

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

Contact Person

(02) 559-0130

Company Telephone Number

1 2

3 1

SEC 20IS PRELIMINARY

1 0

1 3

Month

Day

FORM TYPE

Month

Day

Annual Meeting

Secondary License Type, If Applicable

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Dept. Requiring this Doc.

Amended Articles Number/Section

Amended Articles Number/Section

438

Total No. of Stockholders

Total Amount of Borrowings

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

File Number

LCU

Document I.D.

Document I.D.

Cashier

STAMPS

Remarks = pls. use black ink for scanning purposes



SECURITIES AND EXCHANGE  
COMMISSION  
**RECEIVED**  
AUG 30 2018  
MARKET REGULATION & SUPERVISION  
BY: \_\_\_\_\_ TIME: 10:27

August 29, 2018

Dear Stockholder:


Please be advised that the annual meeting of the stockholders of WATERFRONT PHILIPPINES, INC. (the "Corporation"), will be held on Saturday, October 13, 2018 at 10:00 a.m. at the Waterfront Cebu City Hotel, Lahug, Cebu City for the purpose of transacting the following business:

1. Call to Order
2. Report on Attendance and Quorum
3. Approval of Minutes of Previous Stockholders' Meeting
4. Report to Stockholders for the Year 2017
5. Ratification of Resolutions and Acts of the Board and Management for 2017
6. Election of Board of Directors for the Ensuing Term 2018-2019
7. Appointment of External Auditor
8. Appointment of External Counsel
9. Other Business
10. Adjournment

The record date for the purpose of determining the stockholders who are entitled to vote in said stockholders' meeting is September 20, 2018. The stock and transfer book will be closed from September 21, 2018 to October 13, 2018.

If you are not attending, you may submit a proxy instrument to the office of the Corporate Secretary of this Corporation at the address below. Corporate stockholders are requested to attach to the proxy instrument, their respective board resolutions in support of their proxies.

On the day of the meeting, you or your proxy are hereby requested to bring this notice and any form of identification with picture and signature (e.g. driver's license, SSS ID, company ID, etc.) to facilitate registration.

  
ARTHUR R. PONSARAN  
Corporate Secretary  
Waterfront Cebu City Hotel  
Lahug, Cebu City

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 20 OF THE SECURITIES REGULATION CODE

SECURITIES AND EXCHANGE COMMISSION  
AUG 30 2018  
MARKET REGULATION DEPT.  
1027

- 1. Check the appropriate box:  
 Preliminary Information Statement  
 Definitive Information Statement
- 2. Name of Registrant as specified in its charter WATERFRONT PHILIPPINES, INCORPORATED
- 3. PHILIPPINES  
Province, country or other jurisdiction of incorporation or organization
- 4. SEC Identification Number AS-0994-8678
- 5. BIR Tax Identification Code D80-003-978-254-NV
- 6. No.1 Waterfront Drive, Off Salinas Drive, Lahug, Cebu City 6000  
Address of principal office Postal Code
- 7. Registrant's telephone number, including area code  
(02) 559-0130
- 8. October 13, 2018 at 10:00 a.m. at Waterfront Cebu City Casino Hotel, Inc. Lahug, Cebu City  
Date, time and place of the meeting of security holders
- 9. Approximate date on which the Information Statement is first to be sent or given to security holders: September 24, 2018
- 10. In case of Proxy Solicitations:

Name of Person Filing the Statement/Solicitor: \_\_\_\_\_

Address and Telephone No.: \_\_\_\_\_

- 11. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):

Title of Each Class	Number of Shares of Common Stock Outstanding or Amount of Debt Outstanding
<u>Common Shares - P1.00 par value</u>	<u>2,498,991,753</u>

- 12. Are any or all of registrant's securities listed in a Stock Exchange?

Yes X No \_\_\_\_\_

If yes, disclose the name of such Stock Exchange and the class of securities listed therein:  
Philippine Stock Exchange - Common shares

**PART I.**

**A. GENERAL INFORMATION**

**Item 1. Date, time and place of meeting of security holders**

- a.) The annual meeting of the stockholders of Waterfront Philippines, Incorporated is scheduled to be held on October 13, 2018 at 10:00 a.m. at the Waterfront Cebu City Casino Hotel, Inc. Lahug, Cebu City. The complete mailing address of the principal office of the registrant is No.1 Waterfront Drive, Off Salinas Drive Lahug, Cebu City.
- b.) Approximate date on which the Information Statement is first to be sent or given to security holders: September 24, 2018.

**Item 2. Dissenter's Right of Appraisal**

The shareholders shall have appraisal right or the right to dissent and demand payment of the fair value of their shares in the manner provided under Section 81 of the Corporation Code, under any of the following circumstances:

- In case any amendment to the Articles of Incorporation has the effect of changing or restricting the rights of any stockholders or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence;
- In case of sale, lease, exchange, transfer, mortgage, pledge, or other disposition, of all or substantially all of the corporate property and assets as provided in the Corporation Code; and
- In case of merger or consolidation.

Under Section 81 and 82 of the Corporation Code, stockholders who dissent to certain corporate actions are given the right appraisal as provided in the Corporation Code. Among others, appraisal rights are available to dissenters in case the corporation invests its funds in another corporation or business for any purpose other than its primary purpose. The appraisal right may be exercised by any stockholder who shall have voted against the corporate action, by making a written demand on the corporation within (30) days after the date on which the vote was taken for the payment of the fair value of his shares.

"Indication whether there is any matter to be taken up which will give rise to the exercise of the dissenter's right of appraisal-there is none.

**Item 3. Interest of Certain Persons in or Opposition to Matter to be Acted Upon**

1. Other than election to office, no director or officer has any substantial interest in any matter to be acted upon during the Annual Meeting of stockholders on October 13, 2018.
2. No director intends to oppose any action to be taken at the said meeting.

**Item 3. Interest of Certain Persons in or Opposition to Matter to be Acted Upon**

Other than election to office, no director or officer has any substantial interest in any matter to be acted upon during the Annual Meeting of stockholders on October 13, 2018.

No director intends to oppose any action to be taken at the said meeting.

**B. CONTROL AND OTHER INFORMATION****Item 4. Voting Securities and Principal Holders Thereof**

The number of shares outstanding and entitled to vote in the stockholders' meeting is 2,498,991,753 shares as of July 31, 2018. The record date for purposes of determining stockholders entitled to vote is September 20, 2018. Stockholders are entitled to cumulative voting in the election of directors, as provided by the Corporation Code.

Under Section 24 of the Corporation Code, cumulative voting is allowed in the election of Directors. Thus, a stockholder may vote such number of shares for as many persons as there are directors to be elected, or he may cumulate his shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of shares shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit, provided, that the total number of votes cast by him shall not exceed the number of shares owned by him as shown in the books of the corporation multiplied by the whole number of directors to be elected.

Security Ownership of Certain Record and Beneficial Owners and Management. There is no change in control of the registrant since the beginning of the last calendar year.

**Item 4. Security Ownership of Certain Record and beneficial Owners:  
(As of July 31, 2018)**

The following persons are known to the Company to be directly or indirectly the record or beneficial owner of more than 5% of any class of the Company's voting securities:

<u>Title of Class</u>	<u>Name &amp; Address of Record Owner &amp; Relationship with Issuer</u>	<u>Name of Beneficial Owner &amp; Relationship with Record Owner</u>	<u>Citizenship</u>	<u>No. of Shares Held</u>	<u>% of Class</u>
Common	The Wellex Group, Inc. 35 <sup>th</sup> Flr One Corporate Center, Dona Julia Vargas Ave. cor. Meralco Ave., Ortigas <i>TWGI is the holding company and major stockholder of WPI.</i>	The Wellex Group, Inc. 35 <sup>th</sup> Flr One Corporate Center, Dona Julia Vargas Ave. cor. Meralco Ave., Ortigas Center, Pasig City  • Represented by Miss Elvira A. Ting, who is a nominee of said company. Directors & Officers are William T. Gatchalian, Dee Hua T. Gatchalian, Kenneth T. Gatchalian, Arthur R. Ponsaran & Yolanda T. de La Cruz	Filipino	1,128,466,800	45.157%
Common	PCD Nominee Corporation (Fil.) 37/F Tower I, The Enterprise Center 6766 Ayala Ave., Paseo de Roxas, Makati City <i>(PCD Nominee is not related to WPI)</i>	Various Clients	Filipino	594,260,373	23.780%
Common	Silver Green	As of the date of this	Non	180,230,000	7.212%

	Investments LTD. Commence Overseas LTD. Commence Chambers P.O Box 2200, Road Town Tortola, BVI	definitive report the authorized person to vote is not yet known.	Filipino		
Common	Chesa Holding, Inc Unit 401 Joy bldg., No.6 Joy St, Grace Village Brgy. Balingasa	As of the date of this definitive report the authorized person to vote is not yet known.	Filipino	175,924,000	7.040%
Common	Tybalt Investment LTD Scotia Ctr 4/F P.O 2804 George Town Grand Cayman Island British West Indies	As of the date of this definitive report the authorized person to vote is not yet known.	Filipino	135,010,000	5.403%

Natural persons authorized to vote the shares of Silver Green Investments LTD., Chesa Holding, Inc. and Tybalt Investment LTD cannot be identified until the proxy shall have been appointed in writing by the stockholder himself or by his duly authorized attorney-in-fact.

None on the listed above do foreigners own directly or indirectly of more than 5% of any class of the Company's voting securities. PCD Nominee (Non-Filipino) constitutes only a 1.326%.

**Security Ownership of Management  
(As of July 31, 2018)**

Title Of Class	Name of beneficial Owner	Amount and nature of Beneficial Ownership	Citizenship	% of Class
Common	Renato B. Magadia	200 direct	Filipino	0.000
Common	Kenneth T. Gatchalian	30,000,100 direct	Filipino	1.200
Common	Weslie T. Gatchalian	30,000,000 direct	Filipino	1.200
Common	Arthur M. Lopez	1direct	Filipino	0.000
Common	Elvira A. Ting	10,000,009 direct	Filipino	0.400
Common	Lamberto B. Mercado, Jr.	100 direct	Filipino	0.000
Common	Arthur R. Ponsaran	110 direct	Filipino	0.000
Common	Dee Hua T. Gatchalian	350,000 direct	Filipino	0.014
Common	Reno I. Magadia	10,000 direct	Filipino	0.000
Common	Sergio R. Ortiz-Luis Jr.	110 direct	Filipino	0.000
Common	Ruben D. Torres	1,000 direct	Filipino	0.000
	<b>Total Beneficial Ownership</b>	<b>70,361,630</b>		<b>2.814</b>

There is no voting trust holder of 5% or more.

There are no persons holding a certain class of stocks under a voting trust or similar agreement. There are also no arrangements that may result in a change in control of the registrant.

**Item 5. Directors and Executive Officers**

**Nominees for Election as Members of the Board of Directors:  
(Final as Pre-screened by NOMELEC)**

Name	Position	Age	Citizenship
Renato B. Magadia	Chairman of the Board	80	Filipino
Elvira A. Ting	Treasurer/Director	58	Filipino
Lamberto B. Mercado, Jr.	Director	54	Filipino
➤ Sergio R. Ortiz-Luis, Jr.	Independent Director	75	Filipino
➤ Ruben D. Torres	Independent Director	77	Filipino

Reno I. Magadia	Director	48	Filipino
➤ Arthur M. Lopez	Independent Director	72	Filipino
Kenneth T. Gatchalian	President/Director	42	Filipino
Dee Hua T. Gatchalian	Director	70	Filipino
Arthur R. Ponsaran	Corporate Secretary	75	Filipino

They are in the final list of nominees as pre-screened by NOMELEC. They are being nominated by Ms. Elvira Ting, all of whom are not related with her.

Independent Directors should possess all the qualifications and none of the disqualifications to serve as such as provided for in Section 38 of the Securities Regulation Code and its implementing Rules and Regulations.

#### Nominations Committee

Chairman - Arthur M. Lopez -Independent Director  
 Member - Ruben D. Torres -Independent Director  
 Member - Lamberto B. Mercado, Jr.

*The Company has complied with the Guidelines on the Nomination and Election of the Independent Directors as outlined in SRC Rule 38.*

#### Directors and Executive Officers:

- a) There are 9 seats in the Board of Directors. The term of office of each member is one year.
- b) The current members of the Board of Directors are now as follows:

Office	Name	Age	Citizenship	Position in Other Listed Companies
Chairman of the Board	Renato B. Magadia	80	Filipino	Director-Phil. Estate Corporation, Chairman of the Board of Metro Alliance Holdings and Equities Corporation, Mercator Holdings and Equities Corporation, 2007-2008 Rotary Governor for district 3930; Vice-Chairman of Acesite (Phils.) Hotel Corp.; Director of Misons Industrial and Development Corp., All Oceans Maritime Agency, Inc., Howden Insurance and Reinsurance Brokers (Phils.), Inc., Cunningham Toplis Philippines, Inc., Metro Combined Logistics Solutions, Inc. and President of The Zuellig Corporation. An active member of Rotary Club of Makati North.
Director	Kenneth T. Gatchalian	42	Filipino	Director-Wellex Industries Inc.; President & CEO of Acesite (Phils.) Hotel 2007-present; President and Chief Executive Officer of Philippine Estates Corporation 2010-2011; Director-Forum Pacific Inc.
Director	➤ Arthur M. Lopez	72	Filipino	Owner and Principal Consultant of AML Hotel Consultancy, Management and Technical Services Consultant of Federal Land and owner of Grand Hyatt Projects and Marco Polo Cebu; Director-Philippine Estates Corp., Chairman- Acesite Phils. Hotel Corp, Hotel Management Consultant of the B Hotel Manila, Bellevue Bohol Resort in Panglao, B Hotel Quezon City, Bellevue Baguio (opening in

				2018) and Bloomberry Casino Hotels & Resorts; Regional Director of Asia Pacific Top Management International Resources Corp.; Hotel Management Consultant of Double Dragon properties Corporation. President of Legoli Holdings Inc and Arleff Holdings Inc. and President of Phil. Hotel Federation Inc.
Director	Dee Hua T. Gatchalian	70	Filipino	Director- Philippine Estates Corporation, Acesite (Philippines) Hotel Corporation; EVP-Finance and Admin The Wellex Group, Inc., & Plastic City Corporation. Chairperson of Jesus Our Life Ministries, Inc.
Director	Reno I. Magadia	48	Filipino	Managing Director- Misons Industrial & Development Corp., Metro Combined Logistics Solutions, Inc.; Director - Metro Alliance Holdings and Equities Corp. Vice-President and Director of Mercator Filter Manufacturing Corporation.
Director	Lamberto B. Mercado, Jr.	54	Filipino	Director-The Wellex Group, Inc., Metro Alliance Holdings & Equities Corp., Forum Pacific, Inc. Director- Acesite (Phils.) Hotel 2004-present, Air Philippines Corporation, Philippine International Airways, Inc, Consumer Products Distribution Services Inc., Mabuhay Vinyl Corp. and Pacific Wide Realty & Development Corp.
Director	➤ Sergio R. Ortiz-Luis, Jr.	75	Filipino	Independent Director-Waterfront Philippines, Inc., President & CEO - Philippine Exporters Confederation, Inc. (PHILEXPORT); Honorary Chairman - Philippine Chamber of Commerce & Industry, Employers Confederation of the Philippines, Integrated Concepts and Solutions, Inc., Vice-Chairman of Alliance Global, Inc.; Director - International Chamber of Commerce of the Philippines, Manila Exposition Complex, Inc., Lasaltech Academy, BA Securities, Rural Bank of Baguio, GS1.; Gov't Affiliations: Vice-Chairman - Export Development Council; Civic Organizations: Chairman - Rotary Club of Green Meadows, Director - PILAK Foundation, Universal Access Center for Trade Others: Honorary Consul General - Consulate of Romania in the Philippines.
Director	➤ Ruben D. Torres	77	Filipino	Independent Director Waterfront Philippines, Inc., President -BPO Workers Association of the Phils.; Senior Partner - Torres Caparas Torres Law Offices; Secretary General-Katipunan ng Manggagawa at Magsasaka ng Pilipinas; Chairman/CEO - Service Exporters Risk Management & Consultancy Co., Towers Corporation and Optimus Medical Care and Trading Corporation.
Director and Treasurer	Elvira A. Ting	58	Filipino	President & CEO - Philippine Estates Corporation; Director-Wellex Industries, Inc., Forum Pacific, Inc., Orient Pacific Corporation, Crisanta Realty and Development Corporation,



				Recovery Development Corporation, The Wellex Group, Inc., Plastic City Industrial Corporation.
Corporate Secretary	Arthur R. Ponsaran	75	Filipino	Director-Philippine Estate Corporation, Wellex Industries, Inc., Forum Pacific, Inc. Acesite (Phils.) Hotel, Managing Partner-Corporate Counsels, Phils., Chairman of Value Management and Options Corp and Corp Secretary of Producers Rural Banking Corp., The Wellex Group, Inc., MRL Gold Phils., Inc., Village Foundation, Shuylkill Assets Strategists (SPV-AMC), Inc., Petrolift Corp.

### Key Officers

Name	Office	Age	Citizenship
Kenneth T. Gatchalian	President	42	Filipino
Precilla O. Toriano	Corporate Finance Director	49	Filipino
Maria Socorro R. Cotelos	Corporate Planning Director	42	Filipino
Lanelle Cristina M. Barba	Corporate Peers Resources and Development Director	39	Filipino

On the year 2016, Ms. Ma. Theresa S. Fernandez resigned without any disagreements on any proposed action of the Board.

A brief description of the directors' and executive officers' business experience and other directorship held in other reporting companies for the last five years are provided as follows:

<b>Renato B. Magadia</b>	<b>Chairman of the Board</b>
--------------------------	------------------------------

A graduate of the University of the Philippines Diliman with a degree in Business Administration major in Accounting and a Certified Public Accountant. He is concurrently, the Chairman of the Board of Metro Alliance Holdings and Equities Corporation, Waterfront Philippines, Inc. and Mercator Securities Corporation. He is a Director of various companies like Howden Insurance and Reinsurance Brokers (Phils.), Inc., All Ocean Maritime Agency, Inc., Cunningham Toplis Philippines, Inc., The Zuellig Group, Misons Industrial & Dev't Corp., Phil. Accident Managers, Inc. and Philippine. Estates Corp. He is also a trustee in The Zuellig Foundation, Inc. He has been a director of Waterfront since April 1999- present from 2006-2008 he is the Rotary Governor for district 3930.

<b>Kenneth T. Gatchalian</b>	<b>President</b>
------------------------------	------------------

Mr. Kenneth T. Gatchalian is a President of the Company. He is a member of the Board of Forum Pacific, Inc. and Wellex Industries, Inc., and The Wellex Group, Inc. Holds a Degree in Bachelor of Science in Architecture from University of Texas in San Antonio, Texas, USA. He's been the Director of Waterfront since February 2001.

<b>Arthur M. Lopez</b>	<b>Director</b>
------------------------	-----------------

Hotel management consultant specializing in general hotel management consultancy services, marketing, hotel design development/technical services, gaming, hotel feasibility study, pre and post hotel opening management services, asset management/owner's representative, food and beverage concept and service, mergers and acquisitions, travel and tours, theme parks and third party management and branding. The Owner and Principal Consultant of AML Hotel Consultants. Hotel Management and Development Consultant - Double Dragon Properties Corporation (PSE listed) - Hotel of Asia Inc. - Jin Jiang Ortigas, Jin Jiang Inn Makati, Injap Tower Iloilo, Hotel 101 Manila (500 rooms), Hotel 101 Fort project (600 rooms, under construction); Hotel 101 Bohol (250 rooms, under construction); Hotel Management and Development Consultant - Bellevue Bohol Resort, The Bellevue Hotel Manila, The B Hotel Manila, B Hotel Quezon City; Bellevue Baguio (under construction) opening in 2018; Bellevue Bohol Resort extension (140 rooms) opening 2019. Hotel Management and Development Consultant - Wydham Garden

(Wellworth Properties and Development Corporation) Quezon City (200 rooms) opening in 2020 and in a resort hotel in Mactan, Cebu City (300 rooms) opening in 2021. The Chairman - Philippine Estates Corporation (PSE listed) and Acesite Philippines Hotel Corporation, owner of Manila Pavilion Hotel (PSE listed). Director - Waterfront Hotels and Casinos (PSE listed) - Waterfront Cebu City Hotel & Casino, Manila Pavilion Hotel & Casino, Waterfront Airport Hotel & Casino and Waterfront Insular Hotel Davao. President - Philippine Hotel Owners Association, Inc. (PHOAI) - the largest group of hotel owners and developers in the Philippines. Holds a Bachelor of Science degree in Commerce, major in Management, and a Master's Degree in Business Administration (MBA), both from the University of Santo Tomas in the Philippines. He completed a Tourism Management course at the East-West Center, University of Hawaii, Honolulu, Hawaii and Cornell University, Ithaca, New York, USA.

<b>Dee Hua T. Gatchalian</b>	<b>Director</b>
------------------------------	-----------------

Mrs. Gatchalian was elected director of the Company since 24 June 2004-present. She is the Executive Vice-President of The Wellex Group, Inc., and also the Executive Vice-President of Plastic City Corporation. She is a board of director of Philippine Estates Corporation, and Acesite (Phils.) Hotel Corp. She graduated with a degree in Medical Technology from the Far Eastern University in 1970. In addition to her numerous positions in business firms, she is the Chairperson of Jesus Our Life Ministries, Inc., a non-profit, non-stock organization duly registered with the Securities and Exchange Commission.

<b>Reno I. Magadia</b>	<b>Director</b>
------------------------	-----------------

A Master's degree holder in Business Administration from Pepperdine University in Los Angeles, California, Mr. Magadia is currently the Managing Director of holding firm, Misons Industrial and Development Corp. He is also the Managing Director of Metro Combined Logistics Solutions, Inc. He is on the Board of Directors of Metro Alliance Holdings and Equities Corporation. He held the posts of Vice President and Director of Mercator Filter Manufacturing Corporation. He also worked as Head Portfolio Manager of stock brokerage firm, Papa Securities Corporation. He was also the President and Founder of the Youth Leaders for Change, a non-profit and multi-sectoral organization for youth leaders in Quezon City. He was elected as Director of Waterfront Philippines, Inc., since September 17, 2005-present.

<b>Lamberto B. Mercado, Jr.</b>	<b>Director</b>
---------------------------------	-----------------

A lawyer and a CPA by profession, Atty. Mercado is a member of the Board of Directors of several publicly-listed companies namely: Waterfront Philippines, Inc., Metro Alliance Holdings & Equities Corp., Forum Pacific, Inc., Acesite (Philippines) Hotel Corporation and Wellex Industries, Inc. He is currently the Vice-President for Legal Affairs of the Wellex Group, Inc. In the past as Deputy Administrator for Administration, he had supervised the largest group in the Subic Bay Metropolitan Authority (SBMA). He had also, helped in the drafting of Administrative Orders to effectively implement R.A. 7227 (the law creating the Subic Bay Freeport Zone) and its implementing rules and regulations. He was the President of Freeport Service Corporation, a subsidiary of SBMA and helped in the creation and organization of this service corporation. He was also a Director of Acesite (Phils.) Hotel Corporation since June 24, 2004-present. Associate Lawyer of Gascon, Garcia and Associates. He studied BSC Major in Accountancy at the University of Santo Tomas and Bachelor of Laws (LLB) at the Ateneo de Manila University School of Law, graduated in 1985 and 1990, respectively. He has been a director of Waterfront Philippines Inc., since July 2003-present.

<b>Sergio R. Ortiz-Luis, Jr.</b>	<b>Director</b>
----------------------------------	-----------------

He has degrees of Bachelor of Arts and Bachelor of Science in Business Administration from De La Salle University; PhD Humanities from Central Luzon State University, and PhD Business Technology from Eulogio "Amang" Rodriguez Institute of Science and Technology. He is the President and CEO of Philippine Exporters Confederation, Inc. An Honorary Chairman of Philippine Chamber of Commerce & Industry, Employers Confederation of the Philippines as well as Integrated Concepts & Solutions, Inc. He is the Vice Chairman of Alliance Global, Inc., Export Development Council. He is a Director of Manila Exposition Complex, Inc., Lasaltech Academy, Philippine Estate Corporation, BA Securities, Rural Bank of Baguio, PILAK Foundation, and Universal Access Center for Trade and Philippine International Training Corporation. He is a Council Adviser Member of Philippine Foundation, Inc., a Founding Director of International Chamber of Commerce of the Philippines and GS1. He is also a member of the Board of Advisers of Southville International School and Colleges. He is a commissioner of Patrol 117, a Financing Champion of National Competitiveness Council and a Private Sector Representative of Bamboo

Council. He is also a Chairman of Rotary Club of Green Meadows Foundation and also a Chairman of Council of Advisers Eastern Police District. He is the Past President of Rotary Club of Green Meadows Quezon City RI District 3780; a Board of Advisers Member of Council of Advisers Philippine National Police, a senator of Philippine Jaycee Senate, Captain of Philippine Coastguard Auxiliary and a member of the League of Corporate Foundation. He is the Honorary Consul General of Consulate of Romania in the Philippines, a Treasurer of Consular Corps of the Philippines and an Honorary Adviser of International Association of Education for World Peace. Some awards that he received were International Peace Award for Economic Development in 2005, Most Outstanding Citizen of Nueva Ecija in the Field of Business in 2005 also, Most Outstanding Pasigueno in 2006, Ulirang Ama also in 2006 and Presidential Merit Award Medal in 2007. He became an Independent Director of Waterfront Philippines, Inc. since August 2006-present. In 2014, he attended Exporter's Partner in Gearing the Country for the AEC Markets of the World 2, Technology Innovation and Entrepreneurship as Competitive Strategies PHILAAS 63<sup>rd</sup> Annual Convention and lastly, Bringing the Buy Pinoy Campaign to the Next Level.

<b>Ruben D. Torres</b>	<b>Director</b>
------------------------	-----------------

Mr. Ruben Torres graduated in the University of the Philippines with a degree of Bachelor of Arts (Political Science) after which, he finished the degree of Bachelor of Laws at the same university. Presently he is also the President of BPO Workers Association of the Philippines and Senior Partner of Torres Caparas Torres Law Office. He is also the Secretary General of Katipunan ng Manggagawa at Magsasaka ng Pilipinas. He is associated with the Integrated Bar of the Philippines and Philippine Academy of Professional Arbitrators. His former positions include being a Member of the House of Representatives of the 2nd District of Zambales, Executive Secretary of the Office of the President in Malacañang, Secretary of the Department of Labor and Employment. Mr. Torres became an Independent Director of Waterfront Philippines, Inc. since August 2006-present.

<b>Elvira A. Ting</b>	<b>Director and Treasurer</b>
-----------------------	-------------------------------

Ms. Elvira A. Ting earned her Bachelor's Degree in Business Administration major in Management from the Philippine School of Business Administration. Has been the Director of Waterfront Philippines, Inc., since October 2000-present. She is also the President/Director of Philippine Estates Corp., a director Wellex Industries, Inc., The Wellex Group, Inc., and Forum Pacific, Inc. She is also a Director/CFO of Acesite Phils. Inc. since 2004-present.

**Executive**

<b>Kenneth T. Gatchalian</b>	<b>President</b>
------------------------------	------------------

(see above description)

<b>Precilla O. Toriano</b>	<b>Corporate Finance Director</b>
----------------------------	-----------------------------------

Ms. Toriano joined Waterfront in September 10, 2001 as Asst. Financial Controller of Waterfront Cebu City Casino Hotel. After five (5) months, she became the Financial Controller before she was promoted as Corporate Finance Director for the group. Before joining Waterfront, she has already been working with the group; she worked as Internal Auditor at Air Philippines Corp. and eventually transferred to The Wellex Group, Inc. to join the Corporate Internal Audit team, which paved the way for her coming in the Waterfront Hotels and Casinos. She is a CPA by profession; she graduated at the University of the East with a degree of Bachelor of Science in Business Administration Major in Accounting. She took up MBA units in the Polytechnic University of the Philippines. After graduation, she worked as an accounting staff at Liberty Corrugated Boxes Manufacturing, Inc. Then, she moved to Control Management Inc. as an Internal Auditor. After which, she worked for Philippine Remnants Corp. as an Accounting Manager. She had several trainings in the following fields: Managerial Leadership and Decision Making Skills, the Basics of Management Audit, Supervisory Effectiveness, Accounting and BIR Regulations, Accounting and Bookkeeping Audit, Operations Audit, Living and Working in Balance, Management Development Program, Accounting & Administrative Control, and Lean Six Sigma. In 2005, she acquired a Certification in Financial Management for Hotels at Cornell University School of Hotel Administration, in New York USA focusing on High Performance Financial Management For Hotels Operations, Hospitality Financial Management & Operations Decision Making, and Fraud Controls for Managers. She attended the CFO Congress 2007 at Malaysia. In 2010, she was sent to Singapore to attend the Strategic & Sustainable Cost Control Training. She attended the Financial Modeling Seminar in Singapore in 2011. In

the year 2012 in June-July, she was sent by the company to New York to attend the Management Development Program at Cornell University thus granting her the "Certification in Strategic Management". On June 2015, she took the 3-day MBA for Chief Finance Officers held in Kuala Lumpur, Malaysia. Attended Corporate Governance on August 15, 2018.

<b>Maria Socorro R. Cotelo</b>	<b>Corporate Planning Director</b>
--------------------------------	------------------------------------

Ms. Cotelo is the Corporate Planning Director for Waterfront Hotels & Casinos. She joined Waterfront in 2003 as Sales Accounts Manager before she moved to help establish Revenue Management in the company from there she continued to work in the Corporate Planning Division undertaking Standardization, Business Development, Reservation & Distribution and Corporate Information Technology. She earned her Bachelor's Degree in Economics at the University of San Carlos and took up masteral units for the same course before pursuing her Bachelor of Laws from SouthWestern University, Cebu City. After completing her Bachelor of Laws, she worked for the Davide, Calderon, and Tolentino Law office in 2002 and as part-time instructor for the University of San Carlos, Economics Department. She had significant training in Hotel Management and Distribution Systems and attended Revenue Management seminars specifically on Pricing, Travel distribution and technology, Project Management, Branding, and Selling Skills workshops. Her speaking engagement to two of these international seminars & forums under the Travel Distribution Summit Asia in 2008 and 2009 include topics on Revenue Management in Tough times and Integrating Sales and Marketing in Revenue Management. She completed her Certification in Revenue Management at Cornell University, New York in 2011 with focus on hotel and restaurant revenue management, strategic pricing, demand management, strategic marketing and financial management. As part of SEC Compliance, she completed the seminar on Corporate Governance on August 15, 2018.

<b>Lanelle Cristina M. Barba</b>	<b>Corporate Peers' Resources and Development Director</b>
----------------------------------	--

Ms. Barba, joined Waterfront on June 2006-April 2008 as Employee/Labor Relations Officer in Waterfront Pavilion Hotel and Casino, and was appointed as Peers Resources' and Development Director of the same property on April 30, 2008. Currently, she is the Corporate Peers' Resources and Development Director of Waterfront Hotels and Casinos. She earned her Bachelor's Degree in Elementary Education at the University of Santo Tomas. Prior joining with Waterfront, she is the HR Officer of Asia Select Inc. and Research Analyst under Employee Relations and Benefits Division of Metrobank. She was sent to various trainings and seminars and in 2009, she was sent to Nanyang University, Singapore to attend the PDP 2009 Building the Human Capital Base: Essential HR Practices for Managers. In 2011 to Bangkok, Thailand for HR Audit training. On August 15, 2018, she completed the seminar on Corporate Governance.

### **Significant Employees**

There are no employees of the Company who is not an Executive Officer but expected to make significant contribution to the business of the Company.

### **Family Relationship**

Mr. Kenneth T. Gatchalian is the son of Ms. Dee Hua T. Gatchalian. Ms. Elvira A. Ting is a sister of Ms. Dee Hua T. Gatchalian and an aunt of Kenneth T. Gatchalian.

Mr. Reno Magadia is also a son of Mr. Renato B. Magadia.

