COVER SHEET

AS094-8678

SEC Registration Number

WATERFRONT PHILIPPINES, INC.

(Company's Full Name)

NO. 1 WATERFRONT DRIVE

OFF SALINAS DRIVE LAHUG

CEBU CITY

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

MS. IRISH CHARA LAWAS	(02) 559-0130
Contact Person	Company Telephone Number

12	31	SEC 17 - Q3	09	23
Month	*Day*	FORM TYPE	*Month*	*Day*
			Annual Meeting	

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

452		
Total No. of Stockholders	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

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

September 30, 2017

2. SEC Identification Number

AS0948678

3. BIR Tax Identification No.

D80003978254NV

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

032-2326888

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 - P1.00 PAR VALUE	2,498,991,753

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

- (selected) Yes
- No

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

THE PHILIPPINE STOCK EXCHANGE

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)

- [x] Yes
- [ ] No

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

- [ ] Yes
- [x] No

Waterfront Philippines, Incorporated

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 period ended	September 30, 2017
Currency (indicate units, if applicable)	PESO

Balance Sheet

	Period Ended	Calendar Year Ended (Audited)
	September 30, 2017	Dec 31, 2016
Current Assets	2,584,642,847	2,096,232,446
Total Assets	9,555,577,656	9,107,344,314
Current Liabilities	1,904,735,532	1,828,565,697

Total Liabilities	3,383,567,134	3,272,977,322
Retained Earnings/(Deficit)	(422,726,058)	(760,985,667)
Stockholders' Equity	6,172,010,522	5,834,366,992
Stockholders' Equity - Parent	5,278,606,541	4,940,346,932
Book Value per Share	2.11	1.98

Income Statement

	Current Year (3 Months)	Previous Year (3 Months)	Current Year-To-Date	Previous Year-To-Date
Operating Revenue	568,082,421	521,951,366	1,562,168,928	1,564,822,795
Other Revenue	8,070,458	8,707,611	23,286,788	28,974,727
Gross Revenue	568,082,421	521,951,366	1,562,168,928	1,564,822,795
Operating Expense	424,076,408	343,246,573	1,047,231,359	983,971,133
Other Expense	70,360,154	51,604,769	199,964,748	220,534,403
Gross Expense	424,076,408	343,246,573	1,047,231,359	983,971,133
Net Income/(Loss) Before Tax	81,716,317	135,807,635	338,259,609	389,291,986
Income Tax Expense	0.00	0.00	0.00	0.00
Net Income/(Loss) After Tax	81,716,317	135,807,635	338,259,609	389,291,986
Net Income Attributable to Parent Equity Holder	97,900,689	124,473,340	336,351,560	357,438,180
Earnings/(Loss) Per Share (Basic)	0.039	0.050	0.135	0.143
Earnings/(Loss) Per Share (Diluted)	0.039	0.050	0.135	0.143

	Current Year (Trailing 12 months)	Previous Year (Trailing 12 months)
Earnings/(Loss) Per Share (Basic)	0.107	0.125
Earnings/(Loss) Per Share (Diluted)	0.107	0.125

Other Relevant Information
--

Financial Ratios

	Formula	Current Year September 30, 2017	Previous Year September 30, 2016
Liquidity Analysis Ratios:			
Current Ratio or Working Capital Ratio	**Curent Assets / Current Liabilities**	1.36	1.04
Quick Ratio	**(Current Assets - Inventory - Prepayments)/ Current Liabilities**	1.30	0.99
Solvency Ratio	**Total Assets / Total Liabilities**	2.82	2.71
Financial Leverage Ratios			
Debt Ratio	**Total Debt / Total Assets**	0.35	0.37
Debt-to-Equity Ratio	**Total Debt / Total Stockholders' Equity**	0.55	0.58
Interest Coverage	**Earnings Before Interest and Taxes (EBIT) / Interest Charges**	6.52	7.38
Asset to Equity Ratio	**Total Assets / Total Stockholders' Equity**	1.55	1.58
Profitability Ratios			
Gross Profit Margin	**Sales - Cost of Goods Sold or Cost of service/ Sales**	0.34	0.38
Net Profit Margin	**Net Profit / Sales**	0.21	0.24
Return on Assets	**Net Income / Total Assets**	0.04	0.05
Return on Equity	**Net Income / Total Stockholders' Equity**	0.05	0.07
Price / Earnings Ratio	**Price Per Share / Earnings Per Common Share**	0.135	0.143

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 11/09/2017

Principal Financial/Accounting Officer/Controller Precilla O. Toriano

Signature and Title ____________________
Compliance Officer/Corporate Director of Finance

Date 11/09/2017

WATERFRONT PHILIPPINES, INCORPORATED AND SUBSIDIARIES **Annex A**
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As of September 30, 2017

