide additional relief from the disclosures that could have been onerous. The amendments limit the restatement of comparatives to the immediately preceding period; this applies to the full suite of standards. Entities that provide comparatives for more than one period have the option of leaving additional comparative periods unchanged. In addition, the date of initial application is now defined in PFRS 10 as the beginning of the annual reporting period in which the standard is applied for the

first time. At this date, an entity tests whether there is a change in the consolidation conclusion for its invitees. These amendments are effective for annual periods beginning on or after January 1, 2013 with early adoption permitted.

Risk Management Structure

The Group's principal financial instruments comprise of cash and cash equivalents, receivables - net, due from related parties, AFS investments, accounts payable and accrued expenses, other current liabilities, loans payable, and other noncurrent liabilities. The main purpose of these financial instruments is to raise finances for the Group's operations.

The main risks arising from the financial instruments of the Group are credit risk, liquidity risk and market risk. There has been no change to the Group's exposure to risks or the manner in which it manages and measures the risks in prior financial year. The Group's management reviews and approves policies for managing each of these risks and they are summarized as follows:

Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's trade and nontrade receivables.

The Group trades only with recognized, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

With respect to credit risk from other financial assets of the Group, which mainly comprise of due from related parties, the exposure of the Group to credit risk arises from the default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

There is no other significant concentration of credit risk in the Group.

The credit quality of the Group's financial assets that are neither past due nor impaired is considered to be of good quality and expected to be collectible without incurring any credit losses.

Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

The Group monitors and maintains a level of cash deemed adequate by the management to finance the Group's operation and mitigate the effects of fluctuations in cash flows. Additional short-term funding is obtained thru related party advances and from bank loans, when necessary.

Ultimate responsibility for liquidity risk management rests with the BOD, which has established an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, by continuously monitoring forecast and actual cash flows and

matching the maturity profiles of financial assets and liabilities. For the Group's short-term funding, the Group's policy is to ensure that there is sufficient working capital inflows to match repayments of short-term debt.

Market Risk

Market risk is the risk that the fair value or cash flows of a financial instrument of the Group will fluctuate due to change in market prices. Market risk reflects interest rate risk, currency risk and other price risks.

Interest Rate Risk

Cash flow interest rate risk is the risk that the future cash flow of the financial instruments will fluctuate because of the changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates.

The Group's exposure to the risk changes in market interest rates relates primarily to the interest-bearing loans from PBB, SSS and ICBC. The annual interest rates of these loans are as follows:

The other financial instruments of the Group are either short-term or noninterest-bearing and are therefore not subject to interest rate risk.

Cash flow interest rate risk exposure is managed within parameters approved by management. If the exposure exceeds the parameters, the Group enters into hedging transactions.

Cash Flow Interest Rate Risk

The following table illustrates the sensitivity of net income and equity for 2014 and 2013 to a reasonably possible change in interest rates based on the historical volatility of SIBOR rates in the immediately preceding 12-month period. These changes are considered to be reasonably possible based on observation of current market conditions.

The sensitivity to a reasonably possible 1% increase in the interest rates, with all other variables held constant, would have decreased the Group's profit before tax by P1,540,515 and P2,134,580 in 2014 and 2013, respectively. A 1% decrease in the interest rate would have had the equal but opposite effect. These changes are considered to be reasonably possible given the observation of prevailing market conditions in those periods. There is no impact on the Group's other comprehensive income.

The other financial instruments of the Group are non-interest bearing and are therefore not subject to interest rate risk.

Fair value interest rate risk

The following table illustrates the sensitivity of the net result for the year and equity to a reasonably possible change in interest rates of ± 50 basis points in 2014 and 2013. These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on the Group's loan payable held at the reporting date. All other variables are held constant (in thousands).

There is no other impact on the Group's equity other than those already affecting profit or loss in 2014 and 2013.

Foreign Currency Risk

Currency risk arises when transactions are denominated in foreign currencies.

As a result of loan payable from ICBC which is denominated in US dollar, the Group's consolidated statements of financial position can be affected by movements in this currency. Aside from this and certain cash, the Group does not have any material transactional foreign exchange risks as its revenue and costs are substantially denominated in Philippines peso.