**There are no other relationships among the officers listed.**

### **Involvement in Certain Legal Proceedings**

As of July 31, 2018, none of the directors and officers/nominees was involved in any bankruptcy proceedings. Neither have they been convicted by final judgment in any criminal proceedings, or been subjected to any order, judgment or decree of competent jurisdiction, permanently or temporarily enjoining, barring, suspending, or otherwise limiting their involvement in any type of business, securities

or commodities or banking activities, nor found in an action by any court or administrative bodies to have violated a securities and commodities law.

**Certain Relationship and Related Transactions**

	<b>Relationship to the Issuer</b>	<b>Nature of Advances</b>	<b>Amount of Advances</b>
The Wellex Group, Inc. (TWGI)	Ultimate Parent	Unsecured; interest-bearing; subject to re-pricing; due in one year subject to renewal	2017 - P 882,189,000 2016 -- P 861,550,000
Pacific Rehouse Corporation (PRC)	Stockholder	Unsecured; interest-bearing; subject to re-pricing; due in one year subject to renewal	2017 - P 541,781,000 2016 - P 531,158,000
Philippine Estate (PHES)	Stockholder	Unsecured; non-interest bearing; due on demand	2017 - P 104,554,000 2016 - P 92,054,000
Crisanta Realty	Stockholder	Unsecured; interest-bearing; subject to re-pricing; due in 5 years	2017 - P 347,928,000 2016 - P 340,197,000

See notes 8 on Consolidated FS 2017

**Term of Office**

The Directors of WPI are elected at the annual stockholders' meeting to hold office until the next succeeding annual meeting and until they're respective successors have been elected and qualified. Officers are appointed or elected annually by the Board of Directors at its first meeting following the Annual Meeting of Stockholders, each to hold office until the corresponding meeting of the Board of Directors in the next year or until a successor shall have been elected, appointed or shall have been qualified.

**Item 6. Compensation of Directors and Executive Officers**

None of the Directors receive compensation for serving as Directors of the Company.

**The aggregate paid to the Five**

<b>Aggregate Compensation paid to the 5 highly compensated executive officers</b>	<b>Principal Position</b>	<b>Year</b>	<b>Salary (P)</b>	<b>Bonus (P)</b>	<b>Other annual compensation</b>
Precilla O. Toriano	Corporate Finance Director	2017	11,249,070.00	None	None
Maria Socorro R. Coteló	Corporate Planning Director	2016	10,713,400.00	None	None
Ms. Lanelle M. Barba	Corporate Peers' Resources and Development Director	2015	10,912,500.00	None	None
Anders Goran Helge Hallden	General Manager				
Rex Benhur M. Caballes	Hotel Manager				

The President has no remuneration benefit.

**Compensation Plan of Directors**

The members of the Board of Director are elected for a term of one year. Director per diem are at a rate of Php8,000.00 (net of 20% ewt) per board meeting. Except for the Chairman and the CEO, Directors, are not entitled to compensation package. Except as herein mentioned, no director received bonuses or profit sharing plans for the years ended 31 December 2017 and December 2016.

**Item 7. Independent Public Accountants**

The external auditor of Waterfront Philippines, Inc. (WPI) for the most recently completed calendar year ending December 2017 is KPMG R.G. Manabat and Co., previously KPMG Manabat Sanagustin and Co., under Mr. Tireso Randy F. Lapidez, Partner in-charge, and they are being recommended by the board of directors for the approval of stockholders for this coming year. The firm also audited the Company's previous calendar year.

The company is in compliance with SRC Rule 68, Paragraph 3(b)(iv) .

There were no changes in and disagreements with the accountants nor with the current accounting firm relating on accounting and financial disclosure.

Representatives of said firm are expected to be present at the stockholders' meeting, and they will have the opportunity to make a statement if they desire to do so and are expected to be available to respond to appropriate questions.

**Audit Committee**

The Board is authorized to create an Audit Committee, composed of at least three (3) directors, at least one (1) of whom shall be an independent director. Each member of the Audit Committee shall have adequate understanding, at least, or competence at most, of the company's financial management systems and environment. The Audit Committee shall have the functions, powers and authorities as may be prescribed by the Board, or as provided in the Corporation's Manual of Corporate Governance, and as may be prescribed by applicable law and regulations.

**Duties and Responsibilities of the Audit Committee**

Review all financial reports against compliance with both the internal financial management policy and pertinent accounting standards, including regulatory requirements. Review management policy on financial management, specifically in the areas of managing credit, market, liquidity, operational, legal and other risks of the Corporation, crisis management. Review audit plans, scope and frequency of the external audit to the extent advisable, interface with the internal and external auditors. Develop a plan to elevate to international standards the accounting and auditing processes, practices and methodologies, including: a realistic timetable within which the accounting system of the Corporation will be 100% International Accounting Standards (IAS) compliant; an accountability statement that will specifically identify officers and /or personnel directly responsible for the accomplishment of such task;

Develop a transparent financial management system that will ensure the integrity of internal control activities throughout the Company through a step-by-step procedures and policies handbook that will be used by the entire organization.

The Board constituted the following committees:

**Audit Committee**

- Chairman - Sergio R. Ortiz-Luis, Jr - Independent Director
- Member - Arthur M. Lopez - Independent Director
- Member - Dee Hua T. Gatchalian

**Audit and Audit-Related Fees**

	FOR THE CALENDAR YEAR ENDED DECEMBER 31,	
	2017	2016
Aggregate Fees Billed for the external audit of the Company's financial statements	3,770,000.00	3,755,000.00

The Company has complied with the requirements of the Rotation of External Auditors as outlined in SRC Rule No.68, Paragraph 3(b)(iv)

**Item 8. Compensation Plans**

To date WPI has not issued any options or implemented any option scheme to its directors and officers.

The Company has no immediate plan with regard to any bonus, profit sharing, pension/retirement plan granting of extension of any option, warrant or right to purchase any securities.

**C. ISSUANCE AND EXCHANGE OF SECURITIES**

**Item 9. Authorization or Issuance of Securities Other than for Exchange**

As of July 31, 2018, Waterfront Philippines, Inc. has no plans yet to increase its authorized capital stock.

**Item 10. Modification or Exchange of Securities**

Waterfront Philippines, Inc. has no plans to modify any of each authorized and issued securities or to exchange them to another class.

**ADDITIONAL REQUIREMENTS AS TO CERTAIN ISSUES AND ISSUER**

As of December 31, 2017 the company has a net worth of P6.02 billion and is not planning to issue unsecured bond for 2017.

**Properties**

The Company, being a holding company, has no real properties under its name. Properties under WPI are under the ownership or lease holdings of the respective subsidiaries. WPI is renting an office in the City of Manila.

Information and terms of the rent/lease are as follows:

Location	7 <sup>th</sup> Flr Manila Pavilion Hotel U.N. Avenue corner Maria Y Orosa St. Ermita Manila
Size	538.7 square meters with parking spaces
Terms of Rent	From October 1, 2011 to December 31, 2021 (10 years); renewable within 90 days before the lease period expires permissible by the laws of the Philippines.
Rental	On the office spaces: Php 250,000 per month with an escalation of 5% per year.

WCCCHI and WMCHI have separate contracts of lease for the use of parcels of land in the province of Cebu.

**WCCCHI Land Lease:**

Location	Former airport site at Lahug in Cebu City
Size	Approximately 4.6 hectares
Lessor	Mactan Cebu International Airport Authority
Terms of Lease	50 years with an option for renewal for another 25 years, permissible by the laws of the Philippines
Lease Agreement	Fixed rental per month of Php 11.00 per square meter or a total amount per annum of Php 6,072,000.00 + Percentage rental of 2% of the annual Gross Revenue as defined under the Land Lease Agreement

WMCHI Land Lease:

Location	In front of Mactan-Cebu International Airport, Lapu-Lapu City
Size	Approximately 3.2 hectares
Lessor	Mactan Cebu International Airport Authority
Terms of Lease	50 years with an option for renewal for another 25 years, permissible by the laws of the Philippines
Lease Agreement	Fixed rental per month of Php 18.75 per square meter or a total amount per annum of Php 7,875,000.00 + Percentage rental of 2% of the Annual Gross Revenues as defined under the Land Lease Agreement.

DHICI Wholly Owned:

Location	Lanang, Davao City
Size	Approximately 12.29 hectares but with foreshore area of 4.3 hectares
Title	Area (In Sq. Meters)
	TCT 0-255*
	0-256*
	0-256*
	0-256*
	0-257*
	0-258*
	0-259*
	T-10250*
	44,511
	T-10250*
	47,320
	T-10251*
	2,091
	T-102510*
	2,043
	T-10252*
	1,133
	T-10252*
	300
	T-10252*
	300
	T-10252*
	1,580
	T-10252*
	643
	T-10254*
	500
	T-10254*
	400
	T-10303-A*
	304
	T-10303*
	108
	T-30874*
	223
	T-10264*
	18,959
	T-10379*
	140
	T-0303-A
	4,319

ACESITE Land Lease

Location	Corner of United Nations Avenue & Maria Y. Orosa Street in Ermita, Manila
Size	Total land area of 6,500 square meters
Lessor	Cima Realty Philippines Inc.
Terms of Lease	Lease is valid until January 2031, renewable for another 20 years.
Lease Agreement	Php 250,000 per month; escalation of 5% per year



### Event After the Reporting Period

On March 18, 2018, a fire broke out in Acesite (Phils.) Hotel Corporation's hotel property that damaged the lower floors of the main building as well as the Podium building occupied by the casino area and restaurants in the APHC's hotel property that resulted to the suspension of its hotel operations.

### CIMA Realty

Location	Corner of United Nations Ave. & Maria Y. Orosa St., Ermita, Manila
Size	Approximately 6,500 square meters
Title	TCT 184100

The building is mortgaged in favor of the Metropolitan Bank and Trust Company-Trust Department, as the trustee for the Singapore Branch of the Industrial and Commercial Bank of China (ICBC), a banking corporation organized under the laws of the People's Republic of China (PROC), to secure a loan in the original principal amount of Fifteen Million US Dollars (US\$15,000,000.00). ICBC loan was also fully paid March 31, 2016.

### Legal Proceedings

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.

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.

On February 27, 2017, a Second Notice to Appear issued by the PMCU-CA directing all parties to appear on February 27, 2017 at a specified time was received by the Parent Company only on February 27, 2017 after the specified time of the meeting. The Parent Company failed to appear.

On June 30, 2017, a resolution issued by the CA, resolved to submit the appeal for decision.

As at the report date, there had been no updates on the matter.

#### BIR Assessment

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, 2017, the Parent Company is still awaiting the SC's decision.

On May 02, 2018, the legal counsel served copies of the reply in the case pending before the Court of Tax Appeals.

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.

#### **Item. 11. Financial and Other Information**

The consolidated financial statements are filed as part of this FORM SEC 2018, attached hereto and marked as "Annex A."

#### **Item 12. Mergers, Consolidations, Acquisitions and Similar Matters**

As of July 31, 2018 Waterfront Philippines, Inc. has no plans to merge, and consolidate with other company, to acquire other company's securities, to acquire any other going business or of the assets thereof, to sell or transfer any substantial part of its assets and to liquidate or dissolve the Company.

#### **Item 13. Acquisition or Disposition of Property**

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 assign, sell, transfer and convey all existing shares of stocks of CIMAR to the Company.

#### **Item 14. Restatements of Accounts**

The Consolidated Financial Statements of Waterfront Philippines, Inc. has been prepared in accordance with Philippine Financial Reporting Standards (PFRS). In particular there have no restatements of Accounts.

#### **D. Other Matters**

#### **Item 15. Action with Respect to Reports**

1. Annual report for the year ending December 31, 2017 will be presented to the stockholders for approval.
2. Minutes of the 2016 Annual Stockholders' Meeting will also be presented to the security holder for approval.
3. Interim Report as of June 30, 2018 will be presented to the security holder for information regarding the actual situation of the business.

#### **Item. 16. Matters Not Required to be Submitted-NONE**

#### **Item 17. Amendments of Charter, By-Laws & Other Documents**

a. Except for the amendments that the Corporation has made to its by-laws, Article III, Board of Directors, Sections 3-7, as per Board of Directors meeting held on September 1, 2004 and Stockholders' meeting held on September 4, 2004, And it was filed and approved with SEC last September 6, 2005. Since then there is no other amendments made by the corporation.

b. On May 25, 2012, the application for the increase in Acesite (Phils.) Hotel Corp.'s authorized capital stock, one of Waterfront Philippines Inc.'s subsidiaries, from P310 million to P1.21 billion was approved by SEC. Accordingly, the Company distributed the 250% stock dividends or 246,248,212 shares on July 19, 2012 for stockholders of record as of June 25, 2012.

The Board of Directors and the stockholders of Acesite (Phils.) Hotel Corporation approved on June 11, 2009 and July 2, 2009, respectively, the increase of the authorized capital from P1, 210,000,000.00 to P2, 010,000,000.00 via stock rights offering at an entitlement ratio of 0.58:1.

In a special meeting held last July 14, 2014, the Board of Directors approved the amendment of the entitlement ratio from 0.58:1 to 1:1.

The proceeds will be used for the renovations of rooms, facilities, repair and replacement of equipment and working capital.

c. In a special meeting also held last July 14, 2014, the Board of Directors approved the proposal to increase the authorized capital stock of Waterfront Mactan Casino Hotel, Inc, one of Waterfront Philippines Inc.'s subsidiaries, from P13, 800,000.00 to P500, 000,000.00, which increase will be paid-up via declaration of stock dividends in the amount of P262, 200,000.00.

d. Waterfront Philippines Inc.'s principal office address is located at No.1 Waterfront Drive, Off Salinas Drive, Lahug, Cebu City as amended in the Articles of Incorporation on December 19, 2001.

#### **Item 18. Other Proposed Action**

For the coming Stockholders meeting on October 13, 2018 at Waterfront Cebu City Hotel, these are the following proposed action to be taken:

- a. Approval of Minutes of the previous stockholders meeting.
- b. Presentation of the Annual Report and Audited Financial Statements for the calendar year 2017 and during the meeting a copy of the 2<sup>nd</sup> quarterly report for 2018 will be furnished to the stockholders.
- c. Election of the board of directors for the ensuing term:
  - Mr. Renato B. Magadia
  - Mr. Kenneth T. Gatchalian
  - Ms. Elvira A. Ting
  - Ms. Dee Hua T. Gatchalian
  - Mr. Arthur R. Ponsaran
  - Mr. Lamberto B. Mercado, Jr.
  - Mr. Reno I. Magadia
  - Mr. Arthur M. Lopez
  - Mr. Sergio R. Ortiz-Luis, Jr.
  - Mr. Ruben D. Torres
- d. Appointment of External Auditors  
The board will recommend KPMG R.G. Manabat & Co., previously KPMG Manabat Sanagustin and Co., as the Corporate External Auditor for the year 2018.
- e. Appointment of External Counsel  
For the year 2018, the Board will recommend Corporate Counsels, Philippines as the Legal Counsel of the Company.
- f. Ratification of the acts of the Board of Directors and Management  
  
Acts of Management and resolutions of the Board including:
  - To appoint and constitute BOD Trust and Investment Group as our Stock Transfer Agent to issue shares of the company in scrip less or uncertificated form in accordance with Section 43 of the Securities Regulation Code and to link our database to the EDR(Electronic Direct Registration) system of Pastra Net. Inc.

- Renewal of licenses with government agencies/offices and other contracts and designation of the authorized signatories.
- All other administrative matters concerning Waterfront Philippines, Inc.

Other than the above mentioned proposed actions there are no other matters that the Board of Directors intends to present or have the reason to believe others will present at the meeting.

#### Item 19. Voting Procedures

The vote of stockholders representing at least majority of the issued and outstanding capital stock entitled to vote is required.

At every meeting of the stockholders of the corporation, each share of stock entitles its owner to one vote, provided, however, that in the case of election of directors, every stockholder entitled to vote shall be entitled to cumulate his shares and give one nominee as many votes as the number of directors to be elected multiplied by the number of his shares, or he may distribute them on the same principle among as many nominees as he shall see fit, provided that the entire number of votes cast by him shall not exceed the number of shares owned by him multiplied by the entire number of directors to be elected.

Every stockholder entitled to vote at any meeting of the stockholders may so vote in person or by proxy, provided that the proxy shall have been appointed in writing by the stockholder himself or by his duly authorized attorney-in-fact. Unless otherwise provided in the proxy, it shall be valid only for the meeting at which it has been presented to the Secretary. The instrument authorizing a proxy to act must be in the hands of the Secretary not later than forty-eight (48) hours before the time for the meeting (Article II, Sec. 7 of the By-Laws). Voting shall be by raising hands and need not be by ballot, the Corporate Secretary shall duly count any action authorized upon the vote of the majority of the votes cast, except in the election of directors, which shall be on the basis of cumulative voting hitch.

It is being noted that all items in the agenda shall be voted majority of the stockholders.

THE COMPANY'S ANNUAL REPORT ON SEC FORM 17 A WILL BE PROVIDED WITHOUT CHARGE UPON WRITTEN REQUEST OF ANY SHAREHOLDERS OF RECORD ENTITLED TO NOTICE OF AND VOTE OF AT THE MEETING, AT THE DISCRETION OF THE MANAGEMENT, A CHARGE MAY BE MADE FOR EXHIBITS, PROVIDED SUCH CHARGE IS LIMITED TO REASONABLE EXPENSES INCURRED BY THE REGISTRANT IN FURNISHING SUCH EXHIBITS. Such written request may be directed to our Corporate Secretary, Atty. Arthur R. Ponsaran, with Office Address at unit 3104 31<sup>st</sup> floor Antel Global Corporate Center # 03 Doña Julia Vargas, Ortigas Center Pasig City.

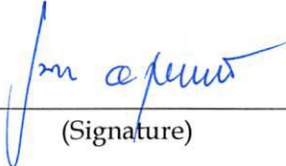
<b>PART II</b>
----------------

**"WE ARE NOT ASKING YOU FOR A PROXY AND YOU ARE NOT REQUESTED NOT TO SEND A PROXY."**

PART III

SIGNATURE PAGE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Cebu on August 28, 2018.

By:  \_\_\_\_\_  
(Signature)

**Precilla O. Toriano/Corporate Finance Director**  
(Printed Name / Title)

**Financial and Other Information**

Management Discussion and Analysis (See Annex I)

Financial Statements (See Annex II)

Changes In and Disagreements with Accounts on Accounting and Financial Disclosure-  
NONE.

## **MANAGEMENT REPORT**



**Interim Periods and Comparable Discussions to Assess Material Changes:**

Discussion and analysis on the operating results for the 1st quarter of 2018 is briefly discussed on the attached SEC Form 17Q while for the 2nd quarter ended June 30, 2018 will be attached on or before the scheduled date of 2017 Annual Stockholders Meeting which is duly received by SEC before its deadline on September 04, 2018. Attached herewith in this report is a Letter of Undertaking which states the distribution of SEC Form 17-Q 2nd quarter of 2018 during the Annual Stockholders Meeting.

**OPERATIONAL AND FINANCIAL INFORMATION****Market for Registrant's Common Equity and Related Stockholder Matters**

1. The stocks of WPI shares which are listed on the Philippine Stock Exchange for the last two calendar years are as set out hereunder:

Peso	High	Low
<b>2018</b>		
January - March 2018	1.350	0.790
April- June 2018	1.030	0.720

Peso	High	Low
<b>2017</b>		
January - March 2017	0.650	0.335
April- June 2017	1.080	0.375
July- September 2017	1.520	0.810
October- December 2017	1.230	0.870

Peso	High	Low
<b>2016</b>		
January - March 2016	0.360	0.305
April- June 2016	0.410	0.320
July- September 2016	0.380	0.320
October- December 2016	0.365	0.320

The number of stockholders of record as of December 31, 2017 on the Register of Shareholders was 402 but the company is not able to identify the actual number of beneficial owners who are registered under the name of the member companies of the Philippine Stock Exchange (PSE). Common shares outstanding as of December 31, 2017 were 2,498,991,753. There are no sales for the last three years of unregistered securities.

2. The List of top 20 stockholders of record as of July 31, 2018 is as stated hereunder:

	Name of Stockholder of Record	No. of Shares	%
1	The Wellex Group, Inc.	1,128,466,800	45.157
2	PCD Nominee Corporation (Filipino)	594,260,373	23.780
3	Silver Green Investments LTD	180,230,000	7.212
4.	Chesa Holdings, Inc.	175,924,000	7.040
5.	Tybalt Investment LTD	135,010,000	5.403
6.	Pacific Wide Realty Development Corp.	36,445,000	1.458
7.	PCD Nominee Corporation (Non-Filipino)	33,146,501	1.326
8.	Kenneth T. Gatchalian	30,000,100	1.200
9.	Rexlon T. Gatchalian	30,000,000	1.200
10.	Weslie T. Gatchalian	30,000,000	1.200

11.	Forum Holdings Corporation	20,626,000	0.825
12.	Primary Structures Corporation	16,212,500	0.649
13.	Pacific Rehouse Corporation	15,598,900	0.624
14.	Rexlon T. Gatchalian	14,740,000	0.590
15.	Metro Alliance Holdings & Equities, Inc.	14,370,000	0.575
16.	Mizpah, Holdings Inc.	10,489,200	0.420
17.	Elvira A. Ting	10,000,009	0.400
18.	Catalina Roxas Melendres	6,246,000	0.250
19.	Manuel H. Osmena	1,400,000	0.056
20.	Rolando M. Lim	1,142,500	0.046

3. The common stock of the company is being traded currently in the Philippine Stock Exchange. On June 16, 1999, the Parent Company declared cash dividend of Php 0.02 per share on its Common Shares outstanding as of May 15, 1999. This amounted to Php 19.23 million. The Parent Company also declared a 10% stock dividend as of September 15, 1999 record date.

Company has not issue dividends since the year 2000. However, it promises to declare dividends once the deficit is offset and the market for the coming years proper.

There is no restriction made by the company with regards to the declaration of giving a dividend to stockholders.

#### 4. Issuance and Exchange of Securities

In 2008, the Parent Company sold its investment in APHC totaling 4,900,000 shares at varying selling price through the PSE. Total proceeds from the sales transactions, net of related expenses and taxes, amounted to P 48.2 million. Gain on sale of APHC shares amounting to P10.1 million was recognized in the December 31, 2008 consolidated statements of operations. The total proceeds from the sale transaction amounting to P48.2 million, which was provided to TWGI s cash advances was recorded as receivable from TWGI and part of the "Due from related parties" account in the consolidated balance sheets (see Note 9). As of December 31, 2008, the Parent Company's equity interest in APHC decreased to 69% FROM 75% IN 2007.

Date of Sale and Title and Amount of Securities Sold	Names of Underwriters of Identity to whom it May Sold	Share # of Swap	SEC FORM
December 22, 2008 - Common-4,700,000	Not applicable	500,000 @ P9.40	10.1
June 19, 2008 - Common-20,000,000	Not applicable	2,000,000 @ P10.00	10.1
June 26, 2008 - Common-7,000,000	Not applicable	700,000 @ P10.00	10.1
June 30, 2008 - Common-7,610,000	Not applicable	761,000 @ P10.00	10.1
July 2, 2008 - Common - 9,390,000	Not applicable	9,390,000 @ P15.00	10.1

The Compensation and Remuneration Committee has provided annual reports, information and proxy statements on the disclosure of the compensation for the executives and officers of the Company.

The Audit Committee has been composed of three members, one of whom is independent. The said Committee has reviewed all financial reports against compliance with both the internal financial management policy and pertinent accounting standards. The Committee has also reviewed management policies on financial management, audit plans, interface with the internal and external auditors. The Committee has also developed a financial management system that ensured the integrity of internal control activities throughout the Company.

The Corporate Secretary of Waterfront Philippines, Inc. is Atty. Arthur R. Ponsaran, a Filipino citizen. He possesses the administrative and interpersonal skills. He is also a Certified Public Accountant. He gathered all documents with regard to the discharge of his duties and responsibilities, prepared board meeting notices, submitted through the SEC 17-C the annual certification as to attendance of the directors during Board meetings.

The External Auditor for the year 2017 and 2016 is KPMG R.G. Manabat & Co., and was chosen by the Board and approved by the stockholders upon recommendations of the Audit Committee.

The Internal Auditor reporting directly to the Audit Committee provided reasonable assurance that the key organizational and procedural controls were effective, appropriate and complied. The Manual for Corporate Governance has been made available to discerning stockholders during office hours of Waterfront Philippines, Inc.

The reports required for the Manual were prepared and submitted to the Commission. All material information that could potentially affect shares were publicly disclosed in accordance with the rules of the Philippine Stock Exchange and the Commission. The Annual Reports were properly disseminated to the stockholders.

The stockholders were given the right to elect, remove and replace directors in accordance with the Corporation Code. Cumulative was used during the last annual stockholders' meeting. They were also provided the power of inspection of the corporate books and records including the minutes of the Board Meetings, without costs and restrictions.

#### Other Matters

The Compliance Officer was deemed to have reported grave violations of the Manual but since there was none, none was reported.

The Compliance Officer was deemed to have appeared before the Securities and Exchange Commission upon summons but since there was none, said Officer was not compelled to, or Waterfront Philippines, Inc. being a holding company and limited in terms of physical office space with only a few people holding key functions, it was enough that a few copies were available for inspection by all of its few employees.

The company did not issue any additional shares during the year to make use of the pre-emptive right for the stockholders.

The shareholders had been granted the right to propose the holding of a meeting, right to propose items in the agenda, but to date none has been communicated to the management of the Company regarding such proposals.

None so far has expressed to exercise his right to Appraisal in the last annual meeting of the stockholders.

The company has submitted its Revised Manual on Corporate Governance in accordance with SEC Memorandum Circular No. 6, series of 2009 "Revised Code of Corporate Governance.

ANNEX I

The year 2017 delivered mixed results for WPI. Your company has accomplished major milestones this year – foremost of which is our flagship property, Waterfront Cebu City Hotel and Casino, breaching the PHP 1 billion mark in gross revenue for the first time in its history, a breakthrough we can all be proud of. For most aspects of operations, 2017 continued the upward trajectory seen in the past year. Concurrently, however, challenges have presented themselves, slowing the growth potential in some areas of our operations. We are confident that these challenges can be resolved by employing strategies towards setting the entire group back in sync and on track.

PERIOD	REVENUE	EXPENSES	NET INCOME	OPERATING INCOME	OTHER INCOME	TOTAL
2016	951.44	631.35	320.09	393.27	157.62	1,122.88
2017	1,051.44	631.35	420.09	422.16	184.29	1,228.54

Waterfront Cebu City Hotel and Casino (WCCHC), our largest hotel, remains an excellent performer overall, with double-digit increases in significant aspects of operations. Occupancy has grown 12%, from 61% in 2016 to 73% this year. Revpar is up an impressive 20%, from PHP 1,537 the previous year to PHP 1,852 this year. Rooms generated PHP 359.42 million in 2017 well above PHP 300.67 million in 2016, another remarkable leap of 20%. F&B contributed PHP 348.54 million this year, compared to PHP 308.33 million the past year – yet another double-digit gain of 13%. ARR has increased by 1%, from PHP 2,508 in 2016 to PHP 2,530 in 2017. Rent and related income generated PHP 334.19 million in 2017 compared to PHP 328.21 million in 2016, up by 2%. Other operating departments produced PHP 11.36 million.

As previously mentioned, gross revenue crossed the PHP 1 billion mark for the first time: from PHP 951.44 million in 2016, it has surged to PHP 1.05 billion in 2017 – a pivotal achievement and signifying a leap of PHP 102.07 million in annual revenue. We are optimistic that the uptrend beyond the one billion point will continue as the company moves forward and builds on its momentum. GOP is up 7%, from PHP 393.27 million in 2016 to PHP 422.16 million this year, which makes for PHP 28.88 million of added revenue. NOP has grown by double digits, from PHP 157.62 million in the past year to PHP 184.29 million this year – a rise of 17% or PHP 26.66 million in revenue.

These impressive numbers are reinforced by effective cost control measures. Despite the high growth, WCCHC as a property managed to limit costs to relatively low figures. In 2017, cost and expenses for the property only increased by 13%, at PHP 631.35 million in 2017 compared to PHP 558.17 million in 2016. Payroll and energy cost were also kept in check, despite the growth in demand and operations.

Waterfront Airport Hotel and Casino (WAH) demonstrates outstanding production for another year. High demand for the property has resulted in one of our best-ever annual records for occupancy. From the previous year's 91%, the occupancy rate for this property skyrocketed to 97%, a growth of 6%. Revpar is up by 23%, from PHP 2,298 in 2016 to PHP 2,838 in 2017. The double-digit growth trend continues for other categories. ARR reflects a 15% increase from PHP 2,534 in 2016 to PHP 2,927 in 2017. Rooms revenue is up 21%, from PHP 129.42 million in 2016 to PHP 156.53 million in 2017. F&B revenue increased from PHP 76.89 million in 2016 to PHP 77.52 million in 2017, a rise of 1%. Rent and related income is up by 10% at PHP 160.62 million versus PHP 145.49 million the past year. Other operating departments collectively grew revenue by 17%, from PHP 11.38 million in 2016 to PHP 13.36 million in 2017. Gross revenue for the property grew by 12%, from PHP 363.17 million in the previous year to PHP 408.03 million this year. GOP is up a staggering 24%, from PHP 165.92 million the past year to PHP 205.03 million in 2017. NOP increased by double digits as well, growing by 19% at PHP 103.86 million, from PHP 87.52 million in 2016.

Cost and expenses at the property were kept at a minimum, increasing by merely 3% despite the heightened operations resulting from building demand. Payroll cost increased by a modest 13% and energy cost increased by only 2%.

Waterfront Insular Hotel Davao (WIHD) shows conservative yet still positive overall growth this year. The property has performed well despite competition from newer properties in the Davao area. ARR is at PHP 2,212 in 2017, up 5 % from last year's PHP 2,104. Revpar increased by 4% from PHP 1,468 in 2016 to PHP 1,530 in 2017. Rooms revenue is up by 5% as well, from PHP 80.43 million in 2016 to PHP 84.62 million this year. F&B revenue increased by 1%, from PHP 105.64 million in 2016 versus PHP 106.98 million in 2017. Occupancy this year is at 69%. Gross revenue is at PHP 196.63 million, up 3% from PHP 191.54 million in 2016. GOP is at PHP 28.83 million. NOP decreased by 2%, from PHP 12.40 million in the past year to PHP 12.09 million this year.

Cost control measures have contributed to sustaining overall profitability. Payroll cost was effectively dropped by 30%, from PHP 42.95 million the past year to PHP 29.89 million currently. Energy cost was kept almost level at PHP 27.34 million versus PHP 27.03 million in 2016, a 1% increment.

Manila Pavilion (MPH) has faced considerable stresses this year, resulting in lower performance in comparison to our provincial properties, which posted double-digit strides, yet the property still managed to deliver positive figures in some aspects of operations. Occupancy rate is at 50%. Revpar is at PHP 1,189. ARR increased by 5% from PHP 2,274 in 2016 to PHP 2,378 in 2017. Rooms revenue also increased by 0.3% from PHP 151.60 million in 2016 to PHP 152.12 million in 2017. Rent and related income is at PHP 182.34 million. F&B revenue is at PHP 93.85 million. Other operating departments generated a 210% increase in income, from PHP 2.66 million in 2016 to PHP 8.25 million in 2017. Gross revenue for the property is at PHP 436.56 million. GOP is at PHP 65.29 million and NOP is at PHP -43.96 million.

Cost control measures have successfully reduced expenses for the company, with payroll cost and energy cost decreasing by 3% and 5% respectively. Overall cost and expenses was reduced by 1%.

The difficulties faced by MPH in 2017 were in part due to infrastructure challenges in Metro Manila and the tourism climate, which were not favorable to our Manila property. MPH also experienced a decline in revenue due to the expiry of its long-term contract with PAGCOR. We resolved this by immediately acting upon a new contract to supplant lost revenue streams. This gap between corporate agreements reflected on 2017's figures, but the property's productivity would have turned around in 2018 had the contracts materialized.

In the spirit of transparency and timely disclosure, we must bring up the incident of the fire at the Pavilion on March of 2018. While beyond the usual scope of this report, it is a topic that needs to be addressed. The fire resulted in significant damage to our Manila property, resulting in its temporary closure. Rest assured, however, that we have been working tirelessly towards resuming our Manila operations and are on the path to not merely rebuilding but transforming it into an even better property.