	Unaudited	Unaudited	Audited
	September 30, 2017	September 30, 2016	December 31, 2016
ASSETS			
Current Assets			
Cash and cash equivalents	**409,421,632**	156,234,259	204,295,153
Receivables - net	**263,703,273**	315,646,159	235,447,147
Inventories	**26,702,885**	27,677,148	28,187,104
Due from related parties - current portion	**1,804,385,299**	1,435,230,401	1,537,900,077
Prepaid expenses and other current assets	**80,429,758**	75,528,058	90,402,965
Total Current Assets	**2,584,642,847**	2,010,316,025	2,096,232,446
Noncurrent Assets			
Receivables from Acesite Limited (BVI)	**-**	-	-
Due from related parties - noncurrent portion	**340,197,163**	332,797,180	340,197,163
Goodwill	**-**	-	-
Property and equipment - net	**6,554,624,006**	5,741,571,586	6,585,028,850
Available-for-sale (AFS) investments	**16,821,740**	18,209,100	16,821,740
Deferred tax assets	**27,533,720**	19,533,869	41,086,003
Other noncurrent assets	**31,758,180**	248,087,116	27,978,112
Total Noncurrent Assets	**6,970,934,809**	6,360,198,851	7,011,111,868
	9,555,577,656	8,370,514,876	9,107,344,314
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and accrued expenses	**1,393,675,691**	1,309,932,739	1,358,365,891
Loans payable - current portion	**375,000,000**	375,000,000	375,000,000
Income tax payable	**-**	215,138	69,555,622
Contract payable	**-**	-	-
Provisions	**14,660,806**	54,939,038	-
Other current liabilities	**121,399,035**	185,650,250	25,644,184
Total Current Liabilities	**1,904,735,532**	1,925,737,165	1,828,565,697
Noncurrent Liabilities			
Loans payable - noncurrent portion	**-**	-	-
Deferred tax liabilities	**1,345,939,675**	1,005,330,718	1,339,315,801
Retirement benefits liability	**94,723,351**	121,949,799	98,517,865
Other noncurrent liabilities	**38,168,576**	35,677,720	6,577,959
Total Noncurrent Liabilities	**1,478,831,602**	1,162,958,237	1,444,411,625
Total Liabilities	**3,383,567,134**	3,088,695,402	3,272,977,322
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 surplus in property and equipment	**2,349,524,496**	1,841,118,443	2,349,524,496
Foreign currency translation adjustment	**41,686,179**	32,442,969	41,686,179
Fair value reserve	**2,683,245**	3,456,005	2,683,245
Retirement benefits reserve	**102,082,569**	101,280,259	102,082,569
Deficit:			
Appropriated	**-**	-	
Unappropriated	**(422,726,058)**	(708,168,919)	(760,985,667)
Total Equity Attributable to Equity Holders of the Parent Company	**5,278,606,541**	4,475,484,867	4,940,346,932
Non-controlling Interest	**893,403,981**	806,334,607	894,020,060
	9,555,577,656	8,370,514,876	9,107,344,314

See Notes to the Consolidated Financial Statements.

WATERFRONT PHILIPPINES, INCORPORATED AND SUBSIDIARIES **Annex A**
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME-UNADITED

For the Quarter Ended September 30, 2017

	CONSOLIDATED		
	Unaudited	Unaudited	Audited
	July-September 2017	July-September 2016	December 31, 2016
REVENUES			
Hotel	562,142,469	509,851,884	2,062,860,765.00
Nonhotel	5,939,952	12,099,482	
Interest and other income	8,070,458	8,707,611	72,484,476.00
	576,152,879	530,658,977	2,135,345,241
COSTS AND EXPENSES			
Hotel	413,507,561	323,226,371	1,009,481,330
Nonhotel	10,568,847	20,020,202	352,897,807
	424,076,408	343,246,573	1,362,379,137
INCOME BEFOREFIXED, FINANCIAL AND OTHER CHARGES	152,076,471	187,412,404	772,966,104
FIXED, FINANCIAL AND OTHER CHARGES			
Depreciation and amortization	55,360,154	65,629,626	255,392,265
Interest expense	15,000,000	15,000,000	80,144,299
Penalties and other charges	-	-	
Provision for impairment losses on receivables	-	-	3,442,842
Loss on sale on Acesite shares	-	-	
Interest income	-	(27,889,222)	(39,859,178)
Foreign exchange losses (gains) - net	-	(1,107,635)	12,007,679
Others - net	-	(28,000)	(9,550,150)
	70,360,154	51,604,769	301,577,757
INCOME(LOSS) BEFORE INCOME TAX	81,716,317	135,807,635	471,388,347
INCOME TAX EXPENSE (BENEFIT)	-	-	152,503,361
NET INCOME (LOSS) BEFORE SHARE OF MINORITY INTEREST	81,716,317	135,807,635	318,884,986
Share of Monority Interest	(16,184,372)	11,334,295	31,492,489
NET INCOME (LOSS) ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY	97,900,689	124,473,340	287,392,497
OTHER COMPREHENSIVE INCOME			
Appraisal on increase on property and equipment	-	-	913,101,845
Foreign currency translation differences for foreign operations	-	-	9,243,210
Actuarial gains on defined benefit plan	-	-	8,322,675
Net change in fair value of AFS financial assets	-		(1,387,360)
Reduction of deferred tax liability relating to revaluation surplus	-		
Deferred tax effect	-	-	(276,427,356)
	-		652,853,014
TOTAL COMPREHENSIVE INCOME (LOSS)	81,716,317	135,807,635	971,738,000
EARNINGS PER SHARE - Basic and Diluted	0.039	0.048	0.115

*There are no dilutive potential shares as of June 30, 2017 and 2016.

WATERFRONT PHILIPPINES, INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
As of September 30, 2017

	Unaudited	Unaudited	Audited
	September 30, 2017	September 30, 2016	December 31, 2016
REVENUES			
Hotel	**1,549,318,458**	1,524,429,997	2,062,860,765
Nonhotel	**12,850,470**	40,392,798	
Interest and other income	**23,286,788**	28,974,727	72,484,476
	1,585,455,717	1,593,797,522	2,135,345,241
COSTS AND EXPENSES			
Cost of sales			
Hotel	**1,021,992,123**	936,623,072	1,009,481,330
Nonhotel	**25,239,237**	47,348,061	352,897,807
	1,047,231,359	983,971,133	1,362,379,137
	538,224,358	609,826,389	772,966,104
OTHER EXPENSES (INCOME)			
Depreciation and amortization	**154,964,748**	200,870,981	255,392,265
Interest expense	**45,000,000**	46,466,473	80,144,299
Penalties and other charges	**-**	-	
Provision for impairment losses on receivables	**-**	-	3,442,842
Loss on sale on Acesite shares	**-**		
Interest income	**-**	(27,889,222)	(39,859,178)
Foreign exchange losses (gains) - net	**-**	1,086,171	12,007,679
Others - net	**-**	-	(9,550,150)
	199,964,748	220,534,403	301,577,757
INCOME(LOSS) BEFORE INCOME TAX	**338,259,609**	389,291,986	471,388,347
INCOME TAX EXPENSE (BENEFIT)	**-**	-	152,503,361
NET INCOME (LOSS) BEFORE SHARE OF MINORITY INTEREST	**338,259,609**	389,291,986	318,884,986
Share of Minority Interest	**1,908,049**	31,853,806	31,492,489
NET INCOME (LOSS) ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY	**336,351,560**	357,438,180	287,392,497
OTHER COMPREHENSIVE INCOME			
Appraisal on increase on property and equipment	**-**	-	913,101,845
Foreign currency translation differences for foreign operations	**-**	-	9,243,210
Actuarial gains on defined benefit plan	**-**	-	8,322,675
Net change in fair value of AFS financial assets	**-**	-	(1,387,360)
Reduction of deferred tax liability relating to revaluation surplus	**-**	-	
Deferred tax effect	**-**		(276,427,356)
	-	-	652,853,014
TOTAL COMPREHENSIVE INCOME (LOSS)	**338,259,609**	389,291,986	971,738,000