The Group monitors and assesses cash flows from anticipated transactions and financing agreements denominated in foreign currencies. The Group manages its foreign currency risk by measuring the mismatch of the foreign currency sensitivity gap of assets and liabilities.

Information on the Group's foreign currency-denominated monetary assets and liabilities and their Philippine peso equivalents are as follows:

The Group recognized foreign exchange gain amounting P6.0 million and P12.9 million in 2014 and 2013, respectively and foreign exchange loss amounting to P34.9 million in 2012, arising from the translation of these foreign-currency denominated financial instruments.

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

Equity Price Risk

Equity price risk is the risk that fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market

The Group is exposed to equity price risk because of its investment in shares of stock of WII held by the Group which is classified in the statements of financial position as AFS investment. These securities are listed in the PSE. The Group has an outstanding investment in these securities equivalent to 86.7 million shares as at December 31, 2014 and 2013.

The Group is not exposed to commodity price risk.

The Group monitors the changes in the price of shares of WII. To manage its price risk, the Group disposes existing or acquires additional shares based on the economic conditions.

Fair Value of Financial Assets and Liabilities

The carrying amount of cash and cash equivalents, receivables, accounts payable and accrued expenses and other current liabilities approximate their fair values due to the short-term maturity of these instruments.

The fair value of interest-bearing due from related parties - noncurrent and loans payable is based on the discounted value of expected future cash flows using the applicable market rates for similar types of instruments as of the reporting date, thus, the carrying amount approximates fair value.

The fair value of AFS investments was determined using the closing market price of the investment as of December 31, 2014 and 2013.

The fair value of other non-current liabilities was calculated by discounting expected future cash flows at prevailing market rates. Discount rates used ranged from 5.8% to 7.7% in 2011.

Fair Value Hierarchy

The table below analyses financial instruments carried at fair value by valuation method (in thousands). The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The approximation of the fair value of the Group's AFS investment is based on Level 1.

Risk Management Structure

Board of Directors

The BOD is mainly responsible for the overall risk management approach and for the approval of risk strategies and principles of the Group. It has also the overall responsibility for the development of risk strategies, principles, frameworks, policies and limits. It establishes a forum of discussion of the Group's approach to risk issues in order to make relevant decisions.

Risk Management Committee

Risk management committee is responsible for the comprehensive monitoring, evaluating and analyzing of the Group's risks in line with the policies and limits set by the BOD.

Capital Management

The primary objective of the Group's capital management is to ensure its ability to continue as a going concern and that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. Capital is defined as the invested money or invested purchasing power, the net assets or equity of the entity. The Group's overall strategy remains unchanged from 2014, 2013 and 2012.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes in 2014, 2013 and 2012. For purposes of the Group's capital management, capital includes all equity items that are presented in the consolidated statements of changes in equity.

The Group is not subject to externally-imposed capital requirements.

ADDITIONAL REQUIREMENT (SRC Rule 68)

A schedule showing financial soundness indicators in two comparative periods:

CURRENT / LIQUIDITY RATIO

| Current Ratio | Jun-15 | Jun-14 |
|----------------------|------------------|------------------|
| Current Assets | 2,188,893,821.00 | 2,326,526,575.00 |
| Current Liabilities | 1,943,984,858.00 | 1,615,193,168.00 |
| Ratio | 1.126 | 1.440 |

| Quick Ratio | Jun-15 | Jun-14 |
|--|------------------|------------------|
| Cash + Accounts Receivable + Short Term Marketable Securities | 382,899,548.00 | 749,631,558.00 |
| Current Liabilities | 1,943,984,858.00 | 1,615,193,168.00 |
| Ratio | 0.197 | 0.464 |

| Cash Ratio | Jun-15 | Jun-14 |
|--|------------------|------------------|
| Cash + Short Term or Marketable Securities | 200,363,953.00 | 183,759,861.00 |
| Current Liabilities | 1,943,984,858.00 | 1,615,193,168.00 |
| Ratio | 0.103 | 0.114 |