In previous years, limitations of the product – the Pavilion, upon acquisition, having already been an older property – also limited the infrastructure development of the hotel. Now that there is a chance to start from a completely new blueprint, we are taking the opportunity to rebuild in a revolutionary way. We plan to modernize and truly maximize the hotel's strategic advantages. The Pavilion's unique location advantage, having the potential to tap markets among Manila's neighboring districts for recreation, historical tourism and business, is about to be harnessed to its fullest potential.

A new and transformed hotel will be the main attraction in this captured market. The Pavilion is set for a full upgrade and redesign of facilities to create an optimal experience with an impressively wide range of options for guests. Full modernization will make it state-of-the-art in its class. The new additions and upgrades will ensure the buildup of new market interest and solidify its competitive edge.

Among its new luxurious facilities are a brand-new, fully modernized swimming pool area and recreation floor, exciting new dining outlets within a fully redesigned casino area, al fresco rooftop dining and a cafe with an exhilarating view. Rooms will be outfitted with all-new equipment and amenities, and designed to fit modern cosmopolitan tastes. The hotel area will undergo a design transformation that will delight and surprise the market. The new Pavilion will be 360-degree leisure, entertainment, relaxation, business and hospitality experience as never before. The property being situated in historic Old Manila, one of the most dynamic business and leisure centers in the Philippines, will once more shine as its crown jewel.

Waterfront's consolidated revenues for the year reflect this mixed outcome among the properties. Occupancy for the group increased by 3%, from 69% in 2016 to 72% in 2017. Gross revenue is at PHP 2.10 billion. GOP is at PHP 684.15 million. Net income is at PHP 198.73 million. Rental revenue is at PHP 675.83 million. Rooms revenue was boosted by double digits, from PHP 662.12 million in 2016 to PHP 752.69 million in 2017, an increase of 14%. F&B revenue is also strong overall, increasing from PHP 595.04 million in 2016 to PHP 629.40 million in 2017, a growth of 6%. Other income is at PHP 47.02 million. Revpar increased by 13%, from PHP 1,643 in 2016 to PHP 1,852 in 2017. ARR rose by 7%, from PHP 2,355 last year to PHP 2,512 in the current year.

Operating expenses are at PHP 1.42 billion. Energy cost was effectively controlled for the group overall, increasing only by 3%, from PHP 330.68 million in the past year to PHP 339.74 million this year. Payroll cost dropped by 3%, a decrease from PHP 336.52 million in 2016 to PHP 326.88 million this year.

Despite the challenges, the Waterfront brand remains as robust as ever. Our new tagline, "We're at the center of it all." and our new revitalized brand signify our leadership in the industry, our strength and ability to draw the market. What does this mean for our company? It demonstrates an alignment of objectives, a powerful, unified message and a confident voice. Waterfront continues to leverage its strengths, both of its infrastructure and its network, to maintain a competitive edge in the hospitality industry.

Being at the center of it all requires innovation. We continue to be innovative in reaching our market. Our online production this year remains consistent with the growing global trend with an 23% growth rate on revenue at PHP 329.15 million from last year's PHP 268.29 million contributing 43% of the total Rooms gross revenue. We are highly confident in this area of growth for our company as we continue to shift our focus to tech-savvy markets, which are proving to be ideal markets, and leverage the power of new technology to open doors for our brand.

Maintaining a positive trajectory requires effective and strategic decision-making. Our group continues to forge ahead as a market leader by strategically optimizing our assets, locations, organization, operations and brand to deliver a superior product and emerge at the top of our game. We have already carved out our vision for the company. Waterfront Properties is on a clear trajectory to driving further growth by moving on our path with decisiveness—the ability to respond immediately and effectively to whatever challenge lies ahead, and the confidence to rebrand and rebuild better than ever.

#### **Management's Discussion and Analysis or Plan of Operation**

Figures for Waterfront Properties, however, continue to show overall strength. The performance of our provincial properties provided a much-needed counterbalance, signifying the distribution of growth in the hospitality market, which is no longer confined to the capital and is moving towards tourism hotspots in the South. The political climate has also fueled this growth and confidence in the Philippine provinces as the new gateways for tourism.

Consolidated figures among the properties reflect this mixed profile. Gross revenue is PHP 2.10 billion. GOP is PHP 684.15 million. Net income is PHP 198.73 million. Occupancy for the group grew by 3%, from 69% in 2016 to 72% in 2017. Rooms revenue surged from PHP 662.12 million in 2016 to PHP 752.69 million in 2017, an increase of 14%. Rental revenue is at PHP 675.83 million. F&B revenue increased from PHP 595.04 million in 2016 to PHP 629.40 million in 2017, a 6% positive growth. Revpar grew by 13%, from PHP 1,643 in 2016 to PHP 1,852 this year. Other income is at PHP 47.02 million. ARR increased by 7%, from PHP 2,355 in 2016 to PHP 2,512 in 2017.

Below are the results of operations of the Parent Company and its subsidiaries, for the years ending December 31, 2017 and 2016 together with its financial conditions as of the same period.

#### RESULTS OF OPERATIONS (Amounts in P)

	2017	2016
Revenues	2,104,932,423	2,135,345,241
Less: Costs and Expenses	1,420,782,863	1,362,379,137
Gross Income	684,149,560	772,966,104
Other Expenses (Income)	384,967,631	301,577,757
Net Income (Loss) Before Income Tax	299,181,929	471,388,347
Income Tax Expense (Benefit)	100,448,728	152,503,361
NET INCOME (LOSS)	198,733,201	318,884,986
Earnings (Loss) Per Share	0.087	0.115

#### FINANCIAL CONDITION (Amounts in P)

	2017	2016
<b>ASSETS</b>		
Current Assets	2,502,900,348	2,096,232,446
Non Current Assets	6,849,909,245	7,011,111,868
<b>Total Assets</b>	<b>9,352,809,593</b>	<b>9,107,344,314</b>
<b>LIABILITIES</b>		
Current Liabilities	1,929,206,522	1,828,565,697
Non-current Liabilities	1,406,088,464	1,444,411,625
<b>Total Liabilities</b>	<b>3,335,294,986</b>	<b>3,272,977,322</b>
Total Stockholders' Equity	5,150,133,268	4,940,346,932
Minority Interest	867,381,339	894,020,060
<b>Total Liabilities &amp; S/H Equity</b>	<b>9,352,809,593</b>	<b>9,107,344,314</b>

**Calendar Year -ended December 31, 2017 as compared with Calendar Year ended December 31, 2016**

**RESULTS OF OPERATION**

*Revenues and Earnings per share*

- Total revenues for year ended Dec. 31, 2017, was lower than the previous year. In actual performance, revenues from hotel & other subsidiaries for the year 2017 is at P2.10B compared to 2016's P2.14B, decreased by 1.42%

Earnings per share for 2017, P0.087 and P0.115 for 2016. There are no potentially dilutive shares as of December 31, 2017, 2016, 2015.

*Cost and expenses*

- Cost and expenses of 2017 is at 1.42B with 4.29% increased from last year.

**FINANCIAL CONDITION**

*Cash and cash equivalents* - This account increased by P141.63M which is higher from last year by 69.33%.

*Receivables* - Decreased by 3.01% from P235.45M in 2016 to P228.36M in 2017.

*Notes Receivable* - The Group extended loans to Acesite Leisure and Entertainment Corporation (ALEC) amounting to P195.01 million payable on December 31, 2018, and bear interest at 4% per annum (see Note 21). The loan is guaranteed by another entity in behalf of ALEC.

*Inventories* - Inventories increased by 20.33% from last year.

*Due from related parties-current portion* - The account increased to P64.22M an amount equivalent to 4.18%. This represents interest bearing advances to TWGI, PRC and Crisanta Realty. It also includes from PHES which is non-interest bearing. This year of 2017, these advances are due in one year, subject to yearly renewal and re-pricing.

*Prepaid expenses and other current assets* - An increased of P7.16M from last year's P90.40M. Prepaid expenses are defined as payment for services and/or benefits yet to be performed or received; it also includes prepaid taxes and insurance.

*Property plant & equipment* - This year at 2.95% decreased from last year's P6.59B. In compliance with PAS 27, property and equipment (except operating and transportation equipments) were carried at revalued amounts effective 2009.

*Other non current assets* - There is an increased of P2.56M on this account, an amount equivalent to 9.14% compared from last year.

*Current Liabilities* - The account consisted of trade payable, income tax payable, accruals and loans payable. The account increased by 5.50% from last year; P1.83B in 2016 to P1.93B in 2017.

*Loans Payable* - Remained static at P375M. This consisted of SSS Loan only. PBB loan was fully paid on April 29, 2016 while ICBC loan was also fully paid March 31, 2016.

*Other current liabilities* - The account resulted a decreased of 40.03%. This refers to concessionaire, other deposits and deferred income.



**Calendar Year ended December 31, 2016 as compared with Calendar Year ended December 31, 2015**

**RESULTS OF OPERATION**

*Revenues and Earnings per share*

- Total revenues for year ended Dec. 31, 2016, was higher than the previous year. In actual performance, revenues from hotel & other subsidiaries for the year 2016 is at P2.14B compared to 2015's P2.10B. Increase of 34.44M or 1.90%

Earnings per share for 2016, P0.115 compared to 2015 at P0.051. There are no potentially dilutive shares as of December 31, 2016, 2015, 2014.

*Cost and expenses*

- Cost and expenses of 2016 is at 1.36B with 42M decrease from last year or 2.99%.

**FINANCIAL CONDITION**

*Cash and cash equivalents* – This account increased by P31.13M which is higher from last year by 17.97%.

*Receivables* – Increased by 10.33% from P213.71M in 2015 to P235.45M in 2016.

*Inventories* – Inventories decreased by 3.79% from last years P29.30M.

*Due from related parties-current portion* – The account decreased to P72.31M an amount equivalent to 4.49%. This represents interest bearing advances to TWGI, PRC and Crisanta Realty. It also includes from PHES which is non-interest bearing. This year of 2016, these advances are due in one year, subject to yearly renewal and re-pricing.

*Prepaid expenses and other current assets* – An increased of P13.42M from last year's P76.98M. Prepaid expenses are defined as payment for services and/or benefits yet to be performed or received; it also includes prepaid taxes and insurance.

*Property plant & equipment* – This year at 11.13% increased from last year P5.93B. In compliance with PAS 27, property and equipment (except operating and transportation equipments) were carried at revalued amounts effective 2009.

*Available for sale investments* – In July and August 2005, the BOD approved the conversion of APHC's net receivables from related parties amounting to P43.30 million into 86.71 million shares of stock of WII which are listed in the PSE. The conversion resulted to a loss on exchange of assets of P31.10 million for APHC. The fair market value of the shares based on closing market price as at December 31, 2016 and 2015 amounted to P16.82 million and P18.21 million, respectively. Valuation loss recognized in OCI in 2016 and 2015 amounted to P1.39 million and P4.77 million, respectively, while a valuation gain amounting to P6.07 million was recognized in 2014.

*Other non current assets* – There is a decreased of P12.71M on this account, an amount equivalent to 31.24% compared from last year.

*Current Liabilities* – The account consists of trade payable, income tax payable, accruals and loans payable. The account decreased by 25.16% from last year; P2.44B in 2015 to P1.83B in 2016.

*Loans Payable* – Decreased by 24.40% or P121.03M. This consists of SSS Loan only. PBB loan was fully paid on April 29, 2016 while ICBC loan was also fully paid March 31, 2016.

*Other current liabilities* – The account resulted a decreased of 95.27%. Decreased of P516.91M was attributable to Concessionaires' and other deposits and Current portion of advance rental.

<b>TOP 5 PERFORMANCE INDICATORS</b>			
<b>As of December 31, 2016, 2015 and 2014</b>			
	<b>December 2017</b>	<b>December 2016</b>	<b>December 2015</b>
Occupancy percentage	72%	69%	66%
Average Room Rates	2,512	2,355	2,270
Average Food Covers	321,947	304,378	324,326
Average Food Checks	402.26	368.34	368.28
Average Food Costs	36%	36%	42%

**Occupancy Percentage**

The Company's occupancy percentage for 2017 was 72%, higher by 3% as compared to last year's 69%. This 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 increased by 7% compared to last year's balance of 2,355. It is computed by dividing the total rooms revenue over total number of rooms sold.

**Average Food Covers**

Food covers increased by 6%. This pertains to increasing number of guests that availed our outlets.

**Average Food Checks**

The average food checks or the average consumption per guest increased by 9%. As always, the Company has doubled its efforts in satisfying the eclectic tastes of the guests and marketing them by various promotions.

**Average Food Costs**

Food costs for 2017 at 36%. The Company is continually contemplating ways to avoid higher food costs without jeopardizing the quality of its products. Total cost of food sold divided by food revenue.

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

(i) Any known Trends, Events or Uncertainties-(material impact on liquidity)-NONE

(ii) 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.

(iii) 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.

(iv) There are no material commitments for capital expenditures, general purpose of such commitments, expected sources of funds for such expenditures.

(v) From continuing operations, the Company is not exposed to any significant elements of income or loss except for those already affecting profit or loss.

(vi) Causes of material changes in the items in the financial statements from the year ending 31 December 2017 - NONE

## **Corporate Governance**

The following are the point-by-point compliance of the Company to the Manual:

The Company has a compliance officer in the name of Precilla O. Toriano as required by the Manual for Corporate Governance. Said Compliance Officer reported directly to the Chairman of the Board and in his absence, to the executives of the Company.

The Compliance Officer monitored the compliance regarding the provisions and requirements of the Corporate for Governance Manual.

The Compliance Officer is issuing this certification to the extent of compliance of the Company to this Manual.

The Compliance Officer has identified, monitor and controlled the compliance risks involved in the Company considering the large scope of its operations and the accounting procedures that have to be done correspondingly.

The Board of Directors has taken care of its responsibility to foster long-term success of the Corporation through its meeting every other month. Each meeting has been carefully recorded in minutes. The authority given to each Board member has been within the by-laws of the Company and within the limits of the law.

The Board of Directors has implemented a process of selection to ensure the combination of its directors and officers.

The Corporation through the Board and the Corporate Secretary has complied with all the relevant laws, regulations and codes of best business practices.

The Board of Directors has implemented the proper disclosure of information to its stockholders as exemplified in the General Information Statement sent to each of them.

According to Company's assessment, the directors have conducted fair business transactions with the Corporation, seen to it that personal interests did not prejudice their Board decisions, have devoted time and attention needed for the discharge of their duties and responsibilities, acted judiciously, exercised independent judgment, observed confidentiality, and ensured the continuing soundness, effectiveness and adequacy of the Corporation's internal control environment.

The Board has created committees, namely: the Nomination Committee, Compensation & Remuneration Committee, and the Audit Committee.

The Nomination Committee, composed of 3 voting directors (one is independent), is in charge of the screening of the candidates for a seat in the Board of Directors in accordance to the qualifications set in the Manual. Said Committee has also considered the disqualifications specifically enumerated.

The Compensation and Remuneration Committee is composed of three members, one of them is independent as provided for in the guidelines.

The Compensation and Remuneration Committee has made sure that the compensation of the key officers and executives of the Company was in line with the culture and policies of the Company.

The Compensation and Remuneration Committee has developed a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of individual directors and officers. The Committee has also developed a system regarding disclosure of all the incoming officers as to their business interests which might be in conflict with that of the Company. No director or officer has been allowed to decide on his own remuneration.

## CERTIFICATION OF INDEPENDENT DIRECTOR

I, **ARTHUR M. LOPEZ**, Filipino, of legal age and a resident of The Ritz Tower Condominium, 6745 Ayala Avenue, Makati City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of Waterfront Philippines Inc. and have been its independent director since 2014.
2. I am affiliated with the following companies or organizations

COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE
AML Hotel Consultancy	Principal/Owner	2010 – present
Waterfront Phils. Inc	Independent Director	2002 – present
Acesite ( Phils.) Hotel Corporation	Chairman/ Independent Director	2004 – present
Phil. Estates Corporation	Director	1996 – present
Phil. Hotel Owners Association Inc.	President	2006 – present
Hotel Management and Development Consultant (Double Dragon Properties Corp)	Consultant	2013 – present
Hotel of Asia Inc- Hotel 101 Manila, Hotel 101 Fort, Hotel 101 Management Corp.	Hotel Management Consultant	2013 – present
Bellevue (Bohol, Manila, Quezon City, Baguio)	Hotel Management Consultant	2003 – present
Wydhm Garden Quezon City ( Wellworth Properties and Development Corporation)	Hotel Management and Development Consultant and Project Consultant	2016 – present
LP3 Emerald Hotel & Casino Mactan, Cebu City	Hotel Management and Development Consultant and Project Consultant	2017 – present
Sweetwater Corporation – Azumar Resort Hotel and Tahanan Resort, Siargao	Hotel Management, Technical Services and Project Consultant	Present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of Waterfront Phils. Inc., as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.
4. I am related to the following director /officer/substantial shareholder of (covered company and its subsidiaries and affiliates) other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code. (where applicable)

NAME OF DIRECTOR/OFFICER/SUBSTANTIAL SHAREHOLDER	COMPANY	NATURE OF RELATIONSHIP
N/A	N/A	N/A

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding/I disclose that I am the subject of the following criminal/administrative investigation or proceeding (as the case may be):

OFFENSE CHARGED/INVESTIGATED	TRIBUNAL OR AGENCY INVOLVED	STATUS
N/A	N/A	N/A

6. (For those in government service/affiliated with a government agency or GOCC) I have the required written permission or consent from the (head of the agency/department) to be an independent director in \_\_\_\_\_, pursuant to Office of the President Memorandum Circular No.17 and Section 12 Rule XVIII of the Revised Service Rules.
7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.
8. I shall inform the Corporate Secretary of \_\_\_\_\_ of any changes in the abovementioned information within five days from its occurrence.

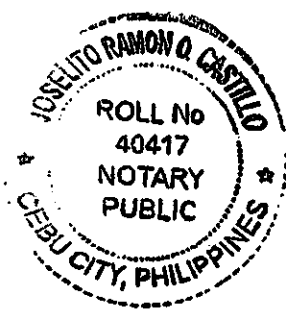
Done, this AUG 28 2018 day of \_\_\_\_\_, at CEBU CITY.

*Arden M. Foye*  
Affiant

AUG 28 2018

SUBSCRIBED AND SWORN to before me this \_\_\_\_\_ day of \_\_\_\_\_ at CEBU CITY, affiant personally appeared before me and exhibited to me his/her \_\_\_\_\_ issued at \_\_\_\_\_ on \_\_\_\_\_.

Doc. No. 136 ;  
Page No. 29 ;  
Book No. 41 ;  
Series of 2018 ;



**JOSELITO RAMON O. CASTILLO**  
NOTARY PUBLIC FOR CEBU CITY  
NOTARIAL COMMISSION NO. 78-09; UNTIL DEC. 31, 2019  
LOWER LEVEL, WATERFRONT CEBU CITY HOTEL  
ONE SALINAS DRIVE, LAHUG, CEBU CITY  
ROLL OF ATTORNEY'S NO. 40417  
PTR NO 1433813/CEBU CITY/12/28/17  
IBP LIFETIME MEMBER NO. 05244

**CERTIFICATION OF INDEPENDENT DIRECTOR**

I, **SERGIO ORTIZ- LUIS JR**, Filipino, of legal age and a resident of 151 corner 3<sup>rd</sup> St., and 10<sup>th</sup> Ave., Riverside Village, Pasig, after having been duly sworn to in accordance with law do hereby declare that:

- I am a nominee for independent director of Waterfront Philippines Inc. and have been its independent director since 2013.
- I am affiliated with the following companies or organizations

COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE
Acesite (Phils.) Hotel Corporation	Independent Director	2013- present
Alliance Global	Vice Chairman	2007- present
Phil.Chamber of Commerce & Industry	Honorary Chairman/Treasurer	2008- present
PHILEXPORT	President/ CEO	1991- present
ECOP	Past President/ Honorary Chairman	2010- present
Philippine Estates Corporation	Director	2015- present
International Chamber of Commerce of the Philippines	Founding Director	present
Manila Exposition Complex inc ( World Trade Center)	Director	present
Consulate of Romania in the Philippines	Honorary Consul General	2015- present
The Wellex Group	Director	present

- I possess all the qualifications and none of the disqualifications to serve as an Independent Director of Waterfront Philippines Inc as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.
- I am related to the following director /officer/substantial shareholder of (covered company and its subsidiaries and affiliates) other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code. (where applicable)

NAME OF DIRECTOR/OFFICER/SUBSTANTIAL SHAREHOLDER	COMPANY	NATURE OF RELATIONSHIP
N/A	N/A	N/A

- To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding/I disclose that I am the subject of the following criminal/administrative investigation or proceeding (as the case may be):

OFFENSE CHARGED/INVESTIGATED	TRIBUNAL OR AGENCY INVOLVED	STATUS
N/A	N/A	N/A

--	--	--

6. (For those in government service/affiliated with a government agency or GOCC) I have the required written permission or consent from the (head of the agency/department) to be an independent director in \_\_\_\_\_, pursuant to Office of the President Memorandum Circular No.17 and Section 12 Rule XVIII of the Revised Service Rules.

7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.

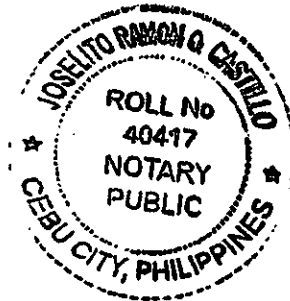
8. I shall inform the Corporate Secretary of \_\_\_\_\_ of any changes in the abovementioned information within five days from its occurrence.

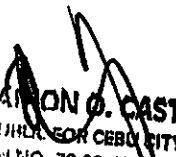
Done, this AUG 28 2018 day of \_\_\_\_\_, at CEBU CITY.

  
Affiant

SUBSCRIBED AND SWORN to before me this AUG 28 2018 day of \_\_\_\_\_ at CEBU CITY, affiant personally appeared before me and exhibited to me his / her \_\_\_\_\_ issued at \_\_\_\_\_ on \_\_\_\_\_.

Doc. No. 137 :  
Page No. 29 :  
Book No. 01 :  
Series of 2018 :



  
**JOSELITO RAMON O. CASTILLO**  
NOTARY PUBLIC FOR CEBU CITY  
NOTARIAL COMMISSION NO. 76-08; UNTIL DEC. 31, 2018  
LOWER LEVEL WATERFRONT CEBU CITY HOTEL  
ONE SALINAS DRIVE, LAHUG, CEBU CITY  
ROLL OF ATTORNEY'S NO. 40417  
PTR NO 1433813/CEBU CITY/12/28/17  
IBP LIFETIME MEMBER NO. 05244

## CERTIFICATION OF INDEPENDENT DIRECTOR

I, **RUBEN D. TORRES**, Filipino, of legal age and a resident of #22 Kalaw Ledesma Circle, Tierra Verde Homes, Tandang Sora, Quezon City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of Waterfront Philippines Inc. and have been its independent director since 2014.
2. I am affiliated with the following companies or organizations

COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE
BPO Workers Association of the Phils. (BWAP)	President	Present
Trade Union Congress of the Philippines	VP- International Affairs	Present
Services Exporters Risk Management & Consultancy Co (SERMC)	Chairman / CEO	Present
Torres Caparas Torres Law Offices	Senior Partner	1998- present
Waterfront Philippines Inc.	Board of Director	2006- present
Acesite Philippines Hotel Corp	Board of Director	2014- present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of Acesite Phils Hotel Corp, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.
4. I am related to the following director /officer/substantial shareholder of (covered company and its subsidiaries and affiliates) other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code. (where applicable)

NAME OF DIRECTOR/OFFICER/SUBSTANTIAL SHAREHOLDER	COMPANY	NATURE OF RELATIONSHIP
N/A	N/A	N/A

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding/I disclose that I am the subject of the following criminal/administrative investigation or proceeding (as the case may be):

OFFENSE CHARGED/INVESTIGATED	TRIBUNAL OR AGENCY INVOLVED	STATUS
N/A	N/A	N/A

6. (For those in government service/affiliated with a government agency or GOCC) I have the required written permission or consent from the (head of the agency/department) to be an



independent director in \_\_\_\_\_, pursuant to Office of the President Memorandum Circular No. 17 and Section 12 Rule XVIII of the Revised Service Rules.

7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.

8. I shall inform the Corporate Secretary of \_\_\_\_\_ of any changes in the abovementioned information within five days from its occurrence.

Done, this AUG 28 2018 day of \_\_\_\_\_, at CEBU CITY.



Affiant

AUG 28 2018

SUBSCRIBED AND SWORN to before me this \_\_\_\_\_ day of \_\_\_\_\_ at CEBU CITY, affiant personally appeared before me and exhibited to me his / her \_\_\_\_\_ issued at \_\_\_\_\_ on \_\_\_\_\_.

Doc. No. 138  
Page No. 29  
Book No. 47  
Series of 2018



**JOSELITO RAMON O. CASTILLO**  
NOTARY PUBLIC - CEBU CITY  
NOTARIAL COMMISSION NO. 76-08: UNTIL DEC. 31, 2018  
LOW R LEVEL, WATERFRONT CEBU CITY HOTEL  
ONE SALINAS DRIVE, LAHUG, CEBU CITY  
ROLL OF ATTORNEY'S NO. 40417  
PTR NO 1433813/CEBU CITY/12/28/17  
IBP LIFETIME MEMBER NO. 05244

## UNDERTAKING

Waterfront Philippines, Inc. hereby undertake to distribute a copy of **SEC FORM 17-Q for the 2<sup>nd</sup> quarter of 2018** to WPI Stockholders during the Annual Meeting to be held on October 13, 2018.



**KENNETH T. GATCHALIAN**  
President

CERTIFICATION

I, ARSENIO A. ALFILER, JR., of legal age and with office address at Unit 3104 Antel Global Corporate Center, #3 Doña Julia Vargas Avenue, Ortigas Center, Pasig City, after being duly sworn to in accordance with law, do hereby certify:

I am the duly elected Assistant Corporate Secretary of WATERFRONT PHILIPPINES, INC., a corporation duly organized and existing under Philippine laws with principal office at 1 Salinas Drive, Lahug Cebu City (the "Corporation").

All incumbent directors and officers of the Corporation are not connected with any government agency or instrumentality.

I execute this Certification to comply with the requirements of the Securities and Exchange Commission.

**IN WITNESS WHEREOF**, I have hereunto set my hand this 29 day of August 2018 in the City of Pasig.

*Arsenio A. Alfiler, Jr.*

**ARSENIO A. ALFILER, JR.**

Assistant Corporate Secretary

**Subscribed and sworn** to before me this AUG 29 2018 at PASIG CITY, affiant exhibiting to me his TIN with No. 108160743.

*Nora Escoto*  
**ATTY. NINA CLAIRE R. ESCOTO**  
Notary Public for Pasig City  
Appointment No. 43 Until December 31, 2019  
Roll No. 69725, IBP No. 024912, RSM, 09 Jan 2018  
PTR No. 3872127, Pasig City, 17 Jan 2018  
Unit 3104 Antel Global Corporate Center  
Doña Julia Vargas Ave., Ortigas Center, Pasig City  
Admitted to the Bar 2017

Doc. No. 210 ;  
Page No. 43 ;  
Book No. 7 ;  
Series of 2018.

LIST OF ALL STOCKHOLDERS  
As Of July 31, 2018

STOCKHOLDER'S NAME	OUTSTANDING & ISSUED SHARES	OUTSTANDING & ISSUED SHARES	TOTAL HOLDINGS	PERCENTAGE NATIONALIT TO	
	(FULLY PAID)	(PARTIALLY PAID)	(SUBSCRIBED)	TOTAL	
THE WELLEX GROUP, INC.	1,128,466,800		0	1,128,466,800	45.157 FILIPINO
PCD NOMINEE CORP. (FILIPINO)	594,260,373		0	594,260,373	23.780 FILIPINO
SILVER GREEN INVESTMENTS LTD.	180,230,000		0	180,230,000	7.212 OTHERS
CHESA HOLDINGS, INC.	175,924,000		0	175,924,000	7.040 FILIPINO
TYBALT INVESTMENT LTD.	135,010,000		0	135,010,000	5.403 BRITISH
PACIFIC WIDE REALTY DEVELOPMENT CORP.	36,445,000		0	36,445,000	1.458 FILIPINO
PCD NOMINEE CORP. (NON-FILIPINO)	33,146,501		0	33,146,501	1.326 OTHERS
KENNETH T. GATCHALIAN	30,000,100		0	30,000,100	1.200 FILIPINO
REXLON T. GATCHALIAN	30,000,000		0	30,000,000	1.200 FILIPINO
WESLIE T. GATCHALIAN	30,000,000		0	30,000,000	1.200 FILIPINO
FORUM HOLDINGS CORPORATION	20,626,000		0	20,626,000	0.825 FILIPINO
PRIMARY STRUCTURES CORPORATION	16,212,500		0	16,212,500	0.649 FILIPINO
PACIFIC REHOUSE CORPORATION	15,598,900		0	15,598,900	0.624 FILIPINO
REXLON GATCHALIAN	14,740,000		0	14,740,000	0.590 FILIPINO
METRO ALLIANCE HOLDINGS & EQUITIES, INC.	14,370,000		0	14,370,000	0.575 FILIPINO
MIZPAH HOLDINGS, INC.	10,489,200		0	10,489,200	0.420 FILIPINO
ELVIRA A. TING	10,000,009		0	10,000,009	0.400 FILIPINO
CATALINA ROXAS MELENDRES	6,246,000		0	6,246,000	0.250 FILIPINO
MANUEL H. OSMENA &/OR MANUEL L. OSMENA II	1,400,000		0	1,400,000	0.056 FILIPINO
ROLANDO M. LIM	1,142,500		0	1,142,500	0.046 FILIPINO
FELIPE A CRUZ JR.	1,100,000		0	1,100,000	0.044 FILIPINO
MARIA CONCEPCION CRUZ	876,000		0	876,000	0.035 FILIPINO
FREYSSINET PHILIPPINES, INC.	770,000		0	770,000	0.031 FILIPINO
BENSON COYUCO	605,000		0	605,000	0.024 FILIPINO
LUCENA B. ENRIQUEZ	552,000		0	552,000	0.022 FILIPINO
EMILY LIM	500,000		0	500,000	0.020 FILIPINO
DEE HUA T. GATCHALIAN	350,000		0	350,000	0.014 FILIPINO
MARVIN J. GIROUARD	330,000		0	330,000	0.013 FILIPINO
ARTHUR H. OSMENA &/OR JANE Y. OSMENA	330,000		0	330,000	0.013 FILIPINO
JOSE YAP &/OR CONCHITA YAP	330,000		0	330,000	0.013 FILIPINO
DAVID LAO OSMENA	314,600		0	314,600	0.013 FILIPINO
ANA L. GO	300,000		0	300,000	0.012 FILIPINO
SEGUNDO SEANGIO &/OR VIRGINIA SEANGIO	297,000		0	297,000	0.012 FILIPINO
CHARTERED COMMODITIES CORPORATION	294,999		0	294,999	0.012 FILIPINO
DOMINGO C GO	275,000		0	275,000	0.011 FILIPINO
DAVID LAO OSMENA	275,000		0	275,000	0.011 FILIPINO
GARY GO DYCHIAO	200,000		0	200,000	0.008 FILIPINO
MERIDIAN SEC., INC. A/C# 844	200,000		0	200,000	0.008 FILIPINO
CRISTINO NAGUIAT, JR.	181,500		0	181,500	0.007 FILIPINO
WILLIE TIO	159,500		0	159,500	0.006 FILIPINO
BETO Y. LIM	150,000		0	150,000	0.006 FILIPINO