WATERFRONT PHILIPPINES, INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
As of September 30, 2017

	Unaudited	Unaudited	**Audited**
	September 30, 2017	September 30, 2016	December 31, 2016
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY			
Capital stock - P1 par value per share	**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 at beginning of year	**2,349,524,496**	1,841,118,443	1,841,118,443
Effects of changes in tax rates			
Other comprehensive income - net of income tax effect	**-**		557,282,121
Derecognition of land held under finance lease due to acquisition of a subsidiary			-
Transfer of revaluation surplus absorbed through depreciation for the year - net of income tax effect	**-**		(48,876,068)
Balance at end of year	**2,349,524,496**	1,841,118,443	2,349,524,496
Unrealized Valuation Gain (Loss) on AFS Investments			
Balance at beginning of year	**-**	-	-
Valuation loss taken into equity during the year	**-**	-	-
Change in equity ownership of non-controlling interest in a subsidiary	**-**	-	-
Balance at end of year	**-**	-	-
Foreign Currency Translation Adjustment			
Balance at beginning of year	**41,686,179**	32,442,969	32,442,969
Translation adjustment during the year	**-**	-	9,243,210
Balance at end of year	**41,686,179**	32,442,969	41,686,179
Deficit			
Appropriation for renovation and business expansion	**-**		-
Unappropriated			
Balance at beginning of year	**(760,985,667)**	(1,097,460,906)	(1,097,460,906)
Transfer of revaluation surplus absorbed through depreciation for the year - net of income tax effect	**-**	-	48,876,068
Change in retirement benefits reserve	**-**	-	206,674
Net income (loss) for the year	**338,259,609**	389,291,987	287,392,497
Balance at end of year	**(422,726,058)**	(708,168,919)	(760,985,667)
Total deficit	**(422,726,058)**	(708,168,919)	(760,985,667)
	5,173,840,727	4,370,748,603	4,835,581,118
Fair value reserve, beginning of the year	**2,683,245**	3,456,005	3,456,005
Other comprehensive income-net tax effect	**-**	-	(772,760)
Total fair value reserve	**2,683,245**	3,456,005	2,683,245
Retirement benefits reserve, beginning of the year	**102,082,569**	101,280,259	101,280,259
Other comprehensive income-net tax effect	**-**	-	802,310
Total retirement benefits reserve	**102,082,569**	101,280,259	102,082,569
Total Equity Attributable to Equity Holders of the Parent Company	**5,278,606,541**	4,475,484,867	4,940,346,932

WATERFRONT PHILIPPINES, INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
As of September 30, 2017

	Unaudited	Unaudited	**Audited**
	September 30, 2017	**September 30, 2016**	December 31, 2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**338,259,609**	389,291,987	471,388,347
Adjustments for:			
Depreciation and amortization	**154,964,749**	200,870,981	255,392,265
Interest expense	**45,000,000**	46,466,473	80,144,299
Loss on sale on acesite shares	**-**	-	-
Retirement benefit costs	**(3,794,514)**	4,514,290	20,814,752
Provisions	**(14,660,806)**	(54,939,038)	-
Unrealized foreign exchange loss (gain)	**-**	1,086,171	9,243,210
Penalties and other charges	**-**	-	-
Loss(gain) on disposal of property and equipment	**-**	-	(947,110)
Impairment losses	**-**	-	3,442,842
Interest income	**-**	(27,889,222)	(39,859,178)
Operating income before working capital changes	**519,769,038**	559,401,642	799,619,427
Decrease (increase) in:			
Receivables	**(28,256,126)**	(101,944,207)	(25,188,037)
Inventories	**1,484,219**	1,621,033	1,111,077
Prepaid expenses and other current assets	**9,973,207**	1,454,148	(13,420,759)
Increase (decrease) in:			
Accounts payable and accrued expenses	**(35,309,800)**	61,561,624	(14,410,832)
Other current liabilities	**(95,754,851)**	30,074,883	(523,576,556)
Cash generated from operations	**371,905,687**	552,169,123	224,134,320
Interest received	**-**	27,889,222	505,729
Income taxes paid	**(69,555,622)**	(37,847,085)	(85,130,822)
Retirement plan contributions paid	**-**	-	(21,050,000)
Benefits paid	**-**	-	(9,606,808)
Interest paid	**(45,000,000)**	(46,466,473)	(63,195,329)
Net cash provided by operating activities	**257,350,065**	495,744,787	45,657,090
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of property and equipment	**(124,559,904)**	(16,810,539)	(9,668,747)
Investment in a subsidiary	**-**	-	-
Due from related parties	**(266,485,222)**	-	99,298,558
Proceeds from sale of an equity interest in subsidiary	**-**	-	-
Proceeds from sale of property and equipment	**-**	-	8,928,615
Increase in other noncurrent assets	**300,607,049**	(102,887,250)	12,710,611
Net cash used in investing activities	**(90,438,077)**	(119,697,789)	111,269,037
CASH FLOWS FROM FINANCING ACTIVITIES			
(Increase)Decrease in loans payable	**-**	121,030,050	(121,030,050)
(Increase) Decrease in due from related parties	**-**	174,980,393	-
Increase (decrease) in other noncurrent liabilities	**38,214,491**	(688,991,402)	(4,769,144)
Payment of obligation under finance lease			
Net cash provided by (used in) financing activities	**38,214,491**	(392,980,959)	(125,799,194)
INCREASE (DECREASE) IN TRANSLATION ADJUSTMENT FOR THE YEAR			
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**205,126,479**	**(16,933,961)**	31,126,933
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**204,295,153**	173,168,220	173,168,220
CASH AND CASH EQUIVALENTS AT END OF YEAR	**409,421,632**	156,234,259	**204,295,153**

See Notes to the Consolidated Financial Statements.