SOLVENCY RATIO

| Current Liabilities to Equity Ratio | Jun-15 | Jun-14 |
|--|------------------|------------------|
| Current Liabilities | 1,943,984,858.00 | 1,615,193,168.00 |
| Total Equity | 4,569,204,097.00 | 4,668,800,583.00 |
| Ratio | 0.425 | 0.346 |

| Total Liabilities to Equity Ratio | Jun-15 | Jun-14 |
|--|------------------|------------------|
| Total Liabilities | 3,838,833,696.00 | 4,221,231,861.00 |
| Total Equity | 4,569,204,097.00 | 4,668,800,583.00 |
| Ratio | 0.840 | 0.904 |

| Fixed Assets to Equity Ratio | Jun-15 | Jun-14 |
|-------------------------------------|------------------|------------------|
| Fixed Assets | 6,093,869,761.00 | 6,403,805,389.00 |
| Total Equity | 4,569,204,097.00 | 4,668,800,583.00 |
| Ratio | 1.334 | 1.372 |

| Asset to Equity Ratio | Jun-15 | Jun-14 |
|------------------------------|------------------|------------------|
| Total Assets | 8,408,037,793.00 | 8,890,032,444.00 |
| Total Equity | 4,569,204,097.00 | 4,668,800,583.00 |
| Ratio | 1.840 | 1.904 |

INTEREST COVERAGE RATIO

| Interest Coverage Ratio | Jun-15 | Jun-14 |
|--|----------------|----------------|
| Net Income Before Tax + Interest Expense | 163,755,545.00 | 128,914,006.00 |
| Interest Expense | 37,760,495.00 | 57,460,137.00 |
| Ratio | 4.337 | 2.244 |

PROFITABILITY RATIO

| Return on Sales (Profit Margin) Ratio | Jun-15 | Jun-14 |
|--|------------------|----------------|
| Net Income After Taxes | 125,995,050.00 | 71,453,869.00 |
| Net Sales | 1,033,268,802.00 | 948,966,233.00 |
| Ratio | 0.122 | 0.075 |

| Return on Assets (ROA) Ratio | Jun-15 | Jun-14 |
|-------------------------------------|------------------|------------------|
| Net Income After Taxes | 125,995,050.00 | 71,453,869.00 |
| Total Assets | 8,408,037,793.00 | 8,890,032,444.00 |
| Ratio | 0.0150 | 0.008 |

| Return on Equity | Jun-15 | Jun-14 |
|-------------------------|------------------|------------------|
| Net Income After Taxes | 125,995,050.00 | 71,453,869.00 |
| Total Equity | 4,569,204,097.00 | 4,668,800,583.00 |
| Ratio | 0.028 | 0.015 |

WATERFRONT PHILIPPINES, INCORPORATED & SUBSIDIARIES
SCHEDULE OF AGING OF ACCOUNTS RECEIVABLE FOR SEC REPORTING
As of June 30, 2015

| Trade Receivables | <u>0-30 days</u> | <u>31-60 days</u> | <u>61-90 days</u> | <u>91-120 days</u> | <u>121 days over</u> | <u>TOTAL</u> |
|-------------------------------------|-----------------------------|-----------------------------|----------------------------|----------------------------|-----------------------------|------------------------------|
| Waterfront Cebu City Hotel & Casino | 19,031,775.58 | 11,707,356.38 | 2,135,729.54 | 4,031,184.69 | 10,810,990.05 | 47,717,036.24 |
| Waterfront Airport Hotel & Casino | 14,543,571.80 | 32,648.95 | 5,358.42 | 30,120.30 | 53,062.59 | 14,664,762.06 |
| Waterfront Insular Hotel Davao | 7,519,700.59 | 850,903.06 | 765,217.90 | 920,898.05 | 3,224,161.63 | 13,280,881.23 |
| Manila Pavilion Hotel | 7,492,730.81 | 4,428,544.04 | 2,043,850.29 | 485,384.39 | 13,000,583.56 | 27,451,093.09 |
| Total | <u>48,587,778.78</u> | <u>17,019,452.43</u> | <u>4,950,156.15</u> | <u>5,467,587.43</u> | <u>27,088,797.83</u> | <u>103,113,772.62</u> |