PIERCE INTERLINK SECURITIES, INC.	150,000	0	150,000	0.006	FILIPINO
AURORA V. SAN JOSE	143,000	0	143,000	0.006	FILIPINO
YAN TO A. CHUA	132,000	0	132,000	0.005	FILIPINO
CELY S. LIM	112,200	0	112,200	0.004	FILIPINO
DEWEY CHOACHUY, JR.	111,300	0	111,300	0.004	FILIPINO
WILSON CHUA &/OR BECKY QUE CHUA	110,000	0	110,000	0.004	FILIPINO
WANG YU HUEI	110,000	0	110,000	0.004	OTHERS
KENSTAR INDUSTRIAL CORPORATION	110,000	0	110,000	0.004	FILIPINO
JOHN CRISTOPHER D. WEIGEL	110,000	0	110,000	0.004	FILIPINO
WATERFRONT NOMINEES SDN BHD A/C#6	107,800	0	107,800	0.004	OTHERS
CATHAY SEC. CO., INC. A/C# 1030	100,000	0	100,000	0.004	FILIPINO
CARRIE LIM	100,000	0	100,000	0.004	FILIPINO
MANUEL H. OSMENA &/OR GRELLINA L. OSMENA	100,000	0	100,000	0.004	FILIPINO
PACIFIC CONCORDE CORPORATION	100,000	0	100,000	0.004	FILIPINO
PACIFIC IMAGES, INC.	100,000	0	100,000	0.004	FILIPINO
HANSON G. SO &/OR LARCY MARICHI Y. SO	100,000	0	100,000	0.004	FILIPINO
CHONG PENG YNG	100,000	0	100,000	0.004	OTHERS
ALVIN TAN UNJO	88,000	0	88,000	0.004	FILIPINO
TERESITA GO &/OR SATURNINA GO	87,000	0	87,000	0.003	FILIPINO
GEORGE U. YOUNG, JR.	82,500	0	82,500	0.003	FILIPINO
ROLANDO D. DE LEON	66,000	0	66,000	0.003	FILIPINO
LIPPO SECURITIES, INC.	56,500	0	56,500	0.002	FILIPINO
PRIMITIVO C. CAL	55,000	0	55,000	0.002	FILIPINO
VICKY L. CHAN	55,000	0	55,000	0.002	FILIPINO
MA. TERESA P. CRUZ	55,000	0	55,000	0.002	FILIPINO
RENATO C. GENDRANO &/OR GENDRANO BERNADETTE	55,000	0	55,000	0.002	FILIPINO
L.M. GARCIA & ASS., INC. A/C# 160	55,000	0	55,000	0.002	FILIPINO
LUISA CO LI	55,000	0	55,000	0.002	FILIPINO
KIRBY YU LIM	55,000	0	55,000	0.002	FILIPINO
LYDIA J. SY	55,000	0	55,000	0.002	FILIPINO
EDILBERTO &/OR ROSITA TANYU &/OR WELLINGTON HO VELASCO	55,000	0	55,000	0.002	FILIPINO
LIM TAY	55,000	0	55,000	0.002	FILIPINO
FRUTO M. TEODORICO, JR.	55,000	0	55,000	0.002	FILIPINO
LEONG JEE VAN	55,000	0	55,000	0.002	OTHERS
UY TIAK ENG	50,000	0	50,000	0.002	FILIPINO
SANDRA E. PASCUAL	50,000	0	50,000	0.002	FILIPINO
FRANCISCO C. SAN DIEGO	50,000	0	50,000	0.002	FILIPINO
ROBERTO L. UY	50,000	0	50,000	0.002	FILIPINO
RAMESES VICTORIUS G. VILLAGONZALO	50,000	0	50,000	0.002	FILIPINO
NEIL JOHN A. YU	50,000	0	50,000	0.002	FILIPINO
EBC SECURITIES CORPORATION	48,400	0	48,400	0.002	FILIPINO
TAN DAISY TIENG	46,500	0	46,500	0.002	FILIPINO
EAST ASIA OIL & MINING COMPANY, INC.	40,000	0	40,000	0.002	FILIPINO
OCBC SECURITIES PHILS., INC.	40,000	0	40,000	0.002	OTHERS
JAY JACOBS	39,600	0	39,600	0.002	FILIPINO
ROBERT KLING	39,600	0	39,600	0.002	FILIPINO
ADRIAN LONG	39,600	0	39,600	0.002	FILIPINO
GLADYS MAY L. OSMENA	39,600	0	39,600	0.002	FILIPINO
MANILYNN L. OSMENA	39,600	0	39,600	0.002	FILIPINO
MEGHANN GAIL L. OSMENA	39,600	0	39,600	0.002	FILIPINO
MANUEL L. OSMENA, II	39,600	0	39,600	0.002	FILIPINO
STEVE WOODWARD	39,600	0	39,600	0.002	FILIPINO
LUZ YAMANE	38,500	0	38,500	0.002	FILIPINO
LILY S. HO	36,300	0	36,300	0.001	FILIPINO

ABACUS SECURITIES CORPORATION	35,200	0	35,200	0.001	FILIPINO
LILIAN HONG	34,000	0	34,000	0.001	FILIPINO
ARTURO GUANZON	33,000	0	33,000	0.001	FILIPINO
INTERNATIONAL POLYMER CORPORATION	33,000	0	33,000	0.001	FILIPINO
SEAFRONT RESOURCES CORP.	33,000	0	33,000	0.001	FILIPINO
LEONCIO TIU	33,000	0	33,000	0.001	FILIPINO
RAMONCITO ARCEO	30,000	0	30,000	0.001	FILIPINO
TAN LIN LAY	30,000	0	30,000	0.001	FILIPINO
RODOLFO B. LEDESMA	30,000	0	30,000	0.001	FILIPINO
MA. YOLANDA MALLARI	30,000	0	30,000	0.001	FILIPINO
YVETTE LEE	27,500	0	27,500	0.001	FILIPINO
ONG YU LING	27,500	0	27,500	0.001	FILIPINO
DELFIN R. SUPAPO JR.	27,500	0	27,500	0.001	FILIPINO
EDGAR M. ALFEREZ	25,000	0	25,000	0.001	FILIPINO
RAMON A. TINIO	25,000	0	25,000	0.001	FILIPINO
RAYMOND TONG	23,300	0	23,300	0.001	FILIPINO
IMELDA L. ACIDERA	22,000	0	22,000	0.001	FILIPINO
PHILIP NG CLARIN & EVELYN NG LEE	22,000	0	22,000	0.001	FILIPINO
CHIOTI HSU	22,000	0	22,000	0.001	FILIPINO
ANITA LIM	22,000	0	22,000	0.001	FILIPINO
CONSUELO A. MOPAS	22,000	0	22,000	0.001	FILIPINO
MARCELO S. NUGUID	22,000	0	22,000	0.001	FILIPINO
VICKY ONG	22,000	0	22,000	0.001	FILIPINO
QUALITY INVESTMENTS & SECURITIES CORP.	22,000	0	22,000	0.001	FILIPINO
RICARDA B. QUIROS	22,000	0	22,000	0.001	FILIPINO
ERNESTO R. SALAS, JR.	22,000	0	22,000	0.001	FILIPINO
YU SIOK HUI	22,000	0	22,000	0.001	FILIPINO
PABLO SON KENG PO	22,000	0	22,000	0.001	FILIPINO
ROBERT C. TING	22,000	0	22,000	0.001	FILIPINO
CLIFFORD LAO YOUNG	22,000	0	22,000	0.001	FILIPINO
WATERFRONT NOMINEES SDN BHD A/C#9	20,900	0	20,900	0.001	OTHERS
JIM HO KHE BIN	20,000	0	20,000	0.001	FILIPINO
FRANCIS S. CHOA	20,000	0	20,000	0.001	FILIPINO
NELIA CO	20,000	0	20,000	0.001	FILIPINO
VENUS DE OCAMPO	20,000	0	20,000	0.001	FILIPINO
GUILLERMO F. GILI, JR.	20,000	0	20,000	0.001	FILIPINO
RUBY PING GO	20,000	0	20,000	0.001	CHINESE
ALEXANDER C. LEE	20,000	0	20,000	0.001	FILIPINO
REGINA CAPITAL DEVT., CORP. A/C#1845	20,000	0	20,000	0.001	FILIPINO
TRITON SECURITIES CORPORATION	20,000	0	20,000	0.001	FILIPINO
CATHERINE LAO YOUNG	19,800	0	19,800	0.001	FILIPINO
RAMON JAIME VILA BIROSEL	17,600	0	17,600	0.001	FILIPINO
ARISTEO O. FERAREN, JR.	17,600	0	17,600	0.001	FILIPINO
REXLON INDUSTRIAL CORPORATION	17,000	0	17,000	0.001	FILIPINO
ELVIN CHAN	16,500	0	16,500	0.001	FILIPINO
KATHLEEN COPON	16,500	0	16,500	0.001	FILIPINO
JOSEINA DINSAY	16,500	0	16,500	0.001	FILIPINO
ERIC JAO	16,500	0	16,500	0.001	CHINESE
CARMELITA KONG KIAT	16,500	0	16,500	0.001	FILIPINO
MATEO H. LUGA	16,500	0	16,500	0.001	FILIPINO
GRACE MAGNAYE	16,500	0	16,500	0.001	FILIPINO
AMANDO J. PONSARAN, JR.	16,500	0	16,500	0.001	FILIPINO
GLENN ANTHONY O. SOCO	16,500	0	16,500	0.001	FILIPINO
JAY DEXTER A. LIM	16,200	0	16,200	0.001	FILIPINO

REMEDIOS S. ORBETA	14,300	0	14,300	0.001	FILIPINO
AH LAY OH	13,750	0	13,750	0.001	FILIPINO
IBURI TADAFUMI	13,750	0	13,750	0.001	FILIPINO
MONINA GRACE S. LIM	13,200	0	13,200	0.001	FILIPINO
AURELIO P. VENDIVEL, JR.	13,200	0	13,200	0.001	FILIPINO
PEDRO DOMINGO	12,100	0	12,100	0.000	FILIPINO
RICARDO R. AGUADO	11,000	0	11,000	0.000	FILIPINO
EVELYN ARCEAL	11,000	0	11,000	0.000	FILIPINO
DAXIM-REY L. BANAGUDOS	11,000	0	11,000	0.000	FILIPINO
ARIEL M. CONCEJERO &/OR MA. CONSUELO G. CONCEJERO	11,000	0	11,000	0.000	FILIPINO
ANITA T. DAVID	11,000	0	11,000	0.000	FILIPINO
ROY A. DE LOS REYES	11,000	0	11,000	0.000	FILIPINO
MANUEL DY	11,000	0	11,000	0.000	FILIPINO
HUNG CHUEN FEI	11,000	0	11,000	0.000	FILIPINO
MARLENE S. GUEVARA	11,000	0	11,000	0.000	FILIPINO
ROY CECIL D. IBAY	11,000	0	11,000	0.000	FILIPINO
CONSUELO DY KHU	11,000	0	11,000	0.000	FILIPINO
YU PEK KIAN	11,000	0	11,000	0.000	FILIPINO
PHILIP KIONG	11,000	0	11,000	0.000	FILIPINO
RICARDO P. LAZARO	11,000	0	11,000	0.000	FILIPINO
KATHERINE LIM &/OR MARSHA LIM	11,000	0	11,000	0.000	CHINESE
JOSEFA T. LUA	11,000	0	11,000	0.000	FILIPINO
ALBERTO MENDOZA &/OR JEANIE MENDOZA	11,000	0	11,000	0.000	FILIPINO
ELIZABETH MERCADO	11,000	0	11,000	0.000	FILIPINO
CARMEN ONG	11,000	0	11,000	0.000	FILIPINO
HARVEY OSMENA	11,000	0	11,000	0.000	FILIPINO
VENUS PACIA	11,000	0	11,000	0.000	FILIPINO
GAUDENCIO H. PANALIGAN	11,000	0	11,000	0.000	FILIPINO
CIRILO E. PASUCAL	11,000	0	11,000	0.000	FILIPINO
MA. THERESA C. PE	11,000	0	11,000	0.000	FILIPINO
NERISSA C. QUINTANA	11,000	0	11,000	0.000	FILIPINO
R. COYIUTO SECURITIES, INC.	11,000	0	11,000	0.000	FILIPINO
SEIICHIRO TAKAHASHI	11,000	0	11,000	0.000	OTHERS
CARLOS S. TAN	11,000	0	11,000	0.000	FILIPINO
CHEAH TUCK	11,000	0	11,000	0.000	FILIPINO
PHILIP L. UY	11,000	0	11,000	0.000	FILIPINO
EDGARDO YAMBAO &/OR MARIA ISABEL YAMBAO	11,000	0	11,000	0.000	FILIPINO
JEFFERSON Y. YAO	11,000	0	11,000	0.000	FILIPINO
RODERICK ALAIN ALVAREZ	10,000	0	10,000	0.000	FILIPINO
CARINA H. BALONES	10,000	0	10,000	0.000	FILIPINO
GARRY BOOC	10,000	0	10,000	0.000	FILIPINO
FRANKLIN M. COSTALES	10,000	0	10,000	0.000	FILIPINO
G & L SECURITIES CO., INC.	10,000	0	10,000	0.000	FILIPINO
ARSENIO L. LIM &/OR RUBY O. LIM	10,000	0	10,000	0.000	FILIPINO
GIOVANNI JOSEF B. LIM	10,000	0	10,000	0.000	FILIPINO
ROLANDO I. LOMBOY &/OR MILAGROS R. LOMBOY	10,000	0	10,000	0.000	FILIPINO
RENO I. MAGADIA	10,000	0	10,000	0.000	FILIPINO
JAMES O. NG &/OR ELSIE Y. NG	10,000	0	10,000	0.000	FILIPINO
LAWRENCE C. NG	10,000	0	10,000	0.000	FILIPINO
NOBLE ARCH REALTY AND CONSTRUCTION CORP.	10,000	0	10,000	0.000	FILIPINO
CARMELO OBCEMEA	10,000	0	10,000	0.000	FILIPINO
BARTHOLOMEW DY BUNCIO YOUNG	10,000	0	10,000	0.000	FILIPINO
JOHN BENEDICT O. YU	10,000	0	10,000	0.000	FILIPINO
CARMELITA P. CRUEL	8,800	0	8,800	0.000	FILIPINO

MA. ISABEL H. ERMITA	8,800	0	8,800	0.000	FILIPINO
FATIMA A. FARRALES	8,800	0	8,800	0.000	FILIPINO
MAXIMO V. LUCAS	8,800	0	8,800	0.000	FILIPINO
ILDEFONSO REYNOSO II	8,800	0	8,800	0.000	FILIPINO
RUFINO B. TIANGCO	8,800	0	8,800	0.000	FILIPINO
CHARISSA YLAYA	8,800	0	8,800	0.000	FILIPINO
MARIA A. GARCIA	8,000	0	8,000	0.000	FILIPINO
LIPPO SECURITIES, INC.	8,000	0	8,000	0.000	FILIPINO
MA. CYNTHIA AMIGO ALCANTARA	7,700	0	7,700	0.000	FILIPINO
WILLIAM N. CHUA CO KIONG	7,700	0	7,700	0.000	FILIPINO
E.N. MADRAZO CORPORATION	7,700	0	7,700	0.000	FILIPINO
RAPHAEL T. JUAN	7,700	0	7,700	0.000	FILIPINO
JUANA M. REYES	7,700	0	7,700	0.000	FILIPINO
SALVADOR T. RIGOR, JR.	7,700	0	7,700	0.000	FILIPINO
EUFEMIA ZULUAGA	7,700	0	7,700	0.000	FILIPINO
BING ROJO	6,700	0	6,700	0.000	FILIPINO
HANNAH JALECO ALLANIGUE	6,600	0	6,600	0.000	FILIPINO
EXUPERTO P. CABATANA	6,600	0	6,600	0.000	FILIPINO
CLEOFE D.V. CANETE	6,600	0	6,600	0.000	FILIPINO
JOCELYN FULACHE	6,600	0	6,600	0.000	FILIPINO
ROZANA C. GUTIERREZ	6,600	0	6,600	0.000	FILIPINO
LESLIE A. LAVA	6,600	0	6,600	0.000	FILIPINO
STEVEN M. ONG	6,600	0	6,600	0.000	FILIPINO
PROSERFINA SIGUENZA	6,600	0	6,600	0.000	FILIPINO
AGAPITO R. VALENCIA	6,600	0	6,600	0.000	FILIPINO
SALUD VELORIA	6,600	0	6,600	0.000	FILIPINO
ROBERTO ABELLO &/OR MA. ANTONIA ABELLO	5,500	0	5,500	0.000	FILIPINO
RENATO C. ALARCON &/OR VIRGINIA M. ALARCON	5,500	0	5,500	0.000	FILIPINO
MA. WINNINAH S. ANCHETA	5,500	0	5,500	0.000	FILIPINO
GENEROSA A. ARENAS	5,500	0	5,500	0.000	FILIPINO
RUBEN BALBASTRO &/OR ROSARIO TORRES	5,500	0	5,500	0.000	FILIPINO
BELINDA CHUA	5,500	0	5,500	0.000	FILIPINO
LUIS W. CHUA	5,500	0	5,500	0.000	FILIPINO
MA. REGINA CLIMACO	5,500	0	5,500	0.000	FILIPINO
TERESITA I. DE LOS SANTOS	5,500	0	5,500	0.000	FILIPINO
ERIBERTO E. ESTEBAN	5,500	0	5,500	0.000	FILIPINO
BILLY KHU &/OR WARREN KHU	5,500	0	5,500	0.000	FILIPINO
BILLY GO KHU	5,500	0	5,500	0.000	FILIPINO
CONSUELO C. KON	5,500	0	5,500	0.000	FILIPINO
LOLITA LABACLADO	5,500	0	5,500	0.000	FILIPINO
ALEXANDRIA M. LACSON	5,500	0	5,500	0.000	FILIPINO
KAROLYN LIU	5,500	0	5,500	0.000	FILIPINO
GRACE MAGNAYE	5,500	0	5,500	0.000	FILIPINO
CARMENCITA MIRANDA &/OR DONNA DEL ROSARIO	5,500	0	5,500	0.000	FILIPINO
BELINDA NGO	5,500	0	5,500	0.000	FILIPINO
JUANA ONGKA	5,500	0	5,500	0.000	FILIPINO
VIRGIE R. ORTEGA	5,500	0	5,500	0.000	FILIPINO
ANTONIO MAPUA OSTREA	5,500	0	5,500	0.000	FILIPINO
CHARLES M. PRATT	5,500	0	5,500	0.000	OTHERS
DEREK PUERTOLLANO	5,500	0	5,500	0.000	FILIPINO
LINDA TAN	5,500	0	5,500	0.000	FILIPINO
ROBERTO S. UY	5,500	0	5,500	0.000	FILIPINO
WEALTH SECURITIES, INC.	5,500	0	5,500	0.000	FILIPINO
GRACIANO AUDWIN T. GARZON	5,000	0	5,000	0.000	FILIPINO

FAO: SHEN KUO HSU



HSBC SECURITIES (PHILIPPINES), INC.	5,000	0	5,000	0.000	OTHERS
MA. MADONNA M. MEDENILLA	5,000	0	5,000	0.000	FILIPINO
IMELDA M. PRECION	5,000	0	5,000	0.000	FILIPINO
MAHALIA C. QUINONES	5,000	0	5,000	0.000	FILIPINO
SIMEON SAMSON &/OR CHARLIE RAVALO	5,000	0	5,000	0.000	FILIPINO
LEOPOLDO SY-QUIA JR.	5,000	0	5,000	0.000	FILIPINO
HELEN F. WILLIMANN	5,000	0	5,000	0.000	FILIPINO
MINERVA R. ALIAZON	4,400	0	4,400	0.000	FILIPINO
ADELAIDA ZITA R. CARLOS	4,400	0	4,400	0.000	FILIPINO
ANGELES MORALES DE LEON	4,400	0	4,400	0.000	FILIPINO
KERRY SECURITIES (PHILS.), INC. -GJ01	4,400	0	4,400	0.000	FILIPINO
MUI SIN KOH-SEAH	4,400	0	4,400	0.000	FILIPINO
MANUEL S. MILAN	4,400	0	4,400	0.000	FILIPINO
NATIVIDAD C. NGUI	4,400	0	4,400	0.000	FILIPINO
JIMMY G. ONG	4,400	0	4,400	0.000	FILIPINO
MA. TERESITA M. PALO	4,400	0	4,400	0.000	FILIPINO
NG GHIM HWA	4,000	0	4,000	0.000	OTHERS
JORGE P. LONTOC OR PACITA L. LONTOC	4,000	0	4,000	0.000	FILIPINO
SAPPHIRE SECURITIES, INC.	4,000	0	4,000	0.000	FILIPINO
ROBERTO C. VILLEGAS	4,000	0	4,000	0.000	FILIPINO
CECILIA CO YU	4,000	0	4,000	0.000	FILIPINO
JOCELYN L. ZARATE	4,000	0	4,000	0.000	FILIPINO
JUN M. BORRES	3,300	0	3,300	0.000	FILIPINO
ELEANOR P. CALIMAG	3,300	0	3,300	0.000	FILIPINO
MA. ROSARIO FRANCO	3,300	0	3,300	0.000	FILIPINO
EUGENE GALICIA	3,300	0	3,300	0.000	FILIPINO
SARAH SAN JOSE HAIN	3,300	0	3,300	0.000	FILIPINO
BRENDA SOLIDUM HERNANDEZ	3,300	0	3,300	0.000	FILIPINO
MUI SIN KOH-SEAH &/OR DENNIS CHEE CHIANG SEAH	3,300	0	3,300	0.000	OTHERS
CHRISTOPHER D. LO	3,300	0	3,300	0.000	FILIPINO
JUAN ANTONIO LOPEZ	3,300	0	3,300	0.000	FILIPINO
LUKE MACABABBAD	3,300	0	3,300	0.000	FILIPINO
PATRICIA MIADO &/OR MARIO ANGEL MIADO	3,300	0	3,300	0.000	FILIPINO
PANTALEON NIEVA &/OR ANGELITA NIEVA	3,300	0	3,300	0.000	FILIPINO
PAUL PESTANO	3,300	0	3,300	0.000	FILIPINO
ELENETTE C. PINGUL	3,300	0	3,300	0.000	FILIPINO
JAIME R. QUIJANO	3,300	0	3,300	0.000	FILIPINO
JESUS ROBERTO SAENZ &/OR AURORA E.	3,300	0	3,300	0.000	FILIPINO
MA. TERESA T. SAN AGUSTIN	3,300	0	3,300	0.000	FILIPINO
EDWARD W. TAN	3,300	0	3,300	0.000	FILIPINO
EPIFANIA G. SANTOS	2,750	0	2,750	0.000	FILIPINO
JESUS B. MARAMARA	2,700	0	2,700	0.000	FILIPINO
MA. LEYLANI V. GAMBOA	2,500	0	2,500	0.000	FILIPINO
ROGELIO GANZON	2,500	0	2,500	0.000	FILIPINO
ROGER CORRO	2,300	0	2,300	0.000	FILIPINO
ROSIE TAN	2,300	0	2,300	0.000	FILIPINO
CARLO ARCHES	2,200	0	2,200	0.000	FILIPINO
MA. ROSARIO T. BARRETTO	2,200	0	2,200	0.000	FILIPINO
AIDA BELLESTROS	2,200	0	2,200	0.000	FILIPINO
RAY CELIS	2,200	0	2,200	0.000	FILIPINO
CLARO CENIZA	2,200	0	2,200	0.000	FILIPINO
AMELIA CERVANTES	2,200	0	2,200	0.000	FILIPINO
ELMER DELA CRUZ	2,200	0	2,200	0.000	FILIPINO
NARISA BERLIN R. DURAN	2,200	0	2,200	0.000	FILIPINO

LEONARDO ERMITA	2,200	0	2,200	0.000	FILIPINO
FLORENTINO A. GONZALEZ, JR. &/OR LOURDJEAN T. GONZALEZ	2,200	0	2,200	0.000	FILIPINO
JOSEPH EDWARD HANNEN	2,200	0	2,200	0.000	FILIPINO
LUCILA D. ICBAN	2,200	0	2,200	0.000	FILIPINO
JOCELYN O. LIM	2,200	0	2,200	0.000	FILIPINO
VILMA LUMANOG	2,200	0	2,200	0.000	FILIPINO
LEVI Q. MAGNAYE	2,200	0	2,200	0.000	FILIPINO
MELVIN M. MANALO	2,200	0	2,200	0.000	FILIPINO
BENJAMIN MOMBAY &/OR ELYSIA DELA LLANA	2,200	0	2,200	0.000	FILIPINO
CONSUELO G. OSI	2,200	0	2,200	0.000	FILIPINO
MELITA G. RAGAS	2,200	0	2,200	0.000	FILIPINO
JOHN PATRICK REGNER	2,200	0	2,200	0.000	FILIPINO
EDNA T. ROGANDO &/OR ESTER T. JUCO	2,200	0	2,200	0.000	FILIPINO
ROLANDO S. SANTOS, JR.	2,200	0	2,200	0.000	FILIPINO
MICHELLE T. SY	2,200	0	2,200	0.000	FILIPINO
MERLINDO R. TINAPAY	2,200	0	2,200	0.000	FILIPINO
RUBY TING	2,200	0	2,200	0.000	FILIPINO
ZITA O. UY-TIOCO	2,200	0	2,200	0.000	FILIPINO
ANTONIO VERZOSA	2,200	0	2,200	0.000	FILIPINO
BENEDICTO V. VIARDO	2,200	0	2,200	0.000	FILIPINO
BANING P. ANG	2,000	0	2,000	0.000	FILIPINO
BANING P. ANG	2,000	0	2,000	0.000	FILIPINO
ERVERT AVANZADO &/OR LIAZLE AVANZADO	2,000	0	2,000	0.000	FILIPINO
EDUVEGES O. BATALAN	2,000	0	2,000	0.000	FILIPINO
BONIFACIO M. CABATIT	2,000	0	2,000	0.000	FILIPINO
AUGURIO P. DE VERA	2,000	0	2,000	0.000	FILIPINO
EDMUNDO Z. GREGORIO	2,000	0	2,000	0.000	FILIPINO
GLORIA GUINTU	2,000	0	2,000	0.000	FILIPINO
I.B. GIMENEZ SEC., INC. A/C DPA-003	2,000	0	2,000	0.000	FILIPINO
TERESITO P. OCAMPO	2,000	0	2,000	0.000	FILIPINO
FLORENCIO SANTOS	2,000	0	2,000	0.000	FILIPINO
WINSTON P. PUNZALAN	1,500	0	1,500	0.000	FILIPINO
JOSELITO C. HERRERA	1,300	0	1,300	0.000	FILIPINO
ALBERTO MOGUEL	1,200	0	1,200	0.000	FILIPINO
STELLA TANSENGCO-SCHAPERO	1,200	0	1,200	0.000	FILIPINO
ROMMEL C. AQUINO	1,100	0	1,100	0.000	FILIPINO
GERALDINE BAD-AY	1,100	0	1,100	0.000	FILIPINO
VIVIEN BILBAO	1,100	0	1,100	0.000	FILIPINO
LUZVIMINDA E CABIBIJAN	1,100	0	1,100	0.000	FILIPINO
JENNIFER CASAS	1,100	0	1,100	0.000	FILIPINO
JOHN PETER CHICK B. CASTELO	1,100	0	1,100	0.000	FILIPINO
CATHAY SEC. CO., INC. A/C# 1684	1,100	0	1,100	0.000	FILIPINO
BEDY DU CO	1,100	0	1,100	0.000	FILIPINO
CYNTHIA ROXAS DEL CASTILLO	1,100	0	1,100	0.000	FILIPINO
CAROLINE DY	1,100	0	1,100	0.000	FILIPINO
GRACE M. GALANG	1,100	0	1,100	0.000	FILIPINO
GUILD SECURITIES, INC.	1,100	0	1,100	0.000	FILIPINO
REBECCA TAN LIM	1,100	0	1,100	0.000	FILIPINO
ROMEO S. LINDAIN	1,100	0	1,100	0.000	FILIPINO
ARMANDO S. LLARINAS	1,100	0	1,100	0.000	FILIPINO
PORFIRIO G. MACARAEG &/OR MICHAEL MACARAEG	1,100	0	1,100	0.000	FILIPINO
BENJAMIN G. MAGBANUA	1,100	0	1,100	0.000	FILIPINO
EMILIA MANANON	1,100	0	1,100	0.000	FILIPINO
VIDA MARIE E. NISPEROS	1,100	0	1,100	0.000	FILIPINO

LYDIA C. PASCUA	1,100	0	1,100	0.000	FILIPINO
ARACELI P. PENAS	1,100	0	1,100	0.000	FILIPINO
MABEL POBLETE	1,100	0	1,100	0.000	FILIPINO
OMAR C. POLINTAN &/OR MELITA POLINTAN	1,100	0	1,100	0.000	FILIPINO
BEVERLY G. REJANTE	1,100	0	1,100	0.000	FILIPINO
DAISY S.A REYES	1,100	0	1,100	0.000	FILIPINO
LETICIA ROXAS	1,100	0	1,100	0.000	FILIPINO
DOUGLAS TAN	1,100	0	1,100	0.000	FILIPINO
FATIMA L. TAN	1,100	0	1,100	0.000	FILIPINO
MIRABEL TAN	1,100	0	1,100	0.000	FILIPINO
RAYMOND G. TAN	1,100	0	1,100	0.000	FILIPINO
SUZETTE TAN	1,100	0	1,100	0.000	FILIPINO
LOLITA TANSENGCO	1,100	0	1,100	0.000	FILIPINO
YEOH CHEAW TAU	1,100	0	1,100	0.000	OTHERS
IRMINIA A. TIPGOS	1,100	0	1,100	0.000	FILIPINO
LUISIANA DELOS SANTOS TONDO	1,100	0	1,100	0.000	FILIPINO
ELIZABETH TUBALE	1,100	0	1,100	0.000	FILIPINO
FEDELIZA R. VARGAS	1,100	0	1,100	0.000	FILIPINO
ABACUS CAPITAL INVESTMENT CORP. A/C 583002	1,000	0	1,000	0.000	FILIPINO
MA. LUISA AQUINO	1,000	0	1,000	0.000	FILIPINO
RAYMOND AZCARATE	1,000	0	1,000	0.000	FILIPINO
JULIE YAP CHUA	1,000	0	1,000	0.000	FILIPINO
ARISTEO R. CRUZ	1,000	0	1,000	0.000	FILIPINO
MILAGROS ONG MAGAT	1,000	0	1,000	0.000	FILIPINO
VICENTE LIM PANG	1,000	0	1,000	0.000	FILIPINO
FIDELINA B. REYES	1,000	0	1,000	0.000	FILIPINO
RODOLFO V. SAEZ	1,000	0	1,000	0.000	FILIPINO
SHAREHOLDERS' ASSOCIATION OF THE PHILIPPINES, INC.	1,000	0	1,000	0.000	FILIPINO
REYNALDO NAVARRA TECECHIAN	1,000	0	1,000	0.000	FILIPINO
RUBEN D. TORRES	1,000	0	1,000	0.000	FILIPINO
JESUS SAN LUIS VALENCIA	1,000	0	1,000	0.000	FILIPINO
GUIDO VILLANUEVA &/OR AMELIA VILLANUEVA	1,000	0	1,000	0.000	FILIPINO
MA. SALOME VILLASIS	1,000	0	1,000	0.000	FILIPINO
ALFREDO COLLADO	900	0	900	0.000	FILIPINO
PUBLIC SEC. CORP.	800	0	800	0.000	FILIPINO
ROGELIO G. KWAN	622	0	622	0.000	FILIPINO
JUANITA LIMCHAYSENG	600	0	600	0.000	FILIPINO
DONNIE SALVADOR	600	0	600	0.000	FILIPINO
RONALD SY	600	0	600	0.000	FILIPINO
ANABELLE C. ALVARO	500	0	500	0.000	FILIPINO
ELENA D. BELLEZA	500	0	500	0.000	FILIPINO
CARLOS CHING	500	0	500	0.000	FILIPINO
DOMINADOR A. REYNO	500	0	500	0.000	FILIPINO
LORENA R. CABUGAWAN	333	0	333	0.000	FILIPINO
MARIO T. MACADAEG	300	0	300	0.000	FILIPINO
RCBC T/A# 33-398-0	300	0	300	0.000	FILIPINO
OWEN NATHANIEL AU	200	0	200	0.000	FILIPINO
ERLITA BUGAOAN	200	0	200	0.000	FILIPINO
FE CALDERON	200	0	200	0.000	FILIPINO
JOSE RENE ITURRALDE	200	0	200	0.000	FILIPINO
TEE LING KIAT &/OR LEE LIN HO	200	0	200	0.000	FILIPINO
RICHARD ANTHONY Y. LIBORO	200	0	200	0.000	FILIPINO
RENATO B. MAGADIA	200	0	200	0.000	FILIPINO
ROCHELLE V. MENDOZA	200	0	200	0.000	FILIPINO

ORION-SQUIRE CAPITAL, INC. - 0267	200	0	200	0.000	FILIPINO
ROSE LUZELLE PAPA	200	0	200	0.000	FILIPINO
NORA ROSS	200	0	200	0.000	FILIPINO
MA. THERESA L. ARGUELLES	110	0	110	0.000	FILIPINO
SERGIO R. ORTIZ-LUIS JR.	110	0	110	0.000	FILIPINO
ARTHUR R. PONSARAN	110	0	110	0.000	FILIPINO
CARLOS BENEDICT K. RIVILLA IV	110	0	110	0.000	FILIPINO
TOMAS F. TUASON IV	110	0	110	0.000	FILIPINO
RIZA C. VILLEGAS	110	0	110	0.000	FILIPINO
RODOLFO L. CRUZ	100	0	100	0.000	FILIPINO
IMELDA GAPASIN	100	0	100	0.000	FILIPINO
RUBEN MEDRANO	100	0	100	0.000	FILIPINO
LAMBERTO B. MERCADO, JR.	100	0	100	0.000	FILIPINO
DONATO ALMEDA	1	0	1	0.000	FILIPINO
ARSENIO BARTOLOME III	1	0	1	0.000	FILIPINO
ERIC FILAMOR	1	0	1	0.000	FILIPINO
PATRICK C. GREGORIO	1	0	1	0.000	FILIPINO
ARTHUR LOPEZ	1	0	1	0.000	FILIPINO
MACARIO TE	1	0	1	0.000	FILIPINO
GRAND TOTAL (438)	<u>2,498,991,753</u>	<u>0</u>	<u>2,498,991,753</u>	<u>100.000</u>	

THIS IS A COMPUTER GENERATED REPORT AND IF ISSUED WITHOUT ALTERATION, DOES NOT REQUIRE ANY SIGNATURE.