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. The Parent Company is 46%-owned by The Wellex Group, Inc. (TWGI), an entity registered and domiciled in the Philippines, which is listed in the Philippine Stock Exchange (PSE). The Parent Company holds equity interests in hotels and resorts, a fitness gym, entities engaged in the international marketing and promotion of casinos, manufacturing of pastries, and hotel management and operations.

The Parent Company and the following subsidiaries (collectively referred to as the Group) were incorporated in the Philippines, except for Waterfront Promotion Ltd. (WPL) and Club Waterfront International Limited (CWIL), which were registered in the Cayman Islands.

	Percentage of Ownership	
	Direct	Indirect
Hotels and Resorts		
Waterfront Cebu City Casino Hotel, Incorporated (WCCCHI)	100	-
Waterfront Mactan Casino Hotel, Incorporated (WMCHI)	100	-
Davao Insular Hotel Company, Inc. (DIHCI)	98	-
Acesite (Phils.) Hotel Corporation (APHC)	56	-
Grand Ilocandia Resort and Development, Inc. (GIRDI)	54	-
Real Estate		
CIMA Realty Phil., Inc. (CIMAR)	-	56*
Fitness Gym		
Waterfront Wellness Group, Inc. (WWGI)	100	-
International Marketing and Promotion of Casinos		
WPL	100	-
Mayo Bonanza, Inc. (MBI)	100	-
CWIL (through direct ownership in WPL)	-	100
Waterfront Entertainment Corporation (WEC)	100	-
Pastries Manufacturing		
Waterfront Food Concepts Inc. (WFC)	100	-
Hotel Management and Operation		
Waterfront Hotel Management Corp. (WHMC)	100	-

Hotels

Waterfront Cebu City Casino Hotel, Inc.

WCCCHI was incorporated on September 23, 1994 to manage and undertake operations of Waterfront Cebu City Hotel and Casino (WCCHC). 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 (11) 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 (9) 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 4,000people. It has played host to a myriad of national as well as regional events, conventions and conferences.

Waterfront Cebu City Hotel and Casino operates 9 F&B outlets, including a hotel coffees shop, 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. The newly renovated lobby was inspired based on two main objectives; first, to transform the existing single dimension grand lobby into a multi-dimensional lifestyle-concept space that will enhance the guests' experience when dining and lounging in the lobby; and second, to improve traffic patterns, through the construction of larger check-in areas and through maximizing the Lobby's three entrances. 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 crisscrossed by hundreds of people each day, the hotel's grand lobby sets the whizzing pulse for the hotel and dictates its overall ambiance. Apart from improvements to the general structure of the lobby, the Lobby Lounge itself will offer an all-new dining and lounging experience, with newly-installed glass panels, semi-closing 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, the hotel has put together additional features such as nightly entertainment from the city's top performers, and soulful afternoon music by soloists.
Among the hotel's newest pride comes in the form of delectable treats, introducing Lobby Lounge's new service concepts.

Afternoon.Tea
Guests can now relive the splendor and grace of the old English days with the Lobby Lounge's Afternoon Tea offering. It is a tea and dessert concept created to give guests a whole new tea

experience by giving emphasis on unique ways to enjoy a cup of tea. Guests can expect an array of snack choices to complement their tea selection. The Afternoon Tea comes with a choice of Traditional Afternoon Tea with a Local Twist or Chocolate Temptations. For each selection, guests may opt for tea, coffee or hot chocolate. Each selection also comes with a variety of snack options to go along with their choice of beverage.

Wine Dispenser
Guests can now take a sip of Lobby Lounge's extensive selection of wine. The wine dispenser is an innovative addition to the wining and dining experience at the hotel. It serves the purpose of allowing guests to select among an array of bottles, through tasting by the glass. This concept intends to give guests an opportunity to sample different wines in small amounts before deciding to order a full glass or bottle. Guests may test wines from the dispenser in three different amounts. This way, guests can choose the perfect wine fit for their palate. To enjoy the wine dispenser service, guests must avail of the Wine Card which comes in prepaid or postpaid.

To complement the Hotel's main lobby, a group check-in counter is constructed, dedicated solely to corporate and travel groups; a larger Duty Free shopping is also provided; and an additional Casino Filipino gaming space of 2,350 square meters is launched together with it. This will not only enhance the current lobby, but will also increase operational efficiency and add more exciting features for the hotel's customers.

Waterfront Mactan Casino Hotel, Inc.

Waterfront Mactan was incorporated on September 23, 1994 to manage and undertake operations of Waterfront Mactan Island Hotel and Casino (WMIHC). WMCHI has completed Phase I of Waterfront Mactan Island Hotel and Casino (WMIHC). It is located right across Mactan-Cebu International Airport, on a land area of approximately 3.2 hectares. The hotel features 164 rooms and suites, 6 food-and-beverage and entertainment outlets, with a total built-up area of 38,000 square meters. Equipped with one of the largest casinos in the Philippines, WMIHC has made Cebu the only city in Southeast Asia that offers casino facilities to transients while waiting for their flights. For future development is Phase II, consisting of 200-guest rooms, which will be built depending on the demands of the market. It has recently improved its rooms by installing fax machines and Internet connections to cater to the needs of its guests. Additionally, the company has acquired the newest hospitality software in the industry, the OPERA Property Management System, which is designed to help run the hotel operations at a greater level of productivity and profitability. This was installed last January 14, 2003.

The hotel is conveniently located in front of the Mactan International and Domestic Airport, just a three-minute drive to the Industrial Zone, a fifteen-minute drive to the beaches of Mactan Island and just thirty minutes away from Cebu City's shopping and financial district**.**

This year 2016, the property extended the Annex parking to provide more slots for the guests and this year also marks the 20th anniversary of Waterfront Mactan Casino Hotel, Inc.

Davao Insular Hotel Company, Inc. or Waterfront Insular Hotel Davao, Inc.

Davao Insular Hotel Company Inc. was incorporated in the Philippines on July 3, 1959 to engage in the operation of hotel and related hotel businesses. The hotel is a 98% owned subsidiary of Waterfront Philippines, Incorporated and is operating under its trading name Waterfront Insular Hotel Davao. Waterfront Insular Hotel, the prestigious business hotel in a sprawling garden resort setting, is only five to ten minutes to the downtown area. Nestled along the picturesque Davao Gulf, its open air corridors provide a refreshing view of the hotel's beautifully landscaped tropical garden and the sea.

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 159 guest rooms and suites, 5 function rooms and 6 F&B outlets .Every room opens to a lanai overlooking a lush garden the blue waters of the Davao Gulf or a scenic coconut grove. Features included in the newly re-opened hotel are the 5 Gazebos located along the beach area. 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.

On 2015, the property re-opens its gym with 48 square meters to continuously serve its guests and to ensure guests satisfaction.

Acesite (Phils.) Hotel Corporation

The principal property of the Company is a 22-storey building known as the Manila Pavilion Hotel located at the corner of United Nations Avenue and Maria Y. Orosa Street in Ermita, Manila. The Hotel has 337 guestrooms and suites that have individually controlled central air conditioning, private bathroom with bathtub and shower, multi-channel radio, color TV with cable channels and telecommunications facilities. It has 3 function rooms and one of this is Alcuaz which can accommodate 250-300 guests. The hotel has approximately 2,200 sq. meters of meeting/banquet/conference facilities, and also houses several restaurants, such as Seasons Café (coffee shop), the Rotisserie (grill room), the Peony Garden (Chinese restaurant), the Boulvar (bar & lounge) and the Patisserie (bakeshop and deli items). Other guest services and facilities include a chapel, swimming pool, gym, business center and a valet-service basement car park. Concessionaires and tenants include beauty salon, foot spa, photography services, transportation services, travel agency, flower shop and boutiques. In addition, Casino Filipino – Pavilion, owned and operated by PAGCOR, occupies part of the first, second, third, fourth and fifth floors (a total of 12,696.17 sq. m.) of the building.

The Company acquired 100% interest of CIMAR, a former subsidiary of Acesite Limited (BVI) or ALB, in October 2011. In July 2011, The Company and CIMAR executed a Memorandum of Agreement (MOA), which effectively settle all pending cases and controversies between the two parties. In fulfillment of all the terms and conditions of the MOA, CIMAR's stockholders including all their nominees, agreed to sign, sell, transfer and convey all existing shares of stocks of CIMAR to the Company.

Year 2015, Alcuaz function that can accommodate 250-300 guests was renovated and 111 rooms under superior room category were opened.

Waterfront Hotel Management Corporation (*previously Waterfront Management Corp.)*

G-Hotel by Waterfront located in 2090 Roxas Boulevard, Malate Manila on November of 2006 is being managed by Waterfront Management Corporation. 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.

On October 01, 2014, the BOD approved the cessation of the Company's business operations. Consequently, the Company's activities were 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.

Mayo Bonanza, Inc.

Mayo Bonanza, Incorporated (MBI), a 100% owned subsidiary of WPI was incorporated on November 24, 1995 in the Philippines with principal activities in the operation and management of amusement, entertainment, and recreation businesses. MBI is to extend the gaming business of the Company. Its primary purpose is to establish, operate, and manage the business of amusement entertainment, and recreation facilities for the use of the paying public. The Company entered into an agreement with the Philippine Amusement and Gaming Corporation (PAGCOR) whereby the latter shall operate the former's slot machine outside of casinos in line with PAGCOR's slot machine arcade project.

On May 30, 2016. BOD approved the cessation of the Company's business operations effective July 01, 2016.

Waterfront Entertainment Corporation

WPI has 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. 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.

Waterfront Food Concepts, Inc.

Waterfront Food Concepts, Inc. is a pastry business, catering to pastry requirements of Waterfront Cebu, Waterfront Mactan and other established coffee shops and food service channels outside the hotels. The property is located in the lobby level of Waterfront Cebu City Casino Hotel. It has started its operation on May of 2006. Its pastry products include cakes, cookies and sandwiches. The subsidiary has already catered most of the renowned coffee shops in the city of Cebu.

Waterfront Wellness Group, Inc.

This new subsidiary is located in the Ground Level of Waterfront Cebu City Casino Hotel occupying 617.53 square meters. WCitigyms and Wellness, Inc. is a fully equipped gym with specialized trainers and state of the art equipments. The gym offers variety of services from aerobic instructions to belly dancing, boxing, yoga classes and a lot more. It also has its own nutritionist/dietician. Its highly trained therapists perform massage and spa services to guests within the hotel.

Citigym entices the public in 2015 by opening the newly renovated room-The Citigym Hit Zone. This is Citigym's "Do It Right" and smart solution to Cebu's growing interest in high intensity workout routines.

Grand Ilocandia Resort and Development, Inc.

As of March 31, 2000, the Company carried its investments in GIRDI at cost since it intended to dispose such investment in the near future. In November 2000, GIRDI sold all of its property and equipment, inclusive of the hotel facilities and related operating assets and the investment in marketable securities.

Waterfront Promotions Limited/Club Waterfront International Limited

Waterfront Promotion Ltd. was incorporated on March 6, 1995, under and by virtue of the laws of Cayman Islands to act as the marketing arm for the international marketing and promotion of hotels and casinos under the trade name of Club Waterfront International Limited (CWIL). It is a wholly owned subsidiary of Waterfront Philippines, Inc., a domestic company. Under the agreement with PAGCOR, WPL has been granted the privilege to bring in foreign players under the program in Waterfront Cebu City Hotel and Grand Ilocandia Resort Development Corp. On the other hand, CWIL is allowed to bring in foreign players in Waterfront Mactan Hotel. In connection to this, the company markets and organizes groups of foreign players as participants to the Philippine Amusement and Gaming Corporation's (PAGCOR) Foreign Highroller Marketing Program. The company also entered into agreements with various junket operators to market the casinos for foreign customers. Under these agreements, the company grants incentive programs to junket operators such as free hotel expenses, free airfares and rolling commissions.

The company participated in a joint venture with Jin Lin Management Corporation, its sole marketing agent and co-venturer on September 24, 2001. This joint venture was terminated on April 15, 2002.