# COVER SHEET

## for AUDITED FINANCIAL STATEMENTS

SEC Registration Number

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

### COMPANY NAME

W A T E R F R O N T P H I L I P P I N E S ,  
I N C O R P O R A T E D A N D S U B S I D I A R I E S

### PRINCIPAL OFFICE (No. / Street / Barangay / City / Town / Province)

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 , C E B U

Form Type

A F S 1 7

Department requiring the report

Secondary License Type, if Applicable

### COMPANY INFORMATION

Company's email Address

Company's Telephone Number/s

Mobile Number

No. of Stockholders

Annual Meeting (Month / Day)

Fiscal Year (Month / Day)

### CONTACT PERSON INFORMATION

The designated contact person **MUST** be an Officer of the Corporation

Name of Contact Person

Ms. Elvira A. Ting

Email Address

Telephone Number/s

(02) 687-0888

Mobile Number

### CONTACT PERSON'S ADDRESS

No. 1 Waterfront Drive, Off Salinas Drive, Lahug

**Note 1:** In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

**Note 2:** All Boxes must be properly and completely filled up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or nonreceipt of Notice of Deficiencies. Further, nonreceipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.



**STATEMENT OF MANAGEMENT'S RESPONSIBILITY  
FOR FINANCIAL STATEMENTS**

The management of Waterfront Philippines Inc. is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended December 31, 2017 and 2016, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

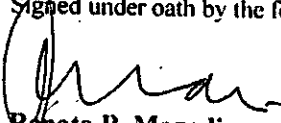
In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.


The Board of Directors is responsible for overseeing the Company's financial reporting process.

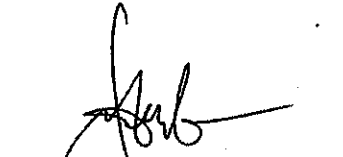
The Board of Directors reviews and approves the financial statements including the schedules attached therein, and submits the same to the stockholders or members.

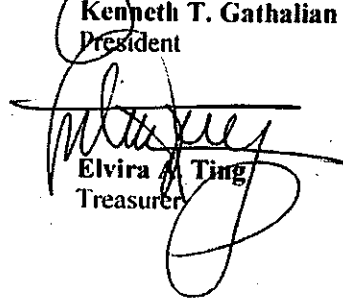
R.G. Manabat & Co., appointed by the stockholders, has audited the financial statements of the company in accordance with the Philippine Standards on Auditing, and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such audit.

Signed under oath by the following:

  
**Renato B. Magadia**  
Chairman of the Board

  
**Precilla O. Toriano**  
Corporate Finance Director

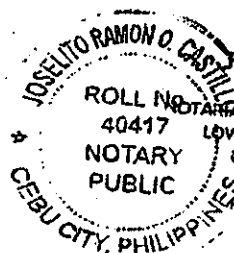
  
**Kenneth T. Gathalian**  
President

  
**Elvira A. Ting**  
Treasurer

Signed this APR 24 day of 2018

SUBSCRIBED AND SWORN TO BEFORE ME  
THIS APR 24 2018 CEBU CITY

Doc. No. 331  
Page No. 68  
Book No. 40  
Series of 2018

  
**JOSEITO RAMON O. CASTILLO**  
NOTARY PUBLIC  
ROLL NO. 40417  
LOWER LEVEL  
CEBU CITY, PHILIPPINES  
IBP REGISTRATION NO. 05244  
DEC. 31, 2017  
HOTEL  
CITY  
11/28/17



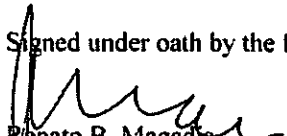
**STATEMENT OF MANAGEMENT'S RESPONSIBILITY  
FOR ANNUAL INCOME TAX RETURN**

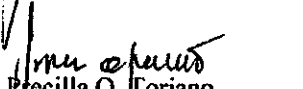
The Management of **Waterfront Philippines, Inc.** is responsible for all information and representations contained in the Annual Income Tax Return for the year ended **December 31, 2017**. Management is likewise responsible for all information and representations contained in the financial statements accompanying the Annual Income Tax Return covering the same reporting period. Furthermore, the Management is responsible for all information and representations contained in all the other tax returns filed for the reporting period, including, but not limited, to the value added tax and/or percentage tax returns, withholding tax returns, documentary stamp tax returns, and any and all other tax returns.

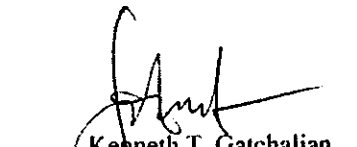
In this regard, the Management affirms that the attached audited financial statements for the year ended **December 31, 2017** and the accompanying Annual Income Tax Return are in accordance with the books and records of **Waterfront Philippines, Inc.**, complete and correct in all material respects. Management likewise affirms that:

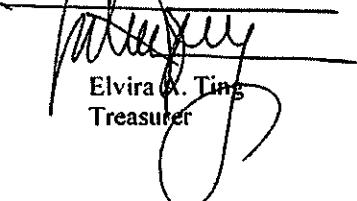
- (a) the Annual Income Tax Return has been prepared in accordance with the provisions of the National Internal Revenue Code, as amended, and pertinent tax regulations and other issuances of the Department of Finance and the Bureau of Internal Revenue;
- (b) any disparity of figures in the submitted reports arising from the preparation of financial statements pursuant to financial accounting standards Philippine Financial Reporting Standards and the preparation of the income tax return pursuant to tax accounting rules has been reported as reconciling items and maintained in the company's books and records in accordance with the requirements of Revenue Regulations No. 8-2007 and other relevant issuances;
- (c) **Waterfront Philippines, Inc.** has filed all applicable tax returns, reports and statements required to be filed under Philippine tax laws for the reporting period, and all taxes and other impositions shown thereon to be due and payable have been paid for the reporting period, except those contested in good faith.

Signed under oath by the following:

  
Renato B. Magadia  
Chairman of the Board

  
Precilla O. Toriano  
Corporate Finance Director

  
Kenneth T. Gatchalian  
President

  
Elvira A. Ting  
Treasurer

Signed this 24th day of APR 2018

SUBSCRIBED AND SWORN TO BEFORE ME  
HIS APR 24 2018 CEBU CITY

Doc. No. 334  
Page No. 08  
Book No. 40  
Series of 2018



**JOSE TORAYON O. CASTILLO**  
NOTARY PUBLIC - CEBU CITY  
NOTARIAL COMMISSION NO. 10000, EXPIRES DEC. 31, 2018  
LOWER LEVEL OFFICE, CEBU CITY HOTEL  
ONE SALINAS STREET, CEBU CITY  
ROLL OF ATTORNEY'S NO. 40417  
PTR NO. 1433813/CEBU CITY/12/29/17  
IBP LIFETIME MEMBER NO. 05244

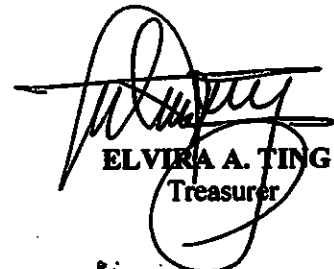
REPUBLIC OF THE PHILIPPINES)  
) S.S

**TREASURER'S CERTIFICATION**

I, **ELVIRA A. TING**, of legal age, Filipino and with office address at the The 35/F One Corporate Center Julia Vargas Corner Meralco Avenue Ortigas Center, Pasig City after being sworn in accordance with law, hereby certify that:

1. I am the Treasurer of **Waterfront Philippines, Inc.** (the "Company"), a corporation duly organized and existing under and by virtue of the laws of the Republic of the Philippines under SEC Certificate of Registration No. **AS094-8678** with principal office address at No. 1 Waterfront Drive Lahug, Cebu City.
2. I am executing this certification to attest to the truth of the foregoing and in compliance with the reportorial requirements of the SEC.

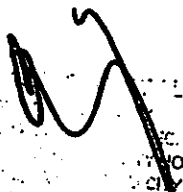
WITNESS MY HAND on this   **APR 24**   day of   **2018**   2018 at   **CEBU CITY**  .

  
**ELVIRA A. TING**  
Treasurer

SUBSCRIBED AND SWORN to before me on this   **APR 24**   day of   **2018**   at   **CEBU CITY**  . Affiant exhibited to me her **Community Tax Certificate No. 23493219** issued on **January 10, 2018**.

Doc. No.   **334**    
Page No.   **69**    
Book No.   **96**    
Series of   **2018**  



  
JOSERVIO RAMON O. CASTILLO  
NOTARIAL OFFICE  
LOWER PASAYEN  
ONE PASAYEN HOTEL  
6200 PASAYEN AVENUE PASAYEN CITY  
PTR NO. 143-913, CURS. NO. 11/28/17  
ICP RETIREMENT MEMBER NO. 03244





R.G. Manabat & Co.  
The KPMG Center, 9/F  
6787 Ayala Avenue, Makati City  
Philippines 1226  
Telephone +63 (2) 885 7000  
Fax +63 (2) 894 1985  
Internet www.kpmg.com.ph  
Email ph-inquiry@kpmg.com.ph

## REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders  
**Waterfront Philippines, Incorporated and Subsidiaries**  
No. 1 Waterfront Drive  
Off Salinas Drive, Lahug  
Cebu City, Cebu

### *Opinion*

We have audited the consolidated financial statements of Waterfront Philippines, Incorporated and Subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2017 and 2016, and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for each of the three years in the period ended December 31, 2017, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2017, in accordance with Philippine Financial Reporting Standards (PFRS).

### *Basis for Opinion*

We conducted our audit in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



#### ***Key Audit Matter***

Key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

#### ***Revenue recognition***

(P2.10 billion, see consolidated statement of profit or loss and other comprehensive income and Notes 22 and 23 to the consolidated financial statements)

#### ***The risk***

Market expectations and profit based targets may place pressure on management to distort revenue recognition. Although the Group's revenue transactions are noncomplex and no significant judgement is applied over the amount recorded, we however considered the potential for management override to achieve revenue targets.

#### ***Our response***

As part of our audit procedures, we evaluated and tested the internal controls over the completeness, existence and accuracy of revenue recognized in the consolidated financial statements. We performed analytical procedures, cutoff testing to ensure whether transactions occurring near yearend were recorded in the proper period and journal entries testing around revenue to identify any unusual or irregular items posted. We assessed whether the Group's revenue recognition policies are in accordance with PFRS.

#### ***Other Information***

Management is responsible for the other information. The other information comprises the information included in the Securities and Exchange Commission (SEC) Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2017, but does not include the consolidated financial statements and our auditors' report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2017 are expected to be made available to us after the date of this auditors' report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

#### ***Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.



In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

#### *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements*

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe those matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is Tireso Randy F. Lapidez.

**R.G. MANABAT & CO.**



**TIRESO RANDY F. LAPIDEZ**  
Partner

CPA License No. 0092183

SEC Accreditation No. 1472-A, Group A, valid until April 30, 2018

Tax Identification No. 162-411-175

BIR Accreditation No. 08-001987-34-2017

Issued September 4, 2017; valid until September 3, 2020

PTR No. 6615138MD

Issued January 3, 2018 at Makati City

April 25, 2018  
Makati City, Metro Manila

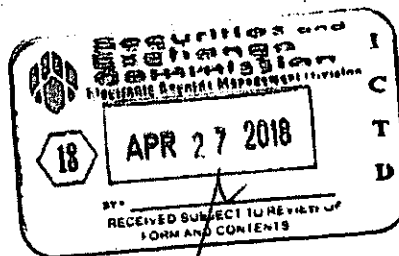
**WATERFRONT PHILIPPINES, INCORPORATED  
AND SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2017 and 2016**

**WATERFRONT PHILIPPINES, INCORPORATED AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

		December 31	
	Note	2017	2016
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	4, 21	P345,929,975	P204,295,153
Receivables - net	5, 21	228,360,959	235,447,147
Notes receivable	8, 21	195,007,214	-
Inventories	6	33,918,796	28,187,104
Due from related parties - current portion	8, 21	1,602,120,064	1,537,900,077
Prepaid expenses and other current assets	7, 21	97,563,340	90,402,965
<b>Total Current Assets</b>		<b>2,502,900,348</b>	<b>2,096,232,446</b>
<b>Noncurrent Assets</b>			
Available-for-sale investment	8, 21	15,954,640	16,821,740
Due from related parties - noncurrent portion	8, 21	347,927,681	340,197,163
Property and equipment - net	9	6,390,497,964	6,585,028,850
Deferred tax assets	19	64,994,497	41,086,003
Other noncurrent assets	10, 21	30,534,463	27,978,112
<b>Total Noncurrent Assets</b>		<b>6,849,909,245</b>	<b>7,011,111,868</b>
		<b>P9,352,809,593</b>	<b>P9,107,344,314</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Accounts payable and accrued expenses	11, 21	P1,468,215,052	P1,358,365,891
Loan payable	13, 21	375,000,000	375,000,000
Income tax payable		70,613,726	69,555,622
Other current liabilities	12, 21	15,377,744	25,644,184
<b>Total Current Liabilities</b>		<b>1,929,206,522</b>	<b>1,828,565,697</b>
<b>Noncurrent Liabilities</b>			
Deferred tax liabilities	19	1,275,069,230	1,339,315,801
Retirement benefits liability	18	124,481,905	98,517,865
Other noncurrent liabilities	14, 21	6,537,329	6,577,959
<b>Total Noncurrent Liabilities</b>		<b>1,406,088,464</b>	<b>1,444,411,625</b>
		<b>3,335,294,986</b>	<b>3,272,977,322</b>

Forward



		December 31	
	Note	2017	2016
<b>Equity Attributable to Equity Holders of the Parent Company</b>			
Capital stock	16	P2,498,991,753	P2,498,991,753
Additional paid-in capital		706,364,357	706,364,357
Revaluation surplus on property and equipment	9	2,211,108,991	2,349,524,496
Retirement benefits reserve		83,695,458	102,082,569
Foreign currency translation adjustment		52,542,000	41,686,179
Fair value reserve		2,063,223	2,683,245
Accumulated deficit		(404,632,514)	(760,985,667)
<b>Total Equity Attributable to Equity Holders of the Parent Company</b>		<b>5,150,133,268</b>	<b>4,940,346,932</b>
<b>Noncontrolling Interests</b>	<b>16</b>	<b>867,381,339</b>	<b>894,020,060</b>
<b>Total Equity</b>		<b>6,017,514,607</b>	<b>5,834,366,992</b>
		<b>P9,352,809,593</b>	<b>P9,107,344,314</b>

See Notes to the Consolidated Financial Statements.

**WATERFRONT PHILIPPINES, INCORPORATED AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF PROFIT OR LOSS**  
**AND OTHER COMPREHENSIVE INCOME**

Years Ended December 31				
	Note	2017	2016	2015
<b>REVENUES</b>				
Rooms		P752,685,023	P662,116,109	P606,473,995
Rent and related income	22, 23	675,827,680	805,703,911	827,620,396
Food and beverage		629,397,919	595,040,745	585,764,307
Others		47,021,801	72,484,476	81,049,092
		<b>2,104,932,423</b>	<b>2,135,345,241</b>	<b>2,100,907,790</b>
<b>COSTS AND EXPENSES</b>				
<b>OTHER THAN INTEREST, DEPRECIATION AND AMORTIZATION, IMPAIRMENT LOSSES AND INCOME TAX EXPENSE</b>				
Energy costs		339,742,550	330,679,391	333,238,825
Personnel costs	18	326,883,250	336,524,229	354,949,699
Food and beverage	6	222,565,682	208,718,438	173,788,840
Repairs and maintenance	6	48,696,483	48,610,121	75,627,236
Rooms		30,336,459	37,016,392	48,926,506
Rent	23	37,408,179	47,932,759	66,778,509
Others	17	415,150,260	352,897,807	351,064,421
		<b>1,420,782,863</b>	<b>1,362,379,137</b>	<b>1,404,374,036</b>
<b>INCOME BEFORE INTEREST, DEPRECIATION AND AMORTIZATION, IMPAIRMENT LOSSES AND INCOME TAX EXPENSE</b>				
		<b>684,149,560</b>	<b>772,966,104</b>	<b>696,533,754</b>
<b>DEPRECIATION AND AMORTIZATION, INTEREST AND IMPAIRMENT LOSSES</b>				
Depreciation and amortization	9	355,307,819	255,392,265	333,683,900
Interest expense	13, 22	60,222,509	80,144,299	136,933,256
Foreign exchange losses - net		10,365,853	12,007,679	18,318,204
Impairment losses, bad debts written off and provisions	5	632,751	3,442,842	2,587,635
Interest income	4, 8	(42,276,067)	(39,859,178)	(33,711,906)
Others - net		714,766	(9,550,150)	3,207,862
		<b>384,967,631</b>	<b>301,577,757</b>	<b>461,018,951</b>
<b>INCOME BEFORE INCOME TAX EXPENSE</b>				
		<b>299,181,929</b>	<b>471,388,347</b>	<b>235,514,803</b>
<b>INCOME TAX EXPENSE</b>				
	19	<b>100,448,728</b>	<b>152,503,361</b>	<b>76,807,708</b>
<b>NET INCOME</b>				
		<b>198,733,201</b>	<b>318,884,986</b>	<b>158,707,095</b>

Forward



**Years Ended December 31**

	<i>Note</i>	2017	2016	2015
<b>OTHER COMPREHENSIVE (LOSS) INCOME</b>				
<b>Items that will never be reclassified to profit or loss</b>				
Appraisal increase on property and equipment	9	P -	P913,101,845	P -
Actuarial (losses) gains on defined benefit plan	18	(36,634,724)	8,322,675	19,796,982
Deferred tax effect	19	10,960,417	(276,427,356)	(5,939,095)
		<b>(25,574,307)</b>	<b>644,997,164</b>	<b>13,857,887</b>
<b>Items that may be reclassified subsequently to profit or loss</b>				
Foreign currency translation differences for foreign operations		10,855,821	9,243,210	8,272,530
Net change in fair value of available-for-sale investment	8, 21	(867,100)	(1,387,360)	(4,769,050)
		<b>9,988,721</b>	<b>7,855,850</b>	<b>3,503,480</b>
		<b>(15,586,586)</b>	<b>652,853,014</b>	<b>17,361,367</b>
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>P183,147,615</b>	<b>P971,738,000</b>	<b>P176,068,462</b>
<b>Net income attributable to:</b>				
Equity holders of the Parent Company		P217,937,648	P287,392,497	P127,211,459
Noncontrolling interests	16	(19,204,447)	31,492,489	31,495,636
		<b>P198,733,201</b>	<b>P318,884,986</b>	<b>P158,707,095</b>
<b>Total comprehensive income attributable to:</b>				
Equity holders of the Parent Company		P209,786,336	P854,154,052	P144,747,910
Noncontrolling interests	16	(26,638,721)	117,583,948	31,320,552
		<b>P183,147,615</b>	<b>P971,738,000</b>	<b>P176,068,462</b>
<b>EARNINGS PER SHARE - Basic and Diluted</b>	20	<b>P0.087</b>	<b>P0.115</b>	<b>P0.051</b>

*See Notes to the Consolidated Financial Statements.*

**WATERFRONT PHILIPPINES, INCORPORATED AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

**Year Ended December 31**

	Equity Attributable to Equity Holders of the Parent Company							Total	Non-controlling Interests (Note 16)	Total Equity
	Capital Stock (Note 16)	Additional Paid-In Capital	Revaluation Surplus on Property and Equipment	Retirement Benefits Reserve	Foreign Currency Translation Adjustment	Fair Value Reserve	Deficit			
<b>As at January 1, 2017</b>	<b>P2,488,891,763</b>	<b>P708,384,357</b>	<b>P2,349,524,498</b>	<b>P102,092,599</b>	<b>P41,688,179</b>	<b>P2,663,245</b>	<b>(P760,995,687)</b>	<b>P4,940,348,932</b>	<b>P894,020,080</b>	<b>P5,834,368,992</b>
<b>Total Comprehensive Income for the Year</b>										
Net Income for the year	-	-	-	-	-	-	217,937,848	217,937,848	(19,204,447)	188,733,201
Other comprehensive income - net of tax effect	-	-	-	(18,387,111)	10,855,821	(620,022)	-	(8,151,312)	(7,434,274)	(15,585,688)
	-	-	-	(18,387,111)	10,855,821	(620,022)	217,937,848	209,786,336	(26,638,721)	183,147,615
<b>Transfer of revaluation surplus absorbed through depreciation for the year - net of tax effect</b>			<b>(138,415,505)</b>				<b>138,415,505</b>			
<b>As at December 31, 2017</b>	<b>P2,488,891,763</b>	<b>P708,384,357</b>	<b>P2,211,108,991</b>	<b>P83,695,489</b>	<b>P52,542,000</b>	<b>P2,083,223</b>	<b>(P404,632,614)</b>	<b>P5,150,133,268</b>	<b>P867,381,338</b>	<b>P6,017,514,607</b>

*See Notes to the Consolidated Financial Statements.*

**WATERFRONT PHILIPPINES, INCORPORATED AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

Year Ended December 31

	Equity Attributable to Equity Holders of the Parent Company							Total	Non-controlling Interests (Note 16)	Total Equity
	Capital Stock (Note 18)	Additional Paid-in Capital	Revaluation Surplus on Property and Equipment	Retirement Benefits Reserve	Foreign Currency Translation Adjustment	Fair Value Reserve	Deficit			
As at January 1, 2016	P2,488,991,753	P708,384,357	P1,841,118,443	P101,280,289	P32,442,889	P3,458,005	(P1,097,490,808)	P4,088,192,880	P776,436,112	P4,862,628,992
Total Comprehensive Income for the Year	-	-	-	-	-	-	287,392,497	287,392,497	31,492,489	318,884,986
Net Income for the year	-	-	-	-	-	-	287,392,497	287,392,497	31,492,489	318,884,986
Other comprehensive income - net of tax effect	-	-	557,282,121	1,008,984	9,243,210	(772,760)	-	568,781,555	88,091,459	652,853,014
	-	-	557,282,121	1,008,984	9,243,210	(772,760)	287,392,497	854,154,052	117,583,948	971,738,000
Transfer of revaluation surplus absorbed through depreciation for the year - net of tax effect	-	-	(48,876,068)	-	-	-	48,876,068	-	-	-
Change in retirement benefits reserve	-	-	-	(208,674)	-	-	208,674	-	-	-
As at December 31, 2016	P2,488,991,753	P708,384,357	P2,349,524,488	P102,092,599	P41,686,179	P2,685,245	(P760,885,687)	P4,940,348,932	P894,020,060	P5,834,368,992

See Notes to the Consolidated Financial Statements.

**WATERFRONT PHILIPPINES, INCORPORATED AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

Year Ended December 31

	Equity Attributable to Equity Holders of the Parent Company							Total	Non-controlling Interests (Note 18)	Total Equity
	Capital Stock (Note 16)	Additional Paid-in Capital	Revaluation Surplus on Property and Equipment	Retirement Benefits Reserve	Foreign Currency Translation Adjustment	Fair Value Reserve	Deficit			
As at January 1, 2015	P2,488,891,753	P708,384,357	P1,935,665,721	P89,250,289	P24,170,438	P6,222,054	(P1,319,218,843)	P3,941,444,870	P745,115,560	P4,686,560,530
Total Comprehensive Income for the Year										
Net income for the year	-	-	-	-	-	-	127,211,459	127,211,459	31,495,838	158,707,095
Other comprehensive income - net of tax effect	-	-	-	12,029,970	8,272,530	(2,768,049)	-	17,538,451	(175,084)	17,381,367
	-	-	-	12,029,970	8,272,530	(2,768,049)	127,211,459	144,747,910	31,320,552	176,088,462
Transfer of revaluation surplus absorbed through depreciation for the year - net of tax effect	-	-	(84,547,278)	-	-	-	84,547,278	-	-	-
As at December 31, 2015	P2,488,891,753	P708,384,357	P1,841,118,443	P101,280,259	P32,442,968	P3,458,005	(P1,097,480,808)	P4,088,182,880	P778,438,112	P4,882,628,992

See Notes to the Consolidated Financial Statements.

**WATERFRONT PHILIPPINES, INCORPORATED AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

Years Ended December 31

	Note	2017	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Income before income tax expense		P299,181,929	P471,388,347	P235,514,803
Adjustments for:				
Depreciation and amortization	9	355,307,819	255,392,265	333,683,900
Interest expense	13, 22	60,222,509	80,144,299	136,933,256
Retirement benefits cost	18	21,196,913	20,814,752	40,342,055
Unrealized foreign exchange loss - net		10,855,821	9,243,210	8,272,530
Impairment losses	5	632,751	3,442,842	2,587,635
Provisions	25	-	-	(45,575,012)
Gain on disposal of property and equipment		-	(947,110)	-
Interest income	4, 8	(42,276,067)	(39,859,178)	(33,711,906)
		<u>705,121,675</u>	<u>799,619,427</u>	<u>678,047,261</u>
Changes in:				
Receivables		6,453,437	(25,188,037)	(16,328,580)
Inventories		(5,731,692)	1,111,077	(1,482,280)
Prepaid expenses and other current assets		(7,160,375)	(13,420,759)	(26,858,888)
Accounts payable and accrued expenses		49,626,652	(14,410,832)	64,127,114
Other current liabilities		(10,266,440)	(523,576,556)	468,612,863
		<u>738,043,257</u>	<u>224,134,320</u>	<u>1,166,117,490</u>
Interest received	4	1,902,783	505,729	3,456,946
Retirement benefits paid	18	(10,317,597)	(9,606,808)	(8,945,198)
Retirement contributions paid	18	(21,450,000)	(21,050,000)	(11,250,000)
Income taxes paid		(176,585,272)	(85,130,822)	(50,947,041)
Interest paid		-	(63,195,329)	(96,477,022)
<b>Net cash provided by operating activities</b>		<b>531,593,171</b>	<b>45,657,090</b>	<b>1,001,955,175</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Changes in:				
Due from related parties		(31,577,221)	99,298,558	30,892,282
Other noncurrent assets		(2,556,351)	12,710,611	26,002,418
Additions to property and equipment	9	(160,776,933)	(9,668,747)	(25,043,772)
Notes receivable	8	(195,007,214)	-	-
Proceeds from sale of property and equipment		-	8,928,615	-
<b>Net cash (used in) provided by investing activities</b>		<b>(389,917,719)</b>	<b>111,269,037</b>	<b>31,850,928</b>

Forward

	<b>Years Ended December 31</b>		
<i>Note</i>	<b>2017</b>	<b>2016</b>	<b>2015</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Changes in:			
Loans payable	P - (P121,030,050)	(P351,776,392)	
Other noncurrent liabilities	(40,630)	(4,769,144)	(648,551,702)
Cash used in financing activities	(40,630)	(125,799,194)	(1,000,328,094)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>141,634,822</b>	<b>31,126,933</b>	<b>33,478,009</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>204,295,153</b>	<b>173,168,220</b>	<b>139,690,211</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>4 P345,929,975</b>	<b>P204,295,153</b>	<b>P173,168,220</b>

*See Notes to the Consolidated Financial Statements.*

**WATERFRONT PHILIPPINES, INCORPORATED AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**1. Reporting Entity**

Waterfront Philippines, Incorporated (the Parent Company) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on September 23, 1994 as an investment holding company for hotel, leisure, and tourism businesses. The Parent Company is listed in the Philippine Stock Exchange (PSE) and is 46%-owned by The Wellex Group, Inc. (TWGI), an entity registered and domiciled in the Philippines.

The details of the equity interest of the Parent Company in its subsidiaries as at December 31, 2017 and 2016 are as follows:

	<u>Percentage of Ownership</u>	
	<u>Direct</u>	<u>Indirect</u>
<b>Hotels and Resorts</b>		
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	-
<b>Real Estate</b>		
CIMA Realty Phil., Inc.	-	56
<b>Fitness Gym</b>		
Waterfront Wellness Group, Inc. (WWGI)	100	-
<b>International Marketing and Promotion of Casinos</b>		
Mayo Bonanza, Inc. (MBI)	100	-
Waterfront Promotion Ltd. (WPL)	100	-
Club Waterfront International Limited (CWIL)	-	100
<b>Pastries Manufacturing</b>		
Waterfront Food Concepts Inc. (WFC)	100	-
<b>Hotel Management and Operation</b>		
Waterfront Entertainment Corporation (WEC)	100	-
Waterfront Hotel Management Corporation (WHMC)	100	-

All of the above subsidiaries were incorporated and registered in the Philippines except for WPL and its subsidiary, CWIL, which were registered in the Cayman Islands.

Management decided to temporarily cease the operations of MBI, WHMC, WPL, CWIL and GIRDI in 2016, 2014, 2003, 2001 and 2000, respectively, due to unfavorable economic conditions.

On March 18, 2018, a fire broke out in APHC's hotel property that damaged the lower floors of the main building as well as the Podium building occupied by the casino area and restaurants in the APHC's hotel property resulting to the suspension of its hotel operations. Based on the Fire Certification issued by the Bureau of Fire Protection - National Headquarters on April 23, 2018, the cause of the subject fire has been declared and classified as "accidental in nature." APHC is in the process of preparing the requirements for its insurance claims, the proceeds of which shall be used to restore APHC's hotel for its continued operation.

The registered office of the Parent Company is at No. 1 Waterfront Drive, Off Salinas Drive, Lahug, Cebu City, Cebu.

---

## 2. Basis of Preparation

### Basis of Accounting

The consolidated financial statements of the Parent Company and its subsidiaries, collectively herein referred to as the Group, have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). They were approved and authorized for issue by the Parent Company's Board of Directors (BOD) on April 25, 2018.

Details of the Group's accounting policies are included in Note 27.

### Basis of Measurement

The consolidated financial statements have been prepared on a historical cost basis of accounting, except for the following items which are measured on an alternative basis at each reporting date:

Items	Measurement Basis
Land, land improvements, hotel buildings and improvements, furniture, fixtures and equipment, and transportation	Revalued amount less accumulated depreciation and impairment losses
Available-for-sale (AFS) investment	Fair value
Retirement benefits liability	Present value of the defined benefits obligation (DBO) less fair value of plan assets (FVPA)

### Functional and Presentation Currency

The consolidated financial statements are presented in Philippine peso, which is the Group's functional currency except for WPL and CWIL, the functional currency of which is the United States (U.S.) dollar. All financial information presented in Philippine peso has been rounded off to the nearest peso, unless otherwise stated.

---

## 3. Use of Judgments and Estimates

In preparing these consolidated financial statements, management has made judgments, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.



### **Judgments**

Information about judgments made in applying accounting policies that have the most significant effect in the amounts recognized in the consolidated financial statements is as follows:

#### ***Transactions with Philippine Amusement and Gaming Corporation (PAGCOR)***

The Group has significant transactions with PAGCOR. Under Presidential Decree (PD) No. 1869, otherwise known as the PAGCOR Charter, PAGCOR is exempted from payment of any form of taxes other than the 5% franchise tax imposed on the gross revenue or earnings derived by PAGCOR from its operations under the franchise. The amended Revenue Regulations (RR) No. 16-2005 which became effective in 2006, however, provides that gross receipts of PAGCOR shall be subject to the 12% value-added tax (VAT). In February 2007, the Philippine Congress amended PD No. 1869 to extend the franchise term of PAGCOR for another 25 years but did not include any revocation of PAGCOR's tax exemption privileges as previously provided for in PD No. 1869. In accounting for the Group's transactions with PAGCOR, the Group's management and its legal counsel have made a judgment that the amended PD No. 1869 prevails over the amended RR No. 16-2005 (see Note 22).

#### ***Operating Lease Commitments - Group as Lessor***

The Group has leased out its commercial spaces to third parties. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these commercial spaces and thus, accounts for the contracts as operating leases (see Note 23).

#### ***Distinguishing Investment Properties and Owner-occupied Properties***

The Group determines whether a property qualifies as an investment property. In making its judgment, the Group considers whether the property generates cash flows largely independent of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to the properties but also to the other assets used in the delivery of service.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the delivery of services or for administrative purposes. If these portions cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for use in the delivery of services or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Group has classified its properties as owner-occupied (see Note 23).

#### ***Resolution of Tax Case Involving Tax Assessment from the Treasurer of the City of Manila***

In consultation with legal counsels, the Group management believes that the compromise agreement executed on December 8, 2015 between APHC and the City of Manila to resolve the tax deficiency assessment filed by the latter against APHC was an adjusting event as at December 31, 2015 as the legal counsels and management have no reasons to believe that the City Council of Manila will not ratify the compromise agreement. Accordingly, APHC recognized the gain on the reversal of the provision it previously setup for the case amounting to P39.73 million which was presented as part of "Others" in the consolidated statement of profit or loss and other comprehensive income for the year ended December 31, 2015 (see Note 25).

#### ***Provisions and Contingencies***

The Group has received assessments from the Bureau of Internal Revenue (BIR) for deficiency taxes and is also a defendant in various legal cases which are still pending resolutions. The Group's management and legal counsels have made a judgment that the positions of the Group are sustainable and, accordingly, believe that the Group does not have a present obligation (legal or constructive) with respect to such assessments and claims (see Note 24).

#### ***Classifying Financial Instruments***

The Group exercises judgment in classifying a financial instrument, or its component parts, on initial recognition as a financial asset, a financial liability, or an equity instrument in accordance with the substance of the contractual agreement and the definition of a financial asset, financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the consolidated statement of financial position.

#### ***Classifying Receivables from Related Parties***

The Group exercises judgment in classifying the receivables from related parties as under current assets or noncurrent assets based on the expected realization of the receivables. The Group takes into account the credit rating and other financial information about the related parties to assess their ability to settle the Group's outstanding receivables. Related party receivables that are expected to be realized within twelve months after the reporting period or within the Group's normal operating cycle are considered current assets (see Note 8).

#### **Estimation Uncertainties**

Information about estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is as follows:

#### ***Allowance for Impairment Losses on Receivables and Due from Related Parties***

The Group maintains an allowance for impairment losses on receivables, at a level considered adequate to provide for potential uncollectible receivables. The level of this allowance is evaluated by the Group on the basis of factors that affect the collectability of the related accounts. These factors include, but are not limited to, the length of the Group's relationship with its customers or debtor, their payment behavior and known market factors. The Group reviews the age and status of receivables, and identifies accounts that are to be provided with allowance on a continuous basis. The amount and timing of recorded expenses for any period would differ if the Group made different judgments or utilized different estimates.

For due from related parties, the Group uses judgment, based on the available facts and circumstances, including but not limited to, assessment of the related parties' operating activities, business viability and overall capacity to pay, in providing an allowance against the recorded receivable amount.

Further details on the allowance for impairment losses are disclosed in Notes 5 and 8.

#### ***Net Realizable Value (NRV) of Inventories***

The Group carries its inventories at NRV whenever such becomes lower than cost due to damage, physical deterioration, obsolescence, changes in price levels or other causes. Estimates of NRV are based on the most reliable evidence available at the time the estimates are made of the amount the inventories are expected to be realized. These estimates take into consideration fluctuation of prices or costs directly relating to events occurring after the reporting date to the extent that such events confirm conditions existing at the reporting date. The NRV is reviewed periodically to reflect the accurate valuation in the financial records.

The carrying value of the inventories are disclosed in Note 6.

***Revaluation of Property and Equipment***

The Group carries certain classes of property and equipment at fair value, with changes in fair value being recognized in other comprehensive income (OCI). The Group engaged independent valuation specialists to assess fair value. Fair value is determined with references to transactions involving properties of a similar nature, location and condition.

The key assumptions used to determine the fair value of properties are provided in Note 9.

***Useful Lives of Property and Equipment***

The Group estimates the useful lives of property and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment are reviewed at each reporting date and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. In addition, estimation of the useful lives of property and equipment is based on the collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in the factors mentioned above.

The carrying amounts of property and equipment are disclosed in Note 9.

***Impairment of Nonfinancial Assets***

Impairment exists when the carrying value of an asset or cash generating unit (CGU) exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a discounted cash flow (DCF) model. The cash flows are derived from the budget for the next years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

As at December 31, 2017 and 2016, there is no indication of impairment on the Group's prepaid expenses and other current assets, property and equipment and other noncurrent assets.

***Fair Value Estimation***

If the financial instruments are not traded in an active market, the fair value is determined using valuation techniques. Where valuation techniques are used to determine fair values, they are validated and periodically reviewed by qualified personnel, independent of the area calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practical, models use only observable data, however areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Change in assumptions about these factors could affect reported fair values of financial instruments.

**Retirement Benefit Cost**

The cost of the defined benefit pension plan and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and future pension increases. Due to the complexities involved in the valuation and its long-term nature, a DBO is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The parameter most subject to change is the discount rate. The discount rate assumption is based on the Philippine Daily Exchange benchmark market yields on government bonds considering average years of remaining working life of the employees as the estimated term of the DBO.

Further details about pension obligations are provided in Note 18.

**Taxes**

Deferred tax assets are recognized for consolidated financial statement and tax differences to the extent that it is probable that taxable profit will be available against which these differences can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

Further details on deferred taxes are disclosed in Note 19.

---

**4. Cash and Cash Equivalents**

This account consists of:

	<i>Note</i>	<b>2017</b>	<b>2016</b>
Cash in banks	21	<b>P214,768,039</b>	<b>P159,803,886</b>
Short-term placements	21	<b>128,090,117</b>	<b>26,407,387</b>
Cash on hand		<b>3,071,819</b>	<b>18,083,880</b>
		<b>P345,929,975</b>	<b>P204,295,153</b>

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.

Related interest income recognized in profit or loss amounted to P1.90 million, P2.03 million and P1.98 million in 2017, 2016 and 2015, respectively.

## 5. Receivables

This account consists of:

	Note	2017	2016
Trade		P237,612,791	P248,757,489
Advances to employees		3,751,079	6,852,387
Others		8,581,003	2,148,399
	21	249,944,873	257,758,275
Less allowance for impairment losses on trade receivables		21,583,914	22,311,128
	21	P228,360,959	P235,447,147

Trade receivables are noninterest-bearing and are generally on a 30-day term.

Movements in the allowance for impairment losses on trade receivables are as follows:

	2017	2016	2015
Beginning balance	P22,311,128	P20,024,340	P17,436,705
Impairment loss during the year	632,751	3,442,842	2,587,635
Write-off during the year	(1,359,965)	(1,156,054)	-
Ending balance	P21,583,914	P22,311,128	P20,024,340

## 6. Inventories

This account consists of:

	2017	2016
Food and beverage	P16,992,646	P16,196,062
Operating supplies	16,487,829	10,624,757
Engineering and maintenance supplies	438,321	1,366,285
	P33,918,796	P28,187,104

The cost of food and beverage charged to profit or loss amounted to P222.57 million, P208.72 million and P173.79 million in 2017, 2016 and 2015, respectively, and is presented as "Food and beverage" account in the consolidated statements of profit or loss and other comprehensive income.

The Group recognized expenses for operating supplies amounting to P27.54 million, P28.82 million and P41.30 million in 2017, 2016 and 2015, respectively, and are presented as "Supplies", which is part of expenses under "Others" account in the consolidated statements of profit or loss and other comprehensive income (see Note 17), while the expenses for engineering and maintenance supplies amounting to P48.70 million, P48.61 million and P75.63 million in 2017, 2016 and 2015, respectively, are included under "Repairs and maintenance" account in the consolidated statements of profit or loss and other comprehensive income.

## 7. Prepaid Expenses and Other Current Assets

This account consists of:

	Note	2017	2016
Input VAT		P40,313,479	P43,455,636
Prepaid taxes		27,000,775	20,769,412
Short-term investment	21	12,359,747	12,251,466
Advances to suppliers		11,316,104	8,311,836
Prepaid expenses		4,597,307	5,001,755
Others		1,976,928	612,860
		P97,563,340	P90,402,965

## 8. Related Party Transactions

The Group's related party transactions include transactions with its key management personnel (KMP) and related parties in the table below:

Related Party	Relationship with the Group
TWGI	Ultimate Parent
Pacific Rehouse Corp. (PRC)	Stockholder
Crisanta Realty Development Corp. (CRDC)	Stockholder
Philippine Estates Corporation (PHES)	Stockholder
Metro Alliance Holdings and Equities Corp. (MAHEC)	Stockholder
Forum Holdings Corporation (FHC)	Stockholder
East Asia Oil & Mining Company, Inc. (East Asia)	Stockholder
Plastic City Industrial Corporation (PCIC)	Under common control
Wellex Industries, Inc. (WII)	Under common control
Acesite Leisure Entertainment Corporation (ALEC)	Subsidiary*

\*ALEC is an unconsolidated pre-operating subsidiary incorporated in 2017 that is immaterial to the Group's consolidated financial statements as at December 31, 2017.

**Significant Transactions with Related Parties**

The Group's transactions with related parties consists of (in thousands):

Category/Transaction	Year	Note	Amount of the Transaction	Due from Related Parties		Notes Receivable	Advances to Subsidiaries*	Due to Subsidiaries*	Terms and Conditions
				Current	Noncurrent				
<b>Ultimate Parent</b>									
<b>• TWGI</b>									
Advances, interest and settlement	2017	8a	P20,839	P882,189	P -	P -	P -	P -	Secured; interest-bearing; subject to repricing; due in one year subject to renewal; net of allowance for impairment
	2016	8a	24,301	881,550	-	-	-	-	
	2015	8a	13,245	945,471	-	-	-	-	
<b>Stockholders</b>									
<b>• PRC</b>									
Advances, interest and settlement	2017	8a	10,823	541,781	-	-	-	-	Secured; interest-bearing; subject to repricing; due in one year subject to renewal
	2016	8a	10,415	531,158	-	-	-	-	
	2015	8a	10,211	520,743	-	-	-	-	
<b>• CRDC</b>									
Advances and interest settlements	2017	8a	15,186	14,930	347,928	-	-	-	Unsecured; interest-bearing; subject to repricing; due in five years
	2016	8a	14,885	7,465	340,187	-	-	-	
	2015	8a	332,787	-	332,787	-	-	-	
<b>• MAHEC</b>									
Advances and interest	2015	8a	365,833	-	-	-	-	-	Secured; interest bearing; subject to repricing; due in one year subject to renewal
<b>• PHES</b>									
Advances and interest	2017	8b	12,600	104,554	-	-	-	-	Unsecured; noninterest-bearing; subject to repricing; due on demand
	2016	8b	-	92,054	-	-	-	-	
	2015	8b	5,700	92,054	-	-	-	-	
<b>• Others</b>									
Advances and interest	2017	8b	12,893	56,686	-	-	-	-	Unsecured; noninterest-bearing; subject to repricing; due on demand
	2016	8b	-	45,673	-	-	-	-	
	2015	8b	778	51,843	-	-	-	-	
<b>Subsidiaries</b>									
<b>• WCCCHI</b>									
Advances and settlement	2017	8c	199,974	-	-	-	310,847	-	Unsecured; noninterest-bearing; due on demand
	2016	8c	560,525	-	-	-	510,821	-	
	2015	8c	135,053	-	-	-	560,525	-	
Deposits for future stock subscription	2017	8d	-	-	-	-	1,000,000	-	Unsecured; noninterest-bearing
	2016	8d	-	-	-	-	1,000,000	-	
	2015	8d	-	-	-	-	1,000,000	-	
<b>• ALEC</b>									
Notes receivable	2017	8g	195,007	-	-	195,007	-	-	Unsecured; noninterest-bearing; subject to repricing; due on demand

\*Eliminated during consolidation

Forward

Category/Transaction	Year	Note	Amount of the Transaction	Due from Related Parties		Notes Receivable	Advances to Subsidiaries*	Due to Subsidiaries*	Terms and Conditions
				Current	Noncurrent				
<b>Subsidiaries</b>									
<b>• DIHCI</b>									
Advances and settlements	2017	8c	P7,171	P -	P -	P -	P1,746	P -	Unsecured; noninterest-bearing; due on demand
	2016	8e	10,257	-	-	-	-	5,425	
	2015	8e	5,167	-	-	-	-	15,682	
<b>• APHC</b>									
Advances and settlements	2017	8c	173,670	-	-	-	123	-	Unsecured; noninterest-bearing; due on demand
	2016	8e	188,887	-	-	-	-	173,447	
	2015	8e	43,778	-	-	-	-	370,414	
<b>• GIRDI</b>									
Advances and settlement	2017	8e	1,942	-	-	-	-	205,898	Unsecured; noninterest-bearing; due on demand
	2016	8e	1,803	-	-	-	-	207,838	
	2015	8e	1,738	-	-	-	-	209,641	
<b>• WHMC</b>									
Advances and settlement	2017	8c	72	-	-	-	-	-	Unsecured; noninterest-bearing; due on demand
	2016	8c	1,303	-	-	-	-	-	
	2015	8c	11,028	-	-	-	-	-	
<b>• MBI</b>									
Advances and settlement	2017	8c	344	-	-	-	-	-	Unsecured; noninterest-bearing; due on demand
	2016	8c	6,097	-	-	-	-	-	
	2015	8c	2,999	-	-	-	13,241	-	
Deposits for future stock subscription	2017	8d	-	-	-	-	-	-	Unsecured; noninterest-bearing
	2016	8d	-	-	-	-	-	-	
	2015	8d	-	-	-	-	35,000	-	
<b>• WWGI</b>									
Advances and settlement	2017	8c	166	-	-	-	-	-	Unsecured; noninterest-bearing; due on demand
	2016	8c	185	-	-	-	-	-	
	2015	8c	146	-	-	-	462	-	
Deposits for future stock subscription	2017	8d	-	-	-	-	-	-	Unsecured; noninterest-bearing
	2016	8d	-	-	-	-	-	-	
	2015	8d	-	-	-	-	13,000	-	
<b>• WMCHI</b>									
Advances and settlement	2017	8e	25,966	-	-	-	-	216,530	Unsecured; noninterest-bearing; due on demand
	2016	8e	16,039	-	-	-	-	189,535	
	2015	8e	163,885	-	-	-	-	173,488	
<b>• WEC</b>									
Advances and settlement	2017	8c	2,438	-	-	-	-	2,348	Unsecured; noninterest-bearing; due on demand
	2016	8c	6,681	-	-	-	91	-	
	2015	8c	73	-	-	-	6,773	-	
<b>• WFC</b>									
Advances and settlement	2017	8c	166	-	-	-	-	-	Unsecured; noninterest-bearing; due on demand
	2016	8c	164	-	-	-	-	-	
	2015	8c	153	-	-	-	57	-	

\*Eliminated during consolidation

Forward



Category/Transaction	Year	Note	Amount of the Transaction	Due from Related Parties		Notes Receivable	Advances to Subsidiaries*	Due to Subsidiaries*	Terms and Conditions
				Current	Noncurrent				
Deposits for future stock subscription	2017	8d	P -	P -	P -	P -	P -	P -	Unsecured; noninterest-bearing
	2016	8d	-	-	-	-	-	-	
	2015	8d	-	-	-	-	8,000	-	
• WPL Advances and settlement	2017	8e	127	-	-	-	-	194,889	Unsecured; noninterest-bearing; due on demand
	2016	8e	283	-	-	-	-	195,128	
	2015	8e	212	-	-	-	-	195,409	
KMP • Short-term employee benefits	2017		32,921	-	-	-	-	-	
	2016		28,881	-	-	-	-	-	
	2015		22,183	-	-	-	-	-	
• Post-employment benefits	2017		7,607	-	-	-	-	-	
	2016		6,105	-	-	-	-	-	
	2015		11,189	-	-	-	-	-	
<b>TOTAL</b>	<b>2017</b>	<b>21</b>		<b>P1,802,120</b>	<b>P347,928</b>	<b>P195,007</b>	<b>P1,312,718</b>	<b>P618,773</b>	
<b>TOTAL</b>	<b>2016</b>	<b>21</b>		<b>P1,537,800</b>	<b>P340,197</b>	<b>P -</b>	<b>P1,510,912</b>	<b>P771,371</b>	

\*Eliminated during consolidation

a. Interest-bearing Advances to Related Parties

The Group granted interest-bearing advances to TWGI, PRC, MAHEC and CRDC.

*TWGI, PRC and MAHEC*

The advances granted to TWGI and PRC were substantially used to finance the acquisition or development of real properties for the Parent Company. These advances are payable on demand and charge interest at 2% per annum. TWGI paid P25.49 million in 2017 and P82.33 million in 2016 while PRC had no payments in 2017 and 2016.

In a Resolution dated February 5, 2015, the Parent Company, APHC, TWGI, PRC and MAHEC entered into a Memorandum of Understanding (MOU) whereby the parties agreed that the outstanding balance of the advances from TWGI, PRC and MAHEC will be settled using parcels of land owned by PRC. Subject to the other specific terms of the MOU, the settlement shall be effective upon completion of titling of the subject property by PRC, which is currently ongoing. However, the advances to MAHEC was fully paid through cash settlement as at December 31, 2015.

On February 19, 2016, the parties made amendments to the previously issued MOU for the settlement of all outstanding liabilities of TWGI and MAHEC to the Parent Company. The amended MOU stated that MAHEC shall no longer be a party to the said MOU, and all references to any obligation or rights that MAHEC shall have under the said MOU shall no longer be in force. All other terms and conditions shall remain unchanged.

As at December 31, 2017, the fair value of PRC's land based on valuation performed by an accredited independent appraiser, with a recognized and relevant professional qualification and with recent experience in the locations and categories of the land being valued, amounted to P1.63 billion.

On April 11, 2018, TWGI initiated to transfer certain parcels of land located in Puerto Princesa, Palawan as partial settlement of the advances.

Interest receivable from TWGI amounted to P137.85 million and P124.86 million as at December 31, 2017 and 2016, respectively, while interest receivable from PRC amounted to P66.27 million and P55.64 million as at December 31, 2017 and 2016, respectively. Allowance for impairment losses on receivables from TWGI amounted to P61.19 million as at December 31, 2017 and 2016.

*CRDC*

On December 21, 2015, the Parent Company granted advances to CRDC with an interest of 2% and maturity on December 21, 2020. Interest receivable from CRDC amounted to P14.93 million and P7.47 million as at December 31, 2017 and 2016, respectively. It was agreed that CRDC has the option to pay the balance before maturity date without payment of penalty fees and in case the latter refuses or fails to pay the principal and interest within the time agreed upon, the same shall be due and demandable. Accretion income of P7.73 million, and P7.40 million was recognized in 2017 and 2016, respectively and accretion expense of P40.46 million was recognized in 2015 in profit or loss to show the effect of the time value of money on the said advances.

**b. Noninterest-bearing Advances to Related Parties**

The Group has noninterest-bearing, collateral-free advances to PHES, FHC, PCIC and East Asia with no fixed term of repayment. The said advances are due and demandable at anytime.

The collectability of the aforementioned advances is unconditionally recognized and guaranteed by a stockholder of the Group, representing the majority stockholders.

**c. Advances to Subsidiaries**

These mainly represent funds provided to support subsidiaries' daily operations and to finance the construction and completion of certain hotel projects.

**d. Deposits to Subsidiaries**

These represent amounts set aside that will be used as subscription payments by the Parent Company once the planned increase in the authorized capital stock of the subsidiaries materialize (see Note 21).

**e. Due to Subsidiaries**

In the ordinary course of business, the Parent Company obtains noninterest-bearing, collateral-free cash and non-cash advances from related parties for working capital purposes. The above advances are due and demandable at anytime.

**f. AFS Investment**

In July and August 2005, the BOD approved the conversion of APHC's net receivables from related parties amounting to P43.30 million into 86.71 million shares of stock of WII which are listed in the PSE. The conversion resulted to a loss on exchange of assets of P31.10 million for APHC. The fair market value of the shares based on closing market price as at December 31, 2017 and 2016 amounted to P15.95 million and P16.82 million, respectively (see Note 21). Valuation loss recognized in OCI in 2017, 2016 and 2015 amounted to P0.87 million, P1.39 million and P4.77 million, respectively.

**g. Notes Receivable**

The Group extended loans to Acesite Leisure and Entertainment Corporation (ALEC) amounting to P195.01 million payable on December 31, 2018, and bear interest at 4% per annum (see Note 21).

The outstanding balance of related party transactions are generally settled in cash.

## 9. Property and Equipment

Movements in this account are as follows:

Measurement Basis:	For the Year Ended December 31, 2017									Total
	Land	Land	Leasehold	Hotel	Furniture,	Operating	Transportation	Construction-	At Cost	
	Revalued	Improvements Revalued	Improvements At Cost	Buildings and Improvements Revalued	Fixtures and Equipment Revalued	Equipment At Cost	Equipment Revalued	In-Progress		
Beginning balance	P1,076,280,000	P17,021,145	P24,853,124	P8,802,539,197	P1,067,622,077	P266,231,654	P14,780,038	P -	P11,289,327,235	
Additions	-	-	47,768	5,281,627	4,341,641	4,710,219	8,888,944	137,546,634	169,776,933	
Disposals	-	-	-	(19,743,385)	-	-	-	-	(19,743,385)	
Ending balance	1,076,280,000	17,021,145	24,900,892	8,786,067,339	1,071,963,918	270,941,873	23,668,982	137,546,634	11,410,360,783	
Accumulated Depreciation and Amortization										
Beginning balance	-	15,039,578	17,372,270	3,888,227,809	788,392,934	266,295,061	10,970,633	-	4,694,299,385	
Depreciation and amortization	-	430,763	1,877,491	240,813,048	100,854,708	8,788,663	2,635,168	-	355,307,619	
Disposals	-	-	-	(19,743,385)	-	-	-	-	(19,743,385)	
Ending balance	-	15,470,341	19,249,761	3,809,297,570	897,247,642	265,083,714	13,605,791	-	5,019,582,919	
Carrying Amount	P1,076,280,000	P1,850,804	P5,651,131	P4,976,769,769	P174,716,276	P5,658,159	P10,143,191	P137,546,634	P6,399,487,864	

Measurement Basis:	For the Year Ended December 31, 2016									Total
	Land	Land	Leasehold	Hotel	Furniture,	Operating	Transportation	Construction-	At Cost	
	Revalued	Improvements Revalued	Improvements At Cost	Buildings and Improvements Revalued	Fixtures and Equipment Revalued	Equipment At Cost	Equipment Revalued	In-Progress		
Beginning balance	P1,033,652,000	P16,845,425	P65,062,016	P8,250,247,448	P1,035,776,038	P262,185,083	P11,910,843	P -	P10,675,778,684	
Additions	-	-	57,767	1,197,189	4,387,230	4,048,561	-	-	9,689,747	
Disposals	-	-	(40,268,879)	-	(11,580,462)	-	-	-	(51,827,141)	
Retirement	-	-	-	(118,455,021)	(158,824,241)	-	(15,618)	-	(277,394,880)	
Appraisal Increase	42,628,090	75,720	-	689,549,800	197,983,512	-	2,885,013	-	913,101,845	
Ending balance	1,076,280,090	17,021,145	24,853,124	8,802,539,197	1,067,622,077	266,231,654	14,780,038	-	11,289,327,235	
Accumulated Depreciation and Amortization										
Beginning balance	-	14,809,679	49,183,253	3,516,561,083	923,751,004	233,641,879	9,802,758	-	4,750,148,636	
Depreciation and amortization	-	232,699	3,820,697	187,121,897	40,760,127	22,353,182	1,083,493	-	255,362,265	
Disposals	-	-	(34,831,680)	-	(9,213,956)	-	-	-	(43,645,636)	
Retirement	-	-	-	(118,455,021)	(158,824,241)	-	(15,618)	-	(277,394,880)	
Ending balance	-	15,039,578	17,372,270	3,588,227,809	788,392,934	266,295,061	10,970,633	-	4,694,299,385	
Carrying Amount	P1,076,280,000	P1,981,567	P7,480,854	P5,214,311,289	P271,228,143	P9,936,593	P3,809,405	P -	P6,585,028,850	

The Group engaged an independent firm of appraisers to determine the fair value of certain classes of its property and equipment, specifically hotel buildings and improvements, land, furniture, fixtures and equipment, transportation equipment and land improvements, which are carried at revalued amounts. Fair value was determined by reference to market-based evidence, which is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. In determining fair value, an estimate was made in accordance with the prevailing prices for materials, equipment, labor, and contractor's overhead and all other costs associated with acquisition while taking into account the depreciation resulting from physical deterioration, functional and economic obsolescence. The latest revaluation was in July 2016 which resulted to the increase in the gross carrying amount of property and equipment amounting to P913.10 million.

Had the following classes of property and equipment been carried at cost less accumulated depreciation, their carrying amounts would be as follows:

	2017	2016
Hotel buildings and improvements	P1,860,144,558	P1,946,061,894
Land	650,515,909	650,515,909
Furniture, fixtures and equipment	106,081,301	133,061,735
Transportation equipment	3,438,967	982,809
Land improvements	1,144,493	8,622,705
	<b>P2,621,325,228</b>	<b>P2,739,245,052</b>

Depreciation on cost charged to profit or loss amounted to P141.15 million, P161.15 million and P175.36 million in 2017, 2016 and 2015, respectively. Depreciation on appraisal increase charged to profit or loss amounted to P214.16 million, P94.24 million and P158.32 million in 2017, 2016 and 2015, respectively.

The revaluation increment absorbed through depreciation and transferred directly to retained earnings, net of deferred tax effect, amounted to P138.42 million and P48.88 million in 2017 and 2016, respectively. The carrying amount of the revaluation surplus amounting to P2.21 billion and P2.35 billion as at December 31, 2017 and 2016, respectively, is not available for distribution to shareholders.

#### 10. Other Noncurrent Assets

This account consists of:

	Note	2017	2016
Refundable deposits	21	P15,276,436	P15,752,437
Special project deposits		7,515,468	636,721
Others	21	7,742,559	11,588,954
		<b>P30,534,463</b>	<b>P27,978,112</b>

Refundable deposits refer to security deposits on utilities, electricity, rental, returnable containers and others.

Special project deposits pertain to deposits to contractors in connection with the renovation work of WCCCHI and APHC.

Others represent deposits to service providers such as security and janitorial services.

---

**11. Accounts Payable and Accrued Expenses**

This account consists of:

	<i>Note</i>	<b>2017</b>	<b>2016</b>
Trade payables	21	<b>P350,726,958</b>	P319,713,743
Accrued:			
Interest and penalties	13, 21	<b>926,355,691</b>	866,355,691
Salaries, wages and employee benefits	21	<b>36,737,784</b>	14,319,024
Utilities	21	<b>12,266,564</b>	11,577,999
Rent	21	<b>482,568</b>	517,815
Other accruals	21	<b>17,871,872</b>	38,911,795
Local taxes and output VAT		<b>34,514,014</b>	26,340,803
Unclaimed wages	21	<b>11,158,500</b>	870,886
Guest deposits	21	<b>10,922,577</b>	4,556,859
Service charges	21	<b>8,033,523</b>	7,777,827
Withholding taxes payable		<b>2,044,557</b>	2,642,044
Other payables	21	<b>57,101,444</b>	64,781,405
		<b>P1,468,215,052</b>	<b>P1,358,365,891</b>

Trade payables are noninterest-bearing and are normally on 30-day terms and are settled in cash.

Other payables include commissions, sponsorships, gift certificates issued and sundry payables.

---

**12. Other Current Liabilities**

This account consists of:

	<i>Note</i>	<b>2017</b>	<b>2016</b>
Concessionaires' and other deposits	21	<b>P12,623,373</b>	P20,027,801
Deferred income		<b>1,754,371</b>	4,616,383
Others	21	<b>1,000,000</b>	1,000,000
		<b>P15,377,744</b>	<b>P25,644,184</b>

Others represent a P1.00 million unsecured short-term loan obtained from a local bank in 1996 with interest at prevailing market rate. The proceeds of the loan were used for the working capital requirements of GIRDI. GIRDI is a defendant in a collection case filed by a local bank involving an unsecured short-term loan obtained. While the case is currently inactive and the latest assessment made by the legal counsel is favorable to GIRDI, the payable is still retained until the case is completely dismissed. Management believes that the carrying value of the liability retained in the books as at December 31, 2017 and 2016 sufficiently represents the amount of possible liability that GIRDI may settle in the event that this case will ultimately be activated and decided against GIRDI.

---

### 13. Loan Payable

#### Social Security System (SSS) Loan

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, a related party 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 totaling 235 million and 80 million shares, respectively.

On May 13, 2004, SSS filed a civil suit against the Parent Company for the collection of the total outstanding loan obligation before the Regional Trial Court (RTC) of Quezon City. SSS likewise asked the RTC of Quezon City for the issuance of a writ of preliminary attachment on the collateral property.

On June 18, 2004, the RTC of Quezon City issued its first order granting SSS's request and the issuance of a writ of preliminary attachment based on the condition that SSS shall post an attachment bond in the amount of P452.80 million. After the lapse of three (3) months from the issuance of RTC order, no attachment bond was posted. Thus on September 16, 2004 and September 17, 2004, the Parent Company filed a Motion to Set Aside Order of Attachment and Amended Motion to Set Aside Order of Attachment, respectively.

On January 10, 2005, the RTC of Quezon City issued its second order denying the Parent Company's petition after finding no compelling grounds to reverse or reconsider its initial findings dated June 18, 2004. In addition, since no writ of preliminary attachment was actually issued for failure of SSS to file a bond on the specified date, the RTC granted SSS an extension of fifteen (15) days from receipt of its second order to post the required attachment bond.

On February 10, 2005, SSS filed a Motion for Partial Reconsideration of the Order dated January 10, 2005 requesting that it be allowed to post a real property bond in lieu of a cash/surety bond and asking for another extension of thirty (30) days within which to post the said property bond. On March 7, 2005, the Parent Company filed its opposition to the said Motion.

On July 18, 2005, the RTC of Quezon City issued its third order denying the Parent Company's petition and granted SSS the 30 day extension to post the said attachment bond. Accordingly, on August 25, 2005, the Parent Company filed a Motion for Reconsideration (MR).

On September 12, 2005, the RTC of Quezon City issued its fourth order approving SSS's property bond in the total amount of P452.80 million. Accordingly, the RTC ordered the corresponding issuance of the writ of preliminary attachment. On November 3, 2005, the Parent Company submitted a Petition for Certiorari before the Court of Appeals (CA) seeking the nullification of the orders of the RTC of Quezon City dated June 18, 2004, January 10, 2005, July 18, 2005 and September 12, 2005.

On February 22, 2006, the CA granted the Parent Company's petition for the issuance of the Temporary Restraining Order to enjoin the implementation of the orders of the RTC of Quezon City specifically on the issuance of the writ of preliminary attachment.