The operations for Waterfront Promotions Limited, and likewise for Club Waterfront International Limited had ceased for the year 2003 in March due to the bleak market.

Basis 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 NCI in a subsidiary are allocated to the NCI even if doing so causes the NCI to have a deficit balance.

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 revenue is recognized:

Rooms
Room revenue is recognized based on actual occupancy.

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

Rent and Related 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 when earned.

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

1. Cash and Cash Equivalents

Cash in banks earn interest at the respective bank deposit rates. Short-term placements earn interest at annual average of 0.13% to 2.88% in 2017 and 2016 and have average maturities ranging from 30 to 35 days for both years.

2. Receivables

This account consists:

	September 2017	September 2016
Trade	113,491,045	154,634,313
Others	170,236,568	181,036,186
	283,727,613	**335,670,499**
Less allowance for doubtful accounts	-20,024,340	-20,024,340
Total	**263,703,273**	**315,646,159**

3. Inventories

This account consists of:

	September 2017	September 2016
Food and Beverage	16,153,254	15,094,772
Operating Supplies	9,266,235	11,267,077
Others	1,283,396	1,315,299
Total	**26,702,885**	**27,677,148**

4. Related Party Transactions

In 2017, the Parent Company extended interest-bearing, collateral free advances to TWGI, PRC and Crisanta Realty at a rate of two percent (2%) per annum. This also includes PHES which is due and demandable.

5. Accounts Payable and Accrued Expenses

This account consists of:

	September 2017	September 2016
Trade	600,125,925	512,507,442
Accrued Expenses	718,256,391	688,875,188
Others	75,293,375	108,550,109
Total	**1,393,675,691**	**1,309,932,739**

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 October 28, 1999, the Parent Company obtained a five-year term loan from SSS amounting to P375.00 million originally

due on October 29, 2004. The SSS loan bears interest at the prevailing market rate plus 3% or 14.5% per annum, whichever is higher. Interest is repriced annually and is payable semi-annually. Initial interest payments are due 180 days from the date of the release of the proceeds of the loan. The repayment of the principal shall be based on eight (8) semi-annual payments, after a one-year grace period.

The SSS loan was availed to finance the completion of the facilities of WCCCHI. It was secured by a first mortgage over parcels of land owned by WII and by the assignment of 200 million common shares of the Parent Company owned by TWGI. The common shares assigned were placed in escrow in the possession of an independent custodian mutually agreed upon by both parties.

On August 7, 2003, when the total loan obligation to SSS, including penalties and interest, amounted to P605.00 million, the Parent Company was considered in default with the payments of the loan obligations, thus, on the same date, SSS executed a foreclosure proceeding on the mortgaged parcels of land. The SSS's winning bid on the foreclosure sale amounting to P198.00 million was applied to penalties and interest amounting to P74.00 million and P124.00 million, respectively. In addition, the Parent Company accrued penalties charged by SSS amounting to P30.50 million covering the month of August until December 2003, and unpaid interest expense of P32.00 million.

The Parent Company, WII and TWGI were given the right to redeem the foreclosed property within one (1) year from October 17, 2003, the date of registration of the certificate of sale. The Parent Company recognized the proceeds of the foreclosure sale as its liability to WII and TWGI. The Parent Company, however, agreed with TWGI to offset this directly against its receivable from the latter. In August 2004, the redemption period for the Parent Company, WII and TWGI expired.

The remaining balance of the SSS loan is secured by the shares of stock of the Parent Company owned by TWGI and shares of stock of WII numbering 235 million and 80 million shares, respectively.

The Parent Company, at various instances, initiated negotiations with the SSS for restructuring of the loan but was not able to conclude a formal restructuring agreement.

In the absence of a formal restructuring agreement, the entire outstanding loan balance amounted to P375.00 million based on principal amount plus accrued interest and penalties amounted to P806.31 million and P746.44 million as at December 31, 2015 and 2014, respectively, presented as part of "Accrued interest and penalties" account under "Accounts payable and accrued expenses" (see Note 11).

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 by the Parent Company 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 Company to return to SSS the principal amount of loan amounting to P375.00 million and directed the SSS to return to the Company and to its related parties titles and documents held by SSS as collaterals.

On January 22, 2016, SSS appealed with the CA assailing the RTC of Quezon City decision in favor of the Parent Company, et al. SSS filed its Appellant's Brief and the Parent Company filed a Motion for Extension of Time to file Appellee's Brief until May 16, 2016.

On May 16, 2016, the Parent Company filed its Appellee's Brief with the CA, furnishing the RTC of Quezon City and the Office of the Solicitor General with copies. SSS was given a period to reply but it did not file any.

On September 6, 2016, a resolution for possible settlement was received by the Parent Company from the CA. However, on February 7, 2017 a Notice to Appear dated December 7, 2016 was received by the Parent Company from the Philippine Mediation Center Unit - Court of Appeals (PMCU-CA) directing the Parent Company and SSS to appear in person and without counsel at the PMCU-CA on January 23, 2017 to choose their mediator and the date of initial mediation conference and to consider the possibility of settlement. Since the Notice to Appear was belatedly received, the parties were not able to appear before the PMCU-CA.

As at the report date, both parties have not yet appeared before the PMCU-CA for the settlement of the dispute.

ICBC Loan

The Company had committed an event of default with respect to the payment of its US$15 million loan with the ICBC – Singapore Branch, which matured on 31 March 1998. On 03 June 2003, the loan was restructured by ICBC which stipulated six semi-annual installments payment of principal and interest until April 2006. In July 2004, the new management of the Company requested for a reprieve on loan principal payments due for the period, which the Company suggested to be placed at the end of the term of the Amended Agreement.

On March 31, 2016, the Company fully settled its loan obligation.

PBB
On June 10, 2011 and December 19, 2011, WCCCHI and WMCHI, respectively entered into a loan agreement with PBB amounting to Php300 million each with interest fixed at 12% per annum.

As of April 29, 2016, the Company has no more loan obligations with PBB.

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

	September 2017	September 2016
Net Income (Loss)	336,351,560	357,438,181
Weighted Average Number of Shares Outstanding	2,498,991,753	2,498,991,753
Earnings (Loss) per share	**0.135**	**0.143**

There are no dilutive potential shares as of September 30, 2017 and 2016.

8. Lease Agreement with Philippine Amusement and Gaming Corporation ("PAGCOR')
The Parent Company, in behalf of WCCCHI and WMCHI, entered into lease agreements with PAGCOR. The lease agreement of WCCCHI with PAGCOR covered the Main Area (8,123.60 sq.m.), Slot Machine Expansion Area (883.38 sq.m.), Mezzanine (2,335 sq.m.) and 5th Floor Junket Area (2,336 sq.m.) for a total area of 13,677.98 sq.m. which commenced on March 3, 2011 and March 16, 2011, for the Main Area and Slot Machine Expansion Area, respectively. The lease agreement of WMCHI with PAGCOR covered the Main Area (4,076.24 sq.m.) and Chip Washing Area (1,076 sq.m.) for a total area of 5,152.24 sq.m. which was last renewed on March 21, 2011. Both leases expired on August 2, 2016.
APHC also has a lease agreement with PAGCOR covering 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 Area (402.84 sq.m.) for a total lease area of 12,696.17 sq.m. The lease agreement was last renewed on December 1, 2010 and expired on December 31, 2016.

The amortized cost of the refundable security deposits received by WCCCHI, WMCHI and APHC upon execution of the above lease contracts were determined by calculating the present value of the cash flows anticipated until the end of the lease term using the respective interest rates. The change in the present value and the amortization of the discount is recognized as part of "Interest expense" account in profit or loss and amounted to P19.01 million, P20.31 million and P19.13 million in 2016, 2015 and 2014, respectively. As the deposits do not have an active market, the underlying interest rates were determined by reference to market interest rates of comparable financial instruments.

As at December 31, 2016, the management of the Group is still negotiating with PAGCOR for the renewal of the leases. Currently, PAGCOR pays WCCCHI, WMCHI, and APHC rental of P24.05 million, P11 million, and P28.59 million, respectively, on a month-to-month basis.

9. Other Lease Agreements

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

Rent revenue recognized as part of "Rent and related income" in the consolidated profit or loss and other comprehensive income amounted to P85.29 million, P135.63 million and P116.55 million in 2016, 2015 and 2014, respectively.

Group as Lessee
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 hotels were constructed. On October 14, 1994, WHR assigned its rights and obligations under 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.

10. Commitments and Contingencies

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

a. 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 P3.30 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. The Parent Company 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. The CTA En Banc decision promulgated on December 4, 2014 affirmed the VAT and EWT assessments. The EWT assessment was paid on March 3, 2013.

The CTA En Banc decision was appealed to the SC on February 5, 2015 covering the VAT assessment only. As at December 31, 2016, the Parent Company is still awaiting the SC's decision.

Management and its legal counsels believe that the position of the Parent Company is sustainable, and accordingly, believe that the Parent Company does not have a present obligation (legal or constructive) with respect to the assessment.

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.

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 September 30, 2017 and 2016 together with its financial conditions as of the same period.

RESULTS OF OPERATIONS

	September 2017	September 2016
Revenues	**1,585,455,717**	**1,593,797,522**
Less: Costs and Expenses	1,047,231,359	983,971,133
Net Income (Loss) Before Fixed Financial and Other Charges	**538,224,358**	**609,826,389**
Less: Fixed Financial and Other Charges (Dep'n and Amort'n, and Interest)	199,964,748	220,534,403
Income (Loss) before Income Tax	**338,259,609**	**389,291,987**
Income Tax Expense (Benefit)	0.00	0.00
Income (Loss) before Share in Minority Interest	**338,259,609**	**389,291,987**
Share of Minority Interest	**1,908,049**	**31,853,806**
Net Income (Loss)	**336,351,560**	**357,438,181**
Earnings (loss) Per share	**0.135**	**0.143**

FINANCIAL CONDITION

	September 2017	September 2016
Assets		
Current assets	2,584,642,847	2,010,316,025
Non-current Assets	6,970,934,809	6,360,198,851
Total Assets	**9,555,577,656**	**8,370,514,876**
Liabilities and Stockholders' Equity		
Current Liabilities	1,904,735,532	1,925,737,165
Non-current Liabilities	1,478,831,602	1,162,958,237
Total Stockholders' Equity	5,278,606,541	4,475,484,867
Minority Interest	893,403,981	806,334,607
Total Liabilities and Stockholders' Equity	**9,555,577,656**	**8,370,514,876**

RESULTS OF OPERATIONS

Period ended September 30, 2017 compared to Period Ended September 30, 2016

Income Statement

Hotels and other subsidiaries gross revenues for the 3rd quarter of 2017 and 2016 are Php 1.585 billion and Php 1.594 billion respectively, decreased 1% from last year. Consolidated costs and expenses for all properties increased by 6% as compared from last year.

Seasonality or Cyclicality 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. As we all know, the country is full of Chinese nationalities and businessmen and celebrating their New Year would really be an advantage to the hotels in terms of revenues.

This 1st quarter, MICE market has been a particularly strong driving. Our ability to reach out to our existing client base to facilitate further business and enhance brand loyalty has been highly rewarding, with MICE-generated banquet and functions contributing significantly to overall growth in sales.

Everyday, we are fuelled by our desire to consistently do a better performance, taking into account our strengths and maximizing our opportunities.

2nd QUARTER

Waterfront is driven to improve its cost efficiency and we make sure to never sacrifice our quality of service. To guarantee consistent service excellence, we are committed to constantly developing our workforce. Our people are our heart and soul--the software complementing our vast hardware. They are the main drivers of our business, giving life to our infrastructure.

In addition, we also continue to grow both our offline and online distribution channels. Contacting Compass Edge to develop our China Market online and can gain more access to the Chinese market.

For the succeeding quarters, we look to deliver even greater value as part of our unwavering commitment to our shareholders and guests. We are contemplating a change that sparks our revenue potential, exploiting unexplored channels, expanding our revenue stream and safeguards our position through constant innovation.