On March 28, 2006, the CA granted the Parent Company's petition for the issuance of a writ of preliminary injunction prohibiting the RTC of Quezon City from implementing the questioned orders.

On August 24, 2006, the CA issued a decision granting the Petition for Certiorari filed by the Parent Company on November 3, 2005 and nullifying the orders of the RTC of Quezon City dated June 18, 2004, January 10, 2005, July 18, 2005 and September 12, 2005 and consequently making the writ of preliminary injunction permanent.

Accordingly, SSS filed a Petition for Review on Certiorari on the CA's decision before the Supreme Court (SC).

On November 15, 2006, the First Division of the SC issued a Resolution denying SSS's petition for failure of SSS to sufficiently show that the CA committed any reversible error in its decision which would warrant the exercise of the SC's discretionary appellate jurisdiction.

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.

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 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.

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.

On February 27, 2017, a Second Notice to Appear issued by the PMCU-CA directing all parties to appear on February 27, 2017 at a specified time was received by the Parent Company only on February 27, 2017 after the specified time of the meeting. The Parent Company failed to appear.

On June 30, 2017, a resolution issued by the CA, resolved to submit the appeal for decision.

As at the report date, there had been no updates on the matter.

Outstanding principal balance of the loan amounted to P375.00 million as at December 31, 2017 and 2016. Interest expense related to the SSS loan recognized in the consolidated statement of profit or loss and other comprehensive income amounted to P60.00 million, P60.04 million and P59.88 million in 2017, 2016 and 2015, respectively. Accrued interest and penalties, presented as part of "Accrued interest and penalties" under "Accounts payable and accrued expenses" account in the consolidated statement of financial position, amounted to P926.36 million and P866.36 million as at December 31, 2017 and 2016, respectively (see Note 11).

---

#### 14. Other Noncurrent Liabilities

The account consists of:

	Note	2017	2016
Concessionaires' deposit	21	P5,342,247	P4,548,003
Accrued rent		1,195,082	2,029,956
		<b>P6,537,329</b>	<b>P6,577,959</b>

## 15. Segment Information

The Group's operating businesses are organized and managed separately according to the nature of services provided, with each segment representing a strategic business unit - the Hotel operations and the Marketing operations. The Corporate and Others segment includes general and corporate income and expense items. Segment accounting policies are the same as the policies described in Note 27 to the consolidated financial statements.

The following table presents the revenue and profit information regarding industry segments for the years ended December 31, 2017, 2016 and 2015 and certain asset and liability information regarding industry segments as at December 31, 2017, 2016 and 2015 (in millions):

	Hotel Operations			Marketing Operations			Corporate and Other Operations			Eliminations			Consolidated		
	2017	2016	2015	2017	2016	2015	2017	2016	2015	2017	2016	2015	2017	2016	2015
<b>TOTAL REVENUES</b>															
External sales	P2,095	P2,095	P2,023	P -	P -	P -	P19	P49	P69	(P8)	(P9)	(P11)	P2,105	P2,135	P2,101
<b>RESULTS</b>															
Segment results	P389	P648	P132	(P1)	(P1)	(P1)	(P49)	(P49)	(P24)	P -	P -	P254	P328	P605	P381
<b>OTHER INCOME (LOSS)</b>															
Interest expense	-	(60)	(97)	-	-	-	(60)	-	(40)	-	-	-	(60)	(60)	(137)
Interest income	2	1	1	-	-	-	40	39	33	-	-	-	42	40	34
Benefit from (provision for) income taxes	(114)	(145)	(72)	-	-	-	14	(7)	(5)	-	-	-	(160)	(152)	(77)
Others	-	(84)	(10)	(10)	(11)	(10)	-	(51)	(2)	(1)	62	-	(11)	(94)	(22)
Total Other Income (Loss)	(112)	(318)	(178)	(10)	(11)	(10)	(8)	(19)	(14)	(1)	62	-	(129)	(266)	(202)
Net Income (Loss)	P257	P328	(P46)	(P11)	(P12)	(P11)	(P48)	(P59)	(P38)	(P1)	P62	P254	P199	P319	P159
<b>OTHER INFORMATION</b>															
Segment assets	P7,594	P7,569	P7,032	P219	P220	P220	P4,593	P4,737	P4,928	(P3,118)	(P3,460)	(P3,760)	P9,288	P9,066	P8,421
Deferred tax assets	46	40	120	-	-	-	19	1	4	-	-	-	65	41	124
Consolidated Total Assets	P7,640	P7,609	P7,152	P219	P220	P220	P4,612	P4,738	P4,933	(P3,118)	(P3,460)	(P3,760)	P9,353	P9,107	P8,545
Segment liabilities	P2,080	P2,079	P2,942	P65	P64	P62	P2,105	P2,321	P2,338	(P2,160)	(P2,530)	(P2,769)	P2,030	P1,934	P2,572
Deferred tax liabilities	1,275	1,339	1,110	-	-	-	-	-	-	-	-	-	1,275	1,339	1,110
Consolidated Total Liabilities	P3,355	P3,418	P4,052	P65	P64	P62	P2,105	P2,321	P2,338	(P2,160)	(P2,530)	(P2,769)	P3,305	P3,273	P3,682
<b>Other Segment Information</b>															
Capital expenditures	P160	P8	P22	P -	P -	P -	P1	P1	P3	P -	P -	P -	P161	P8	P25
Depreciation and amortization	353	260	327	-	-	-	2	5	7	-	-	-	355	255	334

## 16. Capital Stock and Noncontrolling Interests

### Capital Stock

Details of capital stock of the Parent Company as at December 31, 2017 and 2016 are as follows:

	Number of Common Shares	Amount
Authorized capital stock: at P1 par value per share	5,000,000,000	P5,000,000,000
Issued and outstanding	2,498,991,753	P2,498,991,753

A summary of the Parent Company's securities registration is as follows:

Date of Registration/Listing	Securities
March 17, 1995 (Initial Public Offering)	112.50 million shares On October 7, 1994, the SEC approved the increase in the authorized capital stock of the Parent Company to P450.00 million divided into 450 million shares with a par value of P1 per share, out of which, 337.50 million shares were already subscribed.
April 18, 1996	944.97 million shares On September 18, 1995, the BOD resolved to increase the authorized capital stock of the Parent Company to P2.00 billion divided into 2 billion shares with a par value of P1 per share. The purpose of the increase was to finance the construction of WCCCHI's hotel project.
December 15, 1999	888.47 million shares On August 7, 1999, the BOD resolved to increase the authorized capital stock of the Parent Company to P5.00 billion divided into 5 billion shares with a par value of P1 per share. The purpose of the increase was to accommodate the acquisition of DIHCI's outstanding common shares for 888.47 million shares of the Parent Company with an offer price of P2.03 per share.

The Parent Company has not sold any unregistered securities for the past 3 years. As at December 31, 2017, 1.95 billion shares of the Parent Company are listed in the PSE and has a total of 464 shareholders.

On July 20, 2007, the BOD resolved to increase the authorized capital stock of the Parent Company to P10.00 billion with 10 billion shares at par value of P1 per share. This resolution was ratified by the Parent Company's stockholders owning at least two-thirds of the outstanding capital stock during the annual stockholders' meeting held on August 25, 2007.

In 2009, the BOD passed a resolution temporarily suspending the implementation of the above proposed increase in the authorized capital stock of the Parent Company. As at December 31, 2017, the Parent Company has no updated plans to increase its authorized capital stock, or to modify any issued shares or to exchange them to another class.

**Noncontrolling Interests (NCIs)**

The details of the Group's material NCIs are as follows (in thousands):

	December 31, 2017		December 31, 2016	
	APHC	GIRDI	APHC	GIRDI
Percentage of NCI	44%	46%	44%	46%
Carrying amount of NCI	P657,686	P198,708	P685,239	P198,682
Net income attributable to NCI	(P19,473)	P26	P31,218	P26
Other comprehensive (loss) income attributable to NCIs	(P8,110)	P -	P85,055	P -

The following are the audited condensed financial information of investments in subsidiaries with material NCIs (in thousands):

	December 31, 2017		December 31, 2016	
	APHC	GIRDI	APHC	GIRDI
Total assets	P2,273,527	P470,658	P2,316,169	P471,034
Total liabilities	(718,644)	(38,683)	(699,022)	(39,116)
Net assets	P1,864,883	P431,975	P1,617,147	P431,918
Revenue	P436,558	P1,998	P589,238	P1,521
Net (loss) income	(P43,958)	P57	P70,470	P57
Other comprehensive income	(18,308)	-	191,999	-
	(P62,264)	P57	P262,469	P57
Cash flows provided by (used in) operating activities	P94,889	P -	(P108,587)	P -
Cash flows provided by investing activities	24,468	-	199,830	-
Cash flows used in financing activities	(129,107)	-	(76,500)	-
Net (Decrease) Increase in Cash	(P9,750)	P -	P14,743	P -

---

**17. Other Costs and Expenses**

This account consists of:

	<i>Note</i>	2017	2016	2015
Laundry, valet and other hotel services		<b>P121,177,477</b>	<b>P82,858,545</b>	<b>P79,973,865</b>
Taxes and licenses		<b>58,872,008</b>	<b>63,209,790</b>	<b>37,706,467</b>
Security and other related services		<b>40,176,231</b>	<b>34,136,908</b>	<b>32,841,759</b>
Corporate expenses		<b>31,017,805</b>	<b>15,657,090</b>	<b>26,250,954</b>
Supplies	6	<b>27,541,398</b>	<b>28,820,855</b>	<b>41,296,252</b>
Insurance		<b>20,891,793</b>	<b>21,855,434</b>	<b>21,543,413</b>
Advertising		<b>20,672,986</b>	<b>17,146,883</b>	<b>17,958,548</b>
Representation and entertainment		<b>15,089,343</b>	<b>15,395,969</b>	<b>6,671,351</b>
Commissions		<b>13,434,997</b>	<b>11,559,966</b>	<b>11,227,322</b>
Data processing		<b>12,789,344</b>	<b>11,827,756</b>	<b>11,685,323</b>
Professional fees		<b>12,120,384</b>	<b>11,410,836</b>	<b>10,642,820</b>
Transportation and travel		<b>12,045,579</b>	<b>10,587,514</b>	<b>13,180,135</b>
Fuel and oil		<b>9,652,240</b>	<b>8,498,026</b>	<b>10,899,829</b>
Communications		<b>5,366,245</b>	<b>6,190,749</b>	<b>7,080,404</b>
Guest amenities		<b>2,299,279</b>	<b>3,174,403</b>	<b>3,478,861</b>
Guest and laundry valet		<b>1,760,207</b>	<b>1,598,388</b>	<b>1,249,281</b>
Meeting expenses		<b>1,344,423</b>	<b>1,580,499</b>	<b>193,801</b>
Miscellaneous		<b>8,898,521</b>	<b>7,388,196</b>	<b>17,184,036</b>
		<b>P415,150,260</b>	<b>P352,897,807</b>	<b>P351,064,421</b>

Miscellaneous include recruitment expense and employee association dues.

---

**18. Retirement Benefits Cost**

Certain subsidiaries have noncontributory, defined benefit plans (the Plans) covering substantially all of their regular employees with at least five (5) years of continuous service. The benefits are based on percentage of the employee's final monthly salary for every year of continuous service depending on the length of stay. Contributions and costs are determined in accordance with the actuarial studies made for the Plans.

The latest independent actuarial valuation of the Plans was as at December 31, 2017, which was prepared using the projected unit credit method. The Plans are administered by independent trustees (the Retirement Plan Trustees) with assets held consolidated for the Group.

The Plans are registered with the BIR as a tax-qualified plan under Republic Act No. 4917, As Amended, otherwise known as "An Act Providing that Retirement Benefits of Employees of Private Firms shall not be Subject to Attachment, Levy, Execution, or any Tax whatsoever."

The reconciliation of the present value of the DBO and the FVPA to the recognized retirement benefits liability as presented in the consolidated statement of financial position is as follows:

2017	DBO	FVPA	Asset Ceiling Adjustment	Retirement Benefits Liability
Balance, January 1, 2017	P207,266,594	(P119,020,367)	P10,271,638	P98,517,865
<b>Included in Profit or Loss</b>				
Current service cost	16,393,560	-	-	16,393,560
Net interest income (cost)	11,312,948	(7,073,508)	563,913	4,803,353
	27,706,508	(7,073,508)	563,913	21,196,913
<b>Included in OCI</b>				
Remeasurement gains on plan assets:				
1. Actuarial gains (losses) arising from:				
• Changes in financial assumptions	(10,544,372)	-	-	(10,544,372)
• Changes in demographic assumptions	37,463,028	-	-	37,463,028
• Experience adjustments	1,183,682	-	-	1,183,682
2. Return on plan assets excluding interest income				
	-	5,593,574	-	5,593,574
3. Effect of asset ceiling				
	-	-	2,838,812	2,838,812
	28,102,338	5,593,574	2,838,812	36,534,724
<b>Others</b>				
Contributions paid by the employer	-	(21,450,000)	-	(21,450,000)
Benefits paid from:				
Book reserves	(10,317,597)	-	-	(10,317,597)
Plan assets	(2,081,863)	2,081,863	-	-
Balance, December 31, 2017	P250,695,930	(P139,888,438)	P13,674,363	P124,481,905
2016	DBO	FVPA	Asset Ceiling Adjustment	Retirement Benefits Liability
Balance, January 1, 2016	P209,197,676	(P100,815,990)	P8,300,810	P116,682,596
<b>Included in Profit or Loss</b>				
Current service cost	15,091,937	-	-	15,091,937
Net interest income (cost)	11,138,022	(5,865,116)	449,909	5,722,815
	26,229,959	(5,865,116)	449,909	20,814,752
<b>Included in OCI</b>				
Remeasurement losses on plan assets:				
1. Actuarial (losses) gains arising from:				
• Changes in financial assumptions	(3,859,977)	-	-	(3,859,977)
• Changes in demographic assumptions	2,393,590	-	-	2,393,590
• Experience adjustments	(12,337,681)	-	-	(12,337,681)
2. Return on plan assets excluding interest income				
	-	3,980,574	-	3,980,574
3. Effect of asset ceiling				
	-	-	1,520,819	1,520,819
	(13,804,068)	3,980,574	1,520,819	(8,322,675)
<b>Others</b>				
Contributions paid by the employer	-	(21,050,000)	-	(21,050,000)
Benefits paid from:				
Book reserves	(9,606,808)	-	-	(9,606,808)
Plan assets	(4,750,165)	4,750,165	-	-
Balance, December 31, 2016	P207,266,594	(P119,020,367)	P10,271,638	P98,517,865

The retirement benefits cost recognized in profit or loss for the years ended December 31, 2017, 2016 and 2015 amounted to P21.20 million, P20.81 million and P40.34 million, respectively, and is presented as part of "Personnel costs" account in the consolidated statement of profit or loss and other comprehensive income.

Personnel costs comprise the following:

	2017	2016	2015
Salaries and wages	P281,286,064	P296,403,578	P294,365,171
Retirement benefits expense	21,196,913	20,814,752	40,342,055
Other employee benefits	24,400,273	19,305,899	20,242,473
	<b>P326,883,250</b>	<b>P336,524,229</b>	<b>P354,949,699</b>

The Group's plan assets consist of the following:

	2017	2016
Debt instruments - government bonds	P87,860,624	P1,407,398
Cash and cash equivalents	30,496,250	879,667
Investment in government securities	12,890,795	90,400,862
Deposit in banks	4,923,694	18,430,283
Investment in other securities and debt instruments	1,178,515	1,076,225
Equity instruments	300,333	-
Debt instruments - other bonds	200,105	-
Other receivables	2,038,122	6,825,932
	<b>P139,888,438</b>	<b>P119,020,367</b>

The principal actuarial assumptions at reporting date are as follows:

	2017	2016
Discount rate	5.70% - 6.00%	5.43% - 5.49%
Salary increase rate	3.0% - 10.0%	3.0% - 10.0%

Assumptions regarding the mortality and disability rates are based on the 2001 CSO Table - Generational (Scale AA, Society of Actuaries) and the Disability Study, Period 2, Benefit 5 (Society of Actuaries), respectively.

The weighted-average duration of the DBO is 13.4 years and 12.6 years as at December 31, 2017 and 2016, respectively.

Maturity analysis of the benefit payments as at December 31 follows:

	2017	2016
Carrying amount	P250,695,980	P207,266,594
Within one (1) year	P12,316,420	P8,327,180
Within 1 - 5 years	58,599,384	25,044,008
Within 5 - ten (10) Years	134,689,361	96,729,656
Contractual cash flows	<b>P205,605,165</b>	<b>P130,100,844</b>

#### Sensitivity Analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the DBO by the amounts shown below:

	2017		2016	
	+1%	-1%	+1%	-1%
Discount rate	(P24,044,673)	P26,049,596	(P15,464,129)	P17,620,401
Salary increase rate	26,865,716	(21,914,771)	15,438,990	(13,891,841)

Although the analysis does not take account of the full distribution of cash flows expected under the Plans, it does provide an approximation of the sensitivity of the assumptions shown.

These respective Plans expose the Group to actuarial risks such as longevity risk, interest rate risk, and market (investment) risk.

**Asset-liability Matching**

The Retirement Plan Trustees have no specific matching strategy between the plan assets and the plan liabilities.

**Funding Policy**

The Group is not required to pre-fund the future defined benefits payable under the retirement plans before they become due. However, in the event a benefit claim arises and the respective Plans' fund is insufficient to pay the claim, the shortfall will be paid by the Group directly to the employee-retiree. Hence, the amount and timing of contributions to the respective Plans are at the Group's discretion.

**19. Income Taxes**

The components of the Group's income tax expense (benefit) are as follows:

	2017	2016	2015
<b>Recognized in Profit or Loss</b>			
Current tax expense	P177,643,376	P116,624,221	P71,347,136
Deferred tax (benefit) expense	(77,194,648)	35,879,140	5,460,572
	<b>P100,448,728</b>	<b>P152,503,361</b>	<b>P76,807,708</b>
<b>Recognized in OCI</b>			
Deferred tax (benefit) expense	(P10,960,417)	P276,427,356	P5,939,095

The reconciliation of the income tax expense computed at the statutory tax rate to the actual income tax expense shown in profit or loss is as follows:

	2017	2016	2015
Income before income tax	P299,181,929	P471,388,347	P235,514,803
Income tax expense at 30%	P89,754,579	P141,416,504	P70,654,441
Additions to (reductions in) income tax resulting from the tax effects of:			
Nondeductible expenses	7,968,948	10,863,786	13,430,934
Unrecognized deferred tax assets during the year	5,632,258	3,678,457	2,067,312
Income not subjected to income tax	(2,907,057)	(3,455,386)	(9,344,979)
	<b>P100,448,728</b>	<b>P152,503,361</b>	<b>P76,807,708</b>



The movements of the deferred tax assets and deferred tax liabilities are as follows:

December 31, 2017	Balance January 1, 2017	Recognized in Profit or Loss	Recognized in OCI	Balance December 31, 2017
<b>Deferred tax liabilities:</b>				
Revaluation surplus on property and equipment	P1,339,315,801	(P84,248,571)	P -	P1,275,069,230
<b>Deferred tax assets:</b>				
Retirement liability	29,565,369	(3,171,205)	10,980,417	37,344,571
Allowance for impairment losses on receivables	6,285,350	189,824	-	6,475,174
Unamortized past service cost	2,660,988	(816,842)	-	2,145,146
Unrealized foreign exchange loss	1,584,569	(1,584,569)	-	-
Accrued rent expense	616,383	(113,088)	-	503,295
Unearned revenues	348,208	178,105	-	826,311
Minimum corporate income tax (MCIT)	35,148	(35,148)	-	-
Accrued interest expense on loan	-	18,000,000	-	18,000,000
	41,088,003	12,948,077	10,980,417	64,994,497
	P1,298,229,798	(P77,184,548)	(P10,980,417)	P1,210,074,733
<hr/>				
December 31, 2016	Balance January 1, 2016	Recognized in Profit or Loss	Recognized in OCI	Balance December 31, 2016
<b>Deferred tax liabilities:</b>				
Revaluation surplus on property and equipment	P1,093,657,003	(P28,271,755)	P273,930,553	P1,339,315,801
Rental receivable	11,059,602	(11,059,602)	-	-
Unamortized premium on security deposits	5,251,708	(5,251,708)	-	-
	1,109,968,314	(44,583,066)	273,930,553	1,339,315,801
<b>Deferred tax assets:</b>				
Retirement liability	35,230,653	(3,178,491)	(2,468,803)	29,565,369
Allowance for impairment losses on receivables	5,758,472	526,876	-	6,285,350
Unamortized past service cost	3,170,831	(516,843)	-	2,660,988
Unrealized foreign exchange loss	11,749,805	(10,165,236)	-	1,584,569
Accrued rent expense	703,075	(88,692)	-	616,383
Unearned revenues	433,089	(84,883)	-	348,208
MCIT	517,891	(482,743)	-	35,148
Rent received in advance	64,125,458	(64,125,458)	-	-
Net operating loss carry-over (NOLCO)	2,349,730	(2,349,730)	-	-
	124,045,012	(80,482,208)	(2,468,803)	41,088,003
	P885,923,302	P36,879,140	P276,427,356	P1,298,229,798

Deferred tax assets have not been recognized by certain subsidiaries in respect of the following items in the table below because it is not probable that future taxable profits will be available against which the subsidiaries can utilize the benefits thereon prior to their expiration or reversal.

	2017		2016	
	Tax Base	Tax Effect	Tax Base	Tax Effect
NOLCO	P39,404,286	P11,821,286	P43,537,477	P13,061,243
MCIT	489,211	489,211	725,383	725,383
Less allowance for impairment losses	(3,427,734)	(1,275,686)	(530,528)	(159,158)
	P36,465,763	P11,034,811	P43,732,332	P13,627,468

The movements of unrecognized net deferred tax assets of the Group are as follows:

	2017	2016
<b>Balance at beginning of year</b>	<b>P13,627,468</b>	<b>P17,809,208</b>
Unrecognized deferred tax asset during the year:		
NOLCO	5,620,492	3,429,246
MCIT	11,766	249,211
Impairment losses	(1,116,528)	(159,158)
Expiration of unrecognized deferred tax assets:		
NOLCO	(6,860,449)	(6,859,312)
MCIT	(247,938)	(89,005)
Unrecognized deferred tax asset applied during the year:		
NOLCO	-	(752,722)
<b>Balance at end of year</b>	<b>P11,034,811</b>	<b>P13,627,468</b>

Details of unrecognized NOLCO are as follows:

Year Incurred	Expiry Date	NOLCO	Applied	Expired Amount	Remaining Amount
2017	December 31, 2020	P18,734,973	P -	P -	P18,734,973
2016	December 31, 2019	11,430,821	-	-	11,430,821
2015	December 31, 2018	9,238,482	-	-	9,238,482
2014	December 31, 2017	23,141,885	(273,701)	(22,868,164)	-
		<b>P82,548,151</b>	<b>(P273,701)</b>	<b>(P22,868,164)</b>	<b>P39,404,286</b>

Certain subsidiaries were required to pay MCIT under existing tax regulations. The MCIT payments and the applicable years that these will be deductible from future regular corporate income tax payable are shown below:

Year Incurred	Expiry Date	MCIT	Applied	Expired Amount	Remaining Amount
2017	December 31, 2020	P11,766	P -	P -	P11,766
2016	December 31, 2019	249,211	-	-	249,211
2015	December 31, 2018	228,234	-	-	228,234
2014	December 31, 2017	247,938	-	(247,938)	-
		<b>P737,149</b>	<b>P -</b>	<b>(P247,938)</b>	<b>P489,211</b>

## 20. Earnings Per Share

Earnings per share (EPS) is computed by dividing the net income for the year by the weighted average number of outstanding shares of common stock during the year.

	2017	2016	2015
Net income attributable to equity holders of the Parent Company	P217,937,648	P287,392,497	P127,211,459
Weighted number of shares outstanding	2,498,991,753	2,498,991,753	2,498,991,753
Earnings per share - basic and diluted	P0.087	P0.115	P0.051

There are no potentially dilutive shares as at December 31, 2017, 2016 and 2015. Accordingly, diluted EPS is the same as basic EPS.

---

## 21. Financial Instruments - Risk Management and Fair Values

### 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, notes receivable, due from related parties, short-term investment, AFS investment, other noncurrent assets (except special project deposits), accounts payable and accrued expenses, loan payable, other current liabilities and concessionaires' deposits. 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 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 cash in banks, receivables and due from 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.

The aging analyses of the Group's financial assets as at December 31, 2017 and 2016 are as follows (in thousands):

December 31, 2017	Note	Total	Neither Past Due nor Impaired	Past Due but not Impaired					Impaired
				<30 Days	30 - 60 Days	61 - 90 Days	91 - 120 Days	> 120 Days	
Cash and cash equivalents*	4	P342,858	P342,858	P -	P -	P -	P -	P -	P -
Receivables	5	249,845	143,008	89,001	7,660	4,994	3,900	11,790	21,584
Notes receivable	8	195,007	195,007	-	-	-	-	-	-
Short-term investment	7	12,390	12,390	-	-	-	-	-	-
Due from related parties	8	2,011,233	1,950,048	-	-	-	-	-	61,185
AFS investment	8	15,955	15,955	-	-	-	-	-	-
Other noncurrent assets **	10	23,019	23,019	-	-	-	-	-	-
<b>Total</b>		<b>P2,850,377</b>	<b>P2,682,263</b>	<b>P69,991</b>	<b>P7,660</b>	<b>P4,994</b>	<b>P3,900</b>	<b>P11,790</b>	<b>P82,769</b>

\*Excluding cash on hand

\*\*Excluding special project deposits

December 31, 2016	Note	Total	Neither Past Due nor Impaired	Past Due but not Impaired					Impaired
				<30 Days	30 - 60 Days	61 - 90 Days	91 - 120 Days	> 120 Days	
Cash and cash equivalents*	4	P188,211	P188,211	P -	P -	P -	P -	P -	P -
Receivables	5	257,759	173,542	27,263	12,068	8,154	8,055	8,335	22,311
Short-term investment	7	12,251	12,251	-	-	-	-	-	-
Due from related parties	8	1,939,282	1,878,097	-	-	-	-	-	61,185
AFS investment	8	18,822	18,822	-	-	-	-	-	-
Other noncurrent assets **	10	27,341	27,341	-	-	-	-	-	-
<b>Total</b>		<b>P2,439,665</b>	<b>P2,294,264</b>	<b>P27,263</b>	<b>P12,068</b>	<b>P8,154</b>	<b>P8,055</b>	<b>P8,335</b>	<b>P83,496</b>

\*Excluding cash on hand

\*\*Excluding special project deposits

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.

Information on the Group's receivables and due from related parties that are impaired as of December 31, 2017 and 2016 and the movement of the allowance used to record the impairment losses are disclosed in Notes 5 and 8 to the consolidated financial statements.

#### 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.

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.

The following table summarizes the maturity profile of the Group's financial liabilities as at December 31, 2017 and 2016 based on contractual undiscounted payments (in thousands):

December 31, 2017	Note	Total Carrying Amount	Contractual Undiscounted Payments			
			Total	On Demand	Less than 1 Year	1 to 5 Years
Accounts payable and accrued expenses*	11	P1,431,666	P1,431,666	P1,240,216	P180,263	P11,177
Other current liabilities**	12	13,623	13,623	13,623	-	-
Loans payable	13	375,000	375,000	375,000	-	-
Concessionaires' deposits - net of current portion	14	5,342	5,342	5,342	-	-
		P1,825,621	P1,825,621	P1,634,161	P180,263	P11,177

\*Excluding local taxes, output VAT and withholding taxes

\*\*Excluding deferred income

December 31, 2016	Note	Total Carrying Amount	Contractual Undiscounted Payments			
			Total	On Demand	Less than 1 Year	1 to 5 Years
Accounts payable and accrued expenses*	11	P1,329,383	P1,329,383	P666,356	P446,608	P16,419
Other current liabilities**	12	21,028	21,028	21,028	-	-
Loans payable	13	375,000	375,000	375,000	-	-
Concessionaires' deposits - net of current portion	14	4,548	4,548	4,548	-	-
		P1,729,959	P1,729,959	P1,266,932	P446,608	P16,419

\*Excludes local taxes, output VAT and withholding taxes

\*\*Excluding deferred income

#### 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 P375.00 million loan from SSS, as well as the stock rights offering of the Parent Company. Since 2006, the Parent Company charged WCCCHI on the related interests and penalties on the contention that the latter benefited from the proceeds of the SSS loan (see Note 13). Starting 2017, WCCCHI was not anymore charged with the interest on SSS loan because the Parent Company has assessed that if it has already fulfilled its obligations related to its use of proceeds from such loan.

The following table illustrates the sensitivity of the net result for the year and equity to a reasonably possible change in interest rates of  $\pm 10$  basis point in 2017 and 2016, with corresponding effect in equity. 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.

Changes in Interest Rates (in Basis Points)	2017	
	+10	-10
Net income	(P6,000,000)	P6,000,000

Changes in Interest Rates (in Basis Points)	2016	
	+10	-10
Net income	(P6,004,211)	P6,004,211

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.

#### *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 86.71 million shares as at December 31, 2017 and 2016 (see Note 8f).

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.

The following table illustrates the sensitivity of the Group's equity to a reasonably possible change in equity price. These changes are considered to be reasonably possible based on past equity price performance of the Group's AFS investment and macroeconomic forecast for 2017 and 2016. This analysis assumes an increase of 10% for 2017 and 2016 and a decrease of 10% for 2017 and 2016 of the equity price of the Group's AFS investment. All other variables are held constant:

	2017		2016	
	10%	-10%	10%	-10%
Equity	P1,116,825	(P1,116,825)	P1,177,522	(P1,177,522)

### Fair Value of Financial Assets and Liabilities

The table below summarizes the carrying amounts and fair values of the Group's financial assets and liabilities as at December 31, 2017 and 2016 (in thousands):

	2017		2016	
	Carrying Amounts	Fair Values	Carrying Amounts	Fair Values
<b>Financial Assets</b>				
Cash and cash equivalents*	P342,858	P342,858	P186,211	P186,211
Receivables	228,361	228,361	235,447	235,447
Notes receivable	195,007	195,007	-	-
Due from related parties	2,011,233	2,011,233	1,939,282	1,939,282
Short-term investment	12,360	12,360	12,251	12,251
Available-for-sale investment	15,955	15,955	16,822	16,822
Other noncurrent assets **	23,019	23,019	27,341	27,341
	<b>P2,828,793</b>	<b>P2,828,793</b>	<b>P2,417,354</b>	<b>P2,417,354</b>

\*Excluding cash on hand

\*\*Excluding special project deposits

	2017		2016	
	Carrying Amounts	Fair Values	Carrying Amounts	Fair Values
<b>Financial Liabilities</b>				
Accounts payable and accrued expenses***	P1,431,656	P1,431,656	P1,329,383	P1,329,383
Other current liabilities****	13,623	13,623	21,028	21,028
Loans payable	375,000	375,000	375,000	375,000
Concessionaires' deposits - net of current portion	5,342	5,342	4,548	4,548
	<b>P1,825,621</b>	<b>P1,825,621</b>	<b>P1,729,959</b>	<b>P1,729,959</b>

\*\*\*Excludes local taxes, output VAT and withholding taxes

\*\*\*\*Excluding deferred income

The carrying amount of cash and cash equivalents, receivables, notes receivable, current portion of due from related parties, short-term investment, other noncurrent assets, accounts payable and accrued expenses, other current liabilities and concessionaires' deposits approximate their fair values due to the short-term maturity of these instruments.

The fair value of interest-bearing due from related parties and loan 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, 2017 and 2016.

### 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 2017 and 2016.

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 2017 and 2016.

On March 13, 2018, the WCCCHI's BOD approved the increase in the WCCCHI's authorized capital stock from P13.80 million divided into 13.80 million shares with a par value of P1 per share to P2.00 billion divided into 2 billion shares with a par value of P1 per share.

Further, the WCCCHI's BOD approved the proposal to convert the existing deposit on future subscriptions which currently amounts to P1.00 billion into equity, in tranches, the first tranche in the amount of P500.00 million and subsequent tranches as the WCCCHI's BOD shall decide.

As at the date of the approval of the consolidated financial statements, WCCCHI has yet to file its application for the increase in authorized capital stock with the SEC.