3rd QUARTER

Our product remains the same: an excellent brand of service with a distinctly Filipino touch. UNO restaurants have their Filipino Festival in this quarter lead by our F&B Team and in cooperation with Chef Laudico. Our product also now reaches consumers at novel touch points: through the ease and convenience of technology, reaching our market where it spends the most time, the internet.

Marketing has remained aggressive in its effort to reach new audiences and keep existing customers' loyalty. Via online and offline channels, we capitalize on our brand recall, re-sell and cross-sell our facilities, and ensure a seamless experience for the customer when interacting with our brand.

This success has not been overnight. We experience our current profitability because of the prudent and decisive measures installed through the previous years.

TOP FIVE (5) PERFORMANCE INDICATORS

	September 2017	**September 2016**
Occupancy Percentage	73%	68%
Average Room Rates	2,468	2,358
Food Covers	229,298	244,322
Average Food Checks	391	367
Average Food Costs	36%	36%

Occupancy Percentage
The occupancy percentage is up by 5% as compared to 3rd quarter of 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 5% higher compared as compared from 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 decreased by 6% compared to the 3rd quarter of last year. 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 increased by 7% compared to the 3rd quarter of 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 costs remains at 36%. Average Food Cost is computed by dividing the total food and beverage revenue by total food cost.

Revenues and Earnings per Share
Revenues decreased by 1%, Php 1.585 billion for the 3rd quarter of 2017 and Php 1.594 billion of the same quarter last year and operating expenses increased by 6%.

GOP at Php 538.22 million in 2017 and Php 609.83 million in 2016.

Earnings per share this quarter is at Php 0.135 while same quarter last year was at Php 0.143.

Fixed Financial and Other Charges
Total fixed financial and other charges total Php 199.96 million, reflecting a significant cost reduction of 9% from the previous year's PHP 220.53 million.

This account includes the depreciation and interest expense from SSS Loan.

Interest expense this quarter is lower by 3% or Php 1.47 million.

FINANCIAL CONDITION

Cash and Cash Equivalents
Cash and cash equivalents as of the 3rd quarter of this year is at Php 409.42 million higher by Php 253.19 million from last year or 162%.

Receivables
Receivables for the period had a notable decreased of 16% from Php 315.65 million 3rd quarter last year to Php 263.70 million 3rd quarter this year.

Inventories
Inventory this year showed a decreased of 4% or Php974.26 million from last year.

Due from related parties-current portion
This account increased by 26% from last year's 3rd quarter. This represents interest bearing advances from TWGI, PRC and PHES which is due and demandable.

Crisanta Realty at a rate of two percent (2%) per annum is classified as non-current due in 5 years.

Property, Plant and Equipment
The account reflects an increase of 14% or Php 813.05 million from last year.

Accounts Payable and Accrued Expenses
This account had increased to 6% or Php 83.74 million from last year.

Loans Payable
The account remains static at Php 375 million. This refers to loan with Social Security System.

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. There are no material commitments for capital expenditures, general purpose of such commitments, expected sources of funds for such expenditures.
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 that did not arise from the issuer's continuing operations other than those already affecting profit or loss.

Risk Management Structure
The BOD is mainly responsible for the overall risk management approach and for the approval of risk strategies and principles of the Group. It also has 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, evaluation and analysis of the Group's risks in line with the policies and limits set by the BOD.

Financial Risk Management Objectives and Policies
The Group's principal financial instruments comprise of cash and cash equivalents, receivables, due from related parties, AFS investment, accounts payable and accrued expenses (except for local taxes and output VAT, withholding taxes and deferred income), other current liabilities, loans payable, and other noncurrent liabilities. These financial instruments arise directly from 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.

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 cash in banks, receivables and advances to related parties. The Group has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Group's standard

payment and delivery terms and conditions are offered. The Group's review includes external ratings, if they are available, financial statements, credit agency information, industry information, and in some cases bank references.

The Group limits its exposure to credit risk by establishing credit limits and maximum payment period for each customer, reviewing outstanding balances to minimize transactions with customers in industries experiencing particular economic volatility.

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.

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 through related party advances and from bank loans, when necessary. - 31 -

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.

Since the Group's loan in U.S. dollar had been fully paid in March 2016, the Group is not anymore significantly exposed to changes in foreign currency exchange rates.

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 financial instrument that is exposed to interest risk is the interest-bearing funds made available by the Parent Company to WCCCHI to finance the construction of the Cebu City Hotel Project. Such funds were substantially sourced from a P375 million loan from SSS, as well as the stock rights offering of the Parent Company. The Parent Company is charging WCCCHI on the related interests and penalties on the contention that the latter benefited from the proceeds of the SSS loan

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 which are listed in the PSE totaling to 86,710,000 shares as at December 31, 2016 and 2015.

The Group monitors the changes in the price of the shares of stock of WII. In managing its price risk, the Group disposes of 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, current portion of due from related

parties, 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 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 investment was determined using the closing market price of the investment listed on the PSE as of December 31, 2016 and 2015.

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 2016 and 2015.

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 2016 and 2015. For purposes of the Group's capital management,

capital includes all equity items that are presented in the consolidated statement of changes in equity. The Group is not subject to externally-imposed capital requirements.

WATERFRONT PHILIPPINES, INCORPORATED AND SUBSIDIARIES
SCHEDULE OF AGING OF ACCOUNTS RECEIVABLE FOR SEC REPORTING
As of September 30, 2017

Trade Receivables	0-30 days	31-60 days	61-90 days	91-120 days	121 days over	Total
Waterfront Cebu City Casino Hotel Inc.	13,831,380.44	8,244,107.40	4,188,120.11	2,053,360.71	21,254,594.25	49,571,562.91
Waterfront Airport Hotel and Casino	19,413,057.86	1,588,406.84	-	24,830.43	102,640.97	21,128,936.10
Waterfront Insular Hotel Davao	4,587,747.85	38,650.15	669,971.86	221,352.97	3,066,189.58	8,583,912.41
Manila Pavilion Hotel	7,287,121.11	1,936,761.05	(43,888.73)	615,327.69	17,096,050.24	26,891,371.36
Total	**45,119,307.26**	**11,807,925.44**	**4,814,203.24**	**2,914,871.80**	**41,519,475.04**	**106,175,782.78**