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 as at December 31, 2017.

---

## 22. Lease Agreements with 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 5<sup>th</sup> 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. Thereafter, PAGCOR paid the WCCCHI and WMCHI rental on a month-to-month basis. The lease was renewed on February 15, 2018, for a period of 1 year.

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. As at December 31, 2017, PAGCOR continued to operate a portion of the lease area on a month-to-month basis while completing its pullout from APHC.

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 the consolidated statements of profit or loss and amounted to nil, P19.01 million and P20.31 million in 2017, 2016 and 2015, 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.



Total rental income from the above PAGCOR lease contracts recognized as part of "Rent and related income" in the consolidated statements of profit or loss amounted to P619.44 million, P720.41 million and P691.99 million in 2017, 2016 and 2015, respectively.

### 23. 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 profit or loss and amounted to P56.39 million, P85.29 million and P135.63 million in 2017, 2016 and 2015, 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 (the Agreement) 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 Agreement. The leases are for a period of fifty (50) years, subject to automatic renewal for another twenty-five (25) years, depending on the provisions of the applicable Philippine laws at the time of renewal.

Fixed and non-cancellable operating lease rentals payable to MCIAA are as follows:

	2017	2016
Less than 1 year	P17,741,933	P17,741,933
Between 1 and 5 years	60,341,346	60,341,346
More than 5 years	276,271,062	286,619,044
	<b>P354,354,341</b>	<b>P364,702,323</b>

##### *Lease of Slot Gaming Machines*

In 2007, Dynamo Atlantic Limited (Dynamo), a foreign corporation duly organized, existing and registered at the British Virgin Islands, entered into a Memorandum of Agreement (MOA) with Entertainment Gaming (Philippines), Inc. (EGP), for the lease of electronic gaming machines for installation and operation in Universal Park Mall Building located at Rizal Avenue, Sta. Cruz, Manila. Subsequently, Dynamo executed a deed of assignment in favor of MBI for the full authority and rights over the contract. The MOA was renewed several times, the latest of which expired in June 30, 2016.

As a result of the cessation of MBI's business operations effective July 1, 2016, the lease contract was no longer renewed.

Total rent expense for the aforementioned leases amounted to P37.41 million, P47.93 million and P66.78 million in 2017, 2016 and 2015, respectively in the consolidated statements of profit or loss and other comprehensive income.

---

#### **24. 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 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, 2017, 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.

- b. WMCHI has a tax case involving VAT assessment for the taxable year 2006. The case was elevated to the CTA in 2011. In 2012, WMCHI 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 MR 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. On September 15, 2015, the CTA reaffirmed the decision cancelling the VAT assessment.

In March 9, 2016, the BIR filed with the SC its motion for extension of time to file its appeal. As at December 31, 2017, WMCHI is still awaiting the SC's decision.

**c. *Acesite (Phils.) Hotel Corporation versus PAGCOR, et al.***

The case involved a Petition for Prohibition and Mandamus, with application for the issuance of a Temporary Restraining Order (TRO) and writ of preliminary injunction filed by APHC against PAGCOR and Vanderwood Management Corp. (VMC). APHC filed this case to assail PAGCOR's award to VMC of a procurement project entitled "Lease Space for a Casino Gaming Facility in Manila for a Period of 15 Years" under ITB No. 09-16-2014 for being violative of the laws and rules on government procurement.

Subsequently, VMC filed its "Motion to Admit Attached Supplemental Comment/Answer with Compulsory Counterclaim" (the Motion to Admit) on August 10, 2015, to which APHC filed an opposition to VMC's Motion to Admit. In an order dated September 5, 2016, the Court denied VMC's Motion to Admit. The Regional Trial Court of Manila, Branch 36, (the Court) likewise denied the MR filed by VMC in an order dated February 28, 2017.

In a resolution dated June 18, 2015, the Court denied the APHC's application for TRO. The APHC thereafter filed a MR on July 6, 2015. The said MR was denied by the Court on August 1, 2016. APHC filed with the CA a Petition for Certiorari (the 2nd petition), with application for TRO and/or writ of preliminary injunction, to assail the Court's resolutions dated June 18, 2015 and August 1, 2016. VMC and PAGCOR filed their respective comments to the 2nd petition, to which APHC filed its Consolidated Reply on December 19, 2016.

At the pre-trial conference on October 4, 2016, the Court referred the parties to the Philippine Mediation Center for mediation proceedings. After the termination of the mediation proceedings, the case was returned to the Court for the Judicial Dispute Resolution (JDR) proceedings. The JDR conference was set on May 2, 2017 and was reset to February 6, 2018. No update conference has yet been issued.

In a resolution dated January 25, 2017, the CA denied the APHC's applications for the TRO and writ of preliminary injunction, and directed the parties to submit their respective memoranda. In compliance with the CA's directive, APHC filed its memorandum on February 13, 2017. VMC also filed its memorandum dated February 16, 2017, while PAGCOR filed its memorandum dated February 14, 2017.

In a resolution dated March 3, 2017, the CA considered APHC's Petition for Certiorari as submitted for decision. To date, no decision has yet been issued.

- d. 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.**

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

---

**25. Settlement of Tax Case with the Treasurer of City of Manila**

The case arose from the notice of assessment issued by the Manila City Treasurer's Office on July 13, 2007 demanding APHC to pay for deficiency business tax for the years 2004 to 2006 totaling P45.58 million (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 APHC's hotel.

After the filing of the protest letters, petitions and appeals, the case was subsequently decided against APHC on January 9, 2014 by the CTA En Banc. Accordingly, APHC recognized a provision for P45.58 million in its books but proceeded to elevate the case to the SC.

On December 8, 2015, APHC executed a compromise agreement with the City of Manila wherein both parties agreed to the following terms: (1) APHC will pay the recomputed tax liability amounting to P5.84 million; and (2) upon ratification of the compromise agreement by the City Council of Manila, APHC shall cause the withdrawal of the case pending before the SC.

The recomputed tax liability was paid by APHC on December 10, 2015. The provision set up for the amounting to P45.58 million was subsequently reversed in the consolidated statement of financial position and a gain on the reversal of provision amounting to P39.73 million was recognized as part of revenues under "Others" in the consolidated statements of profit or loss and other comprehensive income.

On January 12, 2016, the City Council of Manila passed a resolution ratifying the compromise agreement between the City of Manila and APHC.

---

**26. Omnibus and Security Loan Agreement**

On December 21, 2017, the Parent Company, WCCCHI, WMCHI, DIHCI, CRDC and PRC (collectively, the Borrowers) entered into an Omnibus Loan and Security Agreement (the Agreement) with Philippine Bank of Communications (PBCOM) for the latter to provide the Borrowers multiple term loan facilities (the Loan Facilities) for general corporate purposes in the maximum aggregate amount of up to P1.50 billion. The Loan Facilities consist of the following:

Facility 1 - represents secured term loan facility in the amount of P850.00 million available through a single or multiple drawdowns with term of fifty-four (54) months from the initial drawdown date, regardless of the number of drawdowns. Any amount not drawn after the expiration of the commitment period shall be automatically cancelled and may not be reinstated. Commitment period means the period commencing from the date of the agreement and terminating on the earliest of: (a) six (6) months from the signing of the Agreement; (b) the date when the commitment is fully drawn or availed by mutual agreement of the parties; or (c) the date when the commitment is terminated or cancelled in accordance with the terms of the Agreement.

Facility 2 - represents secured term loan facility in the amount of P200.00 million available through a single or multiple drawdowns with term of fifty-four (54) months from the initial drawdown date, regardless of the number of drawdowns. Any amount not drawn after the expiration of the commitment period shall be automatically cancelled and may not be reinstated.

Facility 3 - represents secured term loan facility in the amount of P450.00 million available through a single or multiple drawdowns with term of forty-two (42) months from the initial drawdown date, regardless of the number of drawdowns. Any amount not drawn after the expiration of the commitment period shall be automatically cancelled and may not be reinstated. Facility 3 requires, on or before the initial drawdown date, the borrower to cause the relevant mortgagors to constitute in favor of PBCOM a first ranking real estate mortgage over Davao Agricultural Property located at Matina, Pangi, Tolomo, Davao City consisting of parcels of agricultural real property containing an aggregate area of seventy (70) hectares registered in the names of CRDC and PRC, and Locob property still registered in the name of an individual, and register such security interest with appropriate Registry of Deeds.

The loan principal is repayable on equal monthly installments to commence at the end of sixth (6th) month from the initial drawdown date subject to balloon payment upon maturity. Interest is charged at the higher of four (4)-year PDSTR2 rate on the date of availment and spread of 3.25% per annum or 7.75% per annum, and repayable monthly from the drawdown date.

The Loan Facilities are secured by chattel and real mortgages over various operating assets of WCCCHI and DIHCI; real estate mortgages over Davao Agricultural Property; assignment over leasehold rights on the land owned by MCIAA on which WCCCHI stands; and pledge of shares of stocks representing ownership of the Parent Company in WCCCHI and DIHCI.

Each of the Borrowers is required to comply with certain covenants during the term of the Agreement and until the full payment of the amounts due which include, among others:

1. Debt to Equity Ratio of not higher than 2.5:1;
2. Debt Service Coverage Ratio of at least 1.25x; and
3. Negative covenants which prohibit each of the Borrowers to:
  - Change the nature or scope of its business as presently conducted, or liquidate or dissolve, or enter into any consolidation, merger, pool, joint venture, syndicate or other combination, or sell, lease or dispose of a substantial portion (as determined by PBCOM) of its business or assets, with market or book value of P500.00 million or more;
  - Permit any change in ownership (direct or indirect), management or control of its business, which results in the present majority stockholders ceasing to hold, whether directly or indirectly through any person beneficially, at least sixty-eight percent (68%) of the direct or indirect beneficial or economic interest in each of the Borrowers;
  - Declare or pay dividends to stockholders and make any capital or asset distribution to stockholders;
  - Purchase, redeem, retire or otherwise acquire for value any of capital stock now or hereafter outstanding (other than as a result of the conversion of any shares of capital stock into shares of any other class of capital stock), return any capital to its stockholders as such, or make any distribution of assets to its stockholders as such (other than distribution payable in shares of its own outstanding capital stock);
  - File any legal action to question any corporate act or transaction;
  - Extend any loans, advances or subsidies to any corporation, partnership or entity owned by the Borrowers or in which it may have equity, other than advances in the ordinary course of business; and
  - Extend any loans or advances to any of its directors, officers, stockholders, affiliates and partners other than advances in the ordinary course of business.

On March 13, 2018, the Borrowers made the drawdowns of Facility 1 and Facility 2 amounting to P850.00 million and P200.00 million, respectively. On April 10, 2018, the Borrowers made the drawdown of Facility 3 amounting to P450.00 million.

---

## 27. Significant Accounting Policies

The accounting policies set out below have been applied consistently to all years presented in the consolidated financial statements, except for the changes in accounting policies as explained below:

### Adoption of Amendments to Standards

The Group has adopted the following amendments to standards starting January 1, 2017 and accordingly, changed its accounting policies. The adoption of these amendments to standards and interpretations did not have any significant impact on the Group's consolidated financial statements.

- *Disclosure initiative (Amendments to Philippine Accounting Standard (PAS) 7, Statement of Cash Flows).* The amendments address financial statements users' requests for improved disclosures about an entity's net debt relevant to understanding an entity's cash flows. The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes - e.g. by providing a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities.
- *Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to PAS 12, Income Taxes).* The amendments clarify that:
  - the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset;
  - the calculation of future taxable profit in evaluating whether sufficient taxable profit will be available in future periods excludes tax deductions resulting from the reversal of the deductible temporary differences;
  - the estimate of probable future taxable profit may include the recovery of some of an entity's assets for more than their carrying amount if there is sufficient evidence that it is probable that the entity will achieve this; and
  - an entity assesses a deductible temporary difference related to unrealized losses in combination with all of its other deductible temporary differences, unless a tax law restricts the utilization of losses to deduction against income of a specific type.

### 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.

### ***Accounting for NCI***

NCI represents the portion of profit or loss, OCI and the net assets not held by the Group and are presented separately in the consolidated statement of profit or loss and other comprehensive income and within equity in the consolidated statement 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 noncontrolling 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 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.

##### *Determination of whether the Group is Acting as a Principal or an Agent*

The Group assesses its revenue arrangements against the following criteria to determine whether it is acting as a principal or an agent:

- whether the Group has primary responsibility for providing the goods and services;
- whether the Group has discretion in establishing prices; and
- whether the Group bears the credit risk.

If the Group has determined it is acting as a principal, the Group recognizes revenue on a gross basis with the amount remitted to the other party being accounted as part of costs and expenses. If the Group has determined it is acting as agent, only the net amount retained is recognized as revenue.

The Group assessed its revenue arrangements and concluded that it is acting as principal in all arrangements.



### 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.

### Financial Instruments

#### *Financial Assets*

The Group classifies its financial assets in the following categories: (a) at fair value through profit or loss (FVPL), (b) loans and receivables, (c) held-to-maturity (HTM) investments, and (d) AFS financial assets. The Group's classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. The Group only holds financial assets classified as AFS investments and loans and receivables.

#### (a) Classification

Loans and receivables are nonderivative financial assets with fixed or determinable payments that are not quoted in an active market and where management has no intention of trading. They are included in current assets, except for maturities greater than twelve (12) months after the financial reporting date, in which case, these are classified as noncurrent assets. The Group's cash and cash equivalents, receivables, short-term investment, due from related parties and refundable deposits (presented under "Other noncurrent assets" account in the consolidated statement of financial position) are classified as loans and receivables as at December 31, 2017 and 2016.

Cash, which includes cash on hand and in banks, is stated at face value. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three (3) months or less which are subject to insignificant risk of change in value.

Short-term investment is a certificate of deposit which is highly liquid with maturity of more than three (3) months but less than one (1) year from date of acquisition and subject to an insignificant risk of change in value.

AFS investment is designated as such or does not qualify to be classified as financial asset at FVPL, HTM investments or loans and receivables. This investment, which is purchased and held indefinitely, may be sold in response to liquidity requirements or changes in market conditions. This only includes equity investments.

#### (b) Initial Recognition and Derecognition

Financial assets are recognized in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Regular way purchases and sales of financial assets are recognized on trade date - the date on which the Group commits to purchase or sell the asset. Regular way purchases or sales of financial assets require delivery of assets within the timeframe generally established by regulations or convention in the marketplace. Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at FVPL.

Financial assets are derecognized when:

- the rights to receive cash flows from the financial assets have expired; or
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either: (i) has transferred substantially all the risks and rewards of the asset; or (ii) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from a financial asset and has neither transferred nor retained substantially all the risks and rewards of the financial assets nor transferred control of the financial asset, the financial asset is recognized to the extent of the Group's continuing involvement in the financial asset.

Continuing involvement that takes the form of a guarantee over the transferred financial asset is measured at the lower of the original carrying amount of the financial asset and the maximum amount of consideration that the Group could be required to repay.

**(c) Subsequent Measurement**

Loans and receivables are carried at amortized cost using the effective interest method, less impairment losses, if any.

AFS investment is subsequently measured at fair value. The effective yield component of AFS debt securities, as well as the impact of restatement on foreign currency-denominated AFS debt securities, is reported in profit or loss. The unrealized gains and losses arising from the fair valuation of AFS investments are recognized in OCI and are presented as "Fair value reserve" in the equity section of the consolidated statement of financial position.

**(d) Determination of Fair Value**

Fair value is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price), regardless of whether that price is directly observable or estimated using another valuation technique. Where applicable, the Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable input and minimizing the use of unobservable inputs.

When measuring the fair value of an asset or liability, the Group uses market observable data as far as possible.

Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques 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).

If the inputs used to measure the fair value of an asset or liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

The Group's AFS investment as at December 31, 2017 and 2016 is based on Level 1. Further information about the assumption made in measuring the recurring fair value of AFS investment is included in Note 8f to the consolidated financial statements.

**(e) Impairment**

The Group assesses at each financial reporting date whether there is objective evidence that a financial asset is impaired.

Impairment of trade and other receivables financial assets is described in Note 3 to the consolidated financial statements. For those carried at amortized cost, individually significant financial assets are tested for impairment if there are indicators of impairment. Impairment loss is recognized in profit or loss and the carrying amount is reduced through the use of allowance. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed.

Impairment loss on AFS financial asset is recognized by reclassifying the loss accumulated in the fair value reserve to profit or loss. The amount reclassified is the difference between the acquisition cost (net of any principal repayment and amortization) and the current fair value, less any impairment loss previously recognized in profit or loss. If the fair value of an impaired AFS debt security instrument subsequently increases and the increase can be related objectively to an event occurring after the impairment loss was recognized, then the impairment loss is reversed through profit or loss; otherwise it is reversed through OCI.

***Financial Liabilities***

**(a) Classification**

The Group classifies its financial liabilities as financial liabilities at FVPL and other financial liabilities. The Group's financial liabilities are classified as other financial liabilities.

***Other Financial Liabilities***

These include liabilities that are not classified or designated at FVPL and contain contract obligations to deliver cash or another financial asset to the holder or to settle the obligation other than the exchange of a fixed amount of cash.

The Group's financial liabilities categorized under other financial liabilities include interest-bearing loans, accounts payable and accrued expenses, refundable security deposits and related accrued interest.

**(b) Initial Recognition and Derecognition**

Financial liabilities are recognized in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial liabilities are initially recognized at fair value, less any directly attributable transaction cost.

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

**(c) Subsequent Measurement**

After initial measurement, other financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate.

***Offsetting Financial Assets and Liabilities***

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented at gross in the consolidated statement of financial position.

**Inventories**

Inventories are stated at the lower of cost and NRV. Cost incurred in bringing the inventories to their present location and condition is calculated using the weighted average method.

NRV for food and beverage represents the estimated selling price in the ordinary course of business less the estimated costs to sell. NRV of operating supplies and engineering and maintenance supplies is the estimated current replacement cost. Inventories are periodically reviewed and evaluated for obsolescence. Obsolete inventories are scrapped or disposed of and the related costs are charged to operations.

**Prepaid Expenses**

Prepaid expenses represent expenses not yet incurred but are already paid. Prepaid expenses are initially recorded as assets and measured at the amount of cash paid. Subsequent to initial recognition, these are charged to profit or loss as they are consumed in operations or expire with the passage of time.

Prepaid expenses are classified in the consolidated statement of financial position as current assets when the cost of goods or services related to the prepayments are expected to be incurred within one year or the Group's normal operating cycle, whichever is longer. Otherwise, they are classified as noncurrent assets.

## **Property and Equipment**

### ***Measurement at Initial Recognition***

Upon initial recognition, items of property and equipment are measured at cost which comprises the purchase price and all directly attributable costs of bringing the asset to the location and condition for its intended use.

### ***Measurement Subsequent to Initial Recognition***

Property and equipment, except for leasehold improvements, operating equipment and construction in progress which are stated at cost, are carried at revalued amounts, being the fair value at the date of the revaluation less any subsequent accumulated depreciation and amortization and impairment losses, if any. Fair values are determined through appraisal by an independent firm of appraisers. Revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

The net appraisal surplus resulting from the revaluation is credited to "Revaluation surplus on property and equipment" account (net of corresponding deferred income tax effect) shown under the consolidated statement of changes in equity. Any increase in the revaluation amount is credited to the "Revaluation surplus on property and equipment" account unless it offsets a previous decrease in the value of the same asset recognized in profit or loss. A decrease in value is recognized in profit or loss where it exceeds the increase previously recognized in the "Revaluation surplus on property and equipment." Upon disposal, any related revaluation surplus is transferred to "Accumulated Deficit" account and is not taken into account in arriving at the gain or loss on disposal. Also, the amount of revaluation surplus absorbed through depreciation is being transferred to "Accumulated Deficit" account, net of deferred tax effect.

All costs, including borrowing costs, which were directly and clearly associated with the construction of the hotels, were capitalized.

Construction-in-progress, included in property and equipment, represents structures under construction and is stated at cost. This includes cost of construction and other direct costs. Construction-in-progress is not depreciated until such time as the relevant assets are completed and put into operational use.

Operating equipment consisting of chinaware, glassware, silverware and linen are stated at cost less accumulated amortization and adjustments based on periodic inventory method. Under this method, the recorded costs of operating equipment are amortized using various rates and adjusted based on periodic inventory count. Adjustments include the effects of any breakages and damages. The amortization and adjustments are recognized in profit or loss.

### ***Subsequent Costs***

Subsequent costs that can be measured reliably are added to the carrying amount of the asset when it is probable that future economic benefits associated with the asset will flow to the Group. The costs of day-to-day servicing of an asset are recognized as an expense in the period in which they are incurred.

### ***Fair Value Measurement***

The Group's property and equipment as at December 31, 2017 and 2016 is based on level 3. Further information about the assumption made in measuring fair value of property and equipment is included in Note 8 to the consolidated financial statements.

***Depreciation and Amortization***

Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized over the estimated useful life of the asset or term of the lease, whichever is shorter.

The estimated useful lives are as follows:

	<u>Number of Years</u>
Land improvements	5 - 10
Leasehold improvements	Shorter of lease term and 10
Hotel buildings and improvements	15 - 50
Furniture, fixtures and equipment	3
Operating equipment	3
Transportation equipment	3

The estimated useful lives, as well as the depreciation and amortization methods are reviewed at each reporting date to ensure that the period and methods of depreciation and amortization are consistent with the expected pattern of economic benefits from those assets.

Fully depreciated and amortized assets are retained in the accounts until they are no longer in use, no further charges for depreciation and amortization are made in respect of those assets.

When an asset is disposed of, or is permanently withdrawn from use and no future economic benefits are expected from its disposal, the cost and related accumulated depreciation, amortization and impairment losses, if any, are removed from the accounts and any resulting gain or loss arising from the retirement or disposal is recognized in profit or loss.

**Impairment of Nonfinancial Assets**

The carrying amount of the Group's property and equipment is reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the impaired asset is estimated.

An impairment loss is recognized whenever the carrying amount of an asset or its cash-generating unit (CGU) exceeds its recoverable amount. Impairment losses are recognized in profit or loss, unless the asset is carried at revalued amount, in which case the impairment loss is charged to the revaluation increment of the said asset.

The recoverable amount is the greater of the asset's fair value less costs of disposal and value in use (VIU). Fair value less cost of disposal is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, less the costs of disposal. In assessing VIU, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset being evaluated. If an asset does not generate cash inflows that are largely independent of those from other assets, the recoverable amount is determined for the CGU to which the asset belongs.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the carrying amount of the asset does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized. Reversals of impairments are recognized in profit or loss, unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

After such reversal, the depreciation and amortization expense is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining life.

#### Employee Benefits

##### *Short-term Employee Benefits*

Short-term employee benefit obligations, such as those for salaries and wages, social security contributions, short-term compensated absences, bonuses and nonmonetary benefits, among others, are measured on an undiscounted basis and are expensed as the related service is provided.

##### *Defined Benefit Plan*

The Group's net obligation in respect of the defined benefit plan is calculated by estimating the amount of the future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of DBO is performed on a periodic basis by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan.

Remeasurement of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in OCI and presented under "Retirement Benefits Reserve" under equity. The Group determines the net interest expense or income on the net defined benefit liability or asset for the period by applying the discount rate used to measure the DBO at the beginning of the annual period to the net defined benefit liability or asset, taking into account any changes in the net defined liability or asset during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to the defined benefit plan are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss.

The Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

#### Related Party Relationship

A related party relationship exists when one party has the ability to control, directly or indirectly, through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting enterprise, or between, and/or among the reporting enterprise and its KMP, directors, or its stockholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

#### Operating Leases - Group as Lessor

Leases in which a significant portion of the risks and rewards of ownership is retained by the Group are classified as operating leases. Initial direct costs incurred in negotiating operating lease are added to the carrying amount of the leased asset and recognized over the leased term on the same basis as rental income. Rental income from operating leases is recognized in profit or loss on a straight-line basis over the term of the lease, except for cancellable leases which are recognized at the amount collected or collectible based on the contract provision.

#### Operating Lease - Group as Lessee

Lease in which a significant portion of the risk and rewards of ownership is retained by the lessor are classified as operating lease. Payments made under non-cancellable operating leases are recognized in profit or loss on a straight-line basis over the term of the lease.

#### Foreign Currency Transactions and Translation

Transactions denominated in foreign currencies are recorded in Philippine peso based on the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated to Philippine peso using the rates of exchange prevailing at the reporting date.

Differences arising on settlement or translation of monetary items are recognized in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment in a foreign operation. These are recognized under "Foreign currency translation differences for foreign operations" account in OCI until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in OCI.

Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Nonmonetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

The gain or loss arising on translation of nonmonetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognized in OCI or profit or loss are also recognized in OCI or profit or loss, respectively).

During the translation of the financial statement accounts of the foreign subsidiaries wherein accounts are being maintained in U.S. dollar, the differences between the reporting currency and the functional currency are recorded in OCI.



The results and financial position of the foreign subsidiaries are translated into Philippine peso using the following procedures:

- assets and liabilities are translated at the closing rate at reporting date;
- income and expenses are translated at exchange rates at the date of the transaction; and
- all resulting exchange differences are recognized as a separate component in equity.

#### Income Taxes

Income tax, which comprises current and deferred tax, is recognized in profit or loss except to the extent that it relates to items recognized directly in equity and in OCI.

Current tax is the expected tax payable for the year, using tax rates enacted at the reporting date, and any adjustment to tax payable in respect of previous years, if any.

Deferred 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 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 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 is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized. The deferred tax assets are reviewed at each reporting date and reduced, 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.

#### VAT

Revenues, expenses and assets are recognized net of the amount of VAT, except:

- where the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables that are stated with the amount of tax included.

The net amount of tax recoverable from, or payable to, the taxation authority is included as part of "Prepaid expenses and other current assets" or "Accounts payable and accrued expenses" accounts in the consolidated statement of financial position.

#### Equity

Capital stock is classified as equity. Incremental costs directly attributable to the issuance of capital stock, if any, are recognized as a deduction from equity, net of any tax effects, if this can be absorbed by the excess of issue cost over par value. Otherwise, these are recognized in profit or loss.

Accumulated deficit includes accumulated results of operations as reported in the consolidated statement of comprehensive income.

#### EPS

Basic 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 and stock splits 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.

#### Provisions and Contingencies

A provision is a liability of uncertain timing or amount. It is recognized when the Group has a legal or constructive obligation as a result of a past event; when it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. The amount to be recognized as provision shall be the best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

When it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

Contingent assets are not recognized in the consolidated financial statements but are disclosed when the inflow of economic benefits is probable.

#### Events After the Reporting Period

The Group identifies post year-end events as events that occurred after the reporting date but before the date when the consolidated financial statements were authorized for issue. Any post year-end events that provide additional information about the Group's financial position or performance at the end of a reporting period (adjusting events) are recognized in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

#### New Standards, Amendments to Standards and Interpretations Not Yet Adopted

A number of new standards, amendments and interpretations are effective for annual periods beginning after January 1, 2017. However, the Group has not applied the following new or amended standards and interpretations in preparing these consolidated financial statements. The Group is currently assessing and has yet to reasonably estimate the impact of these, if any, on its consolidated financial statements.

#### *To be Adopted on January 1, 2018*

- **PFRS 9, *Financial Instruments (2014)*.** PFRS 9 (2014) replaces PAS 39, *Financial Instruments: Recognition and Measurement* and supersedes the previously published versions of PFRS 9 that introduced new classifications and measurement requirements (in 2009 and 2010) and a new hedge accounting model (in 2013). PFRS 9 includes revised guidance on the classification and measurement of financial assets, including a new expected credit loss model for calculating impairment, guidance on own credit risk on financial liabilities measured at fair value and supplements the new general hedge accounting requirements published in 2013. PFRS 9 incorporates new hedge accounting requirements that represent a major overhaul of hedge accounting and introduces significant improvements by aligning the accounting more closely with risk management. The Parent Company is still completing its assessment of the impact of PFRS 9 on its consolidated financial statements.
  
- **PFRS 15, *Revenue from Contracts with Customers*,** replaces PAS 11, *Construction Contracts*, PAS 18, *Revenue*, International Financial Reporting Interpretations Committee (IFRIC) 13, *Customer Loyalty Programmes*, IFRIC 18, *Transfer of Assets from Customers* and Standard Interpretations Committee-31, *Revenue - Barter Transactions Involving Advertising Services*. The new standard introduces a new revenue recognition model for contracts with customers which specifies that revenue should be recognized when (or as) a company transfers control of goods or services to a customer at the amount to which the company expects to be entitled. Depending on whether certain criteria are met, revenue is recognized over time, in a manner that best reflects the company's performance, or at a point in time, when control of the goods or services is transferred to the customer. The standard does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other PFRS. It also does not apply if two companies in the same line of business exchange non-monetary assets to facilitate sales to other parties. Furthermore, if a contract with a customer is partly in the scope of another PFRS, then the guidance on separation and measurement contained in the other PFRS takes precedence. The new standard is to be applied retrospectively.
  
- **Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration*.** The interpretation clarifies that the transaction date to be used for translation for foreign currency transactions involving an advance payment or receipt is the date on which the entity initially recognizes the prepayment or deferred income arising from the advance consideration. For transactions involving multiple payments or receipts, each payment or receipt gives rise to a separate transaction date. The interpretation applies when an entity pays or receives consideration in a foreign currency and recognizes a non-monetary asset or liability before recognizing the related item.

*To be Adopted on January 1, 2019*

- **FFRS 16, *Leases*, supersedes PAS 17, *Leases*, and the related Philippine Interpretations. The new standard introduces a single lease accounting model for lessees under which all major leases are recognized on-balance sheet, removing the lease classification test. Lease accounting for lessors essentially remains unchanged except for a number of details including the application of the new lease definition, new sale-and-leaseback guidance, new sub-lease guidance and new disclosure requirements. Practical expedients and targeted reliefs were introduced including an optional lessee exemption for short-term leases (leases with a term of twelve months or less) and low-value items, as well as the permission of portfolio-level accounting instead of applying the requirements to individual leases. New estimates and judgmental thresholds that affect the identification, classification and measurement of lease transactions, as well as requirements to reassess certain key estimates and judgments at each reporting date were introduced. The new standard is to be applied retrospectively.**
- **Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments* clarifies how to apply the recognition and measurement requirements in PAS 12, *Income Taxes* when there is uncertainty over income tax treatments. Under the interpretation, whether the amounts recorded in the consolidated financial statements will differ to that in the tax return, and whether the uncertainty is disclosed or reflected in the measurement, depends on whether it is probable that the tax authority will accept the Group's chosen tax treatment. If it is not probable that the tax authority will accept the Group's chosen tax treatment, the uncertainty is reflected using the measure that provides the better prediction of the resolution of the uncertainty - either the most likely amount or the expected value. The interpretation also requires the reassessment of judgements and estimates applied if facts and circumstances change - e.g., as a result of examination or action by tax authorities, following changes in tax rules or when a tax authority's right to challenge a treatment expires.**



R.G. Manabat & Co.  
The KPMG Center, 9/F  
6787 Ayala Avenue, Makati City  
Philippines 1226  
Telephone +63 (2) 885 7000  
Fax +63 (2) 894 1985  
Internet www.kpmg.com.ph  
Email ph-inquiry@kpmg.com.ph

**REPORT OF INDEPENDENT AUDITORS  
TO ACCOMPANY SUPPLEMENTARY INFORMATION FOR FILING  
WITH THE SECURITIES AND EXCHANGE COMMISSION**

The Board of Directors and Stockholders  
**Waterfront Philippines, Incorporated and Subsidiaries**  
No. 1 Waterfront Drive  
Off Salinas Drive, Lahug  
Cebu City, Cebu

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of Waterfront Philippines, Incorporated and Subsidiaries (the Group) as at and for the year ended December 31, 2017, included in this Form 17-A, on which we have rendered our report thereon dated April 25, 2018.

Our audit was made for the purpose of forming an opinion on the consolidated financial statements of the Group taken as a whole. The supplementary information included in the following accompanying additional components is the responsibility of the Group's management.

1. Schedule of Philippine Financial Reporting Standards and Interpretations (*Annex A*)
2. Map of Conglomerate (*Annex B*)
3. Supplementary Schedules of Annex 68-E (*Annex C*)



The above supplementary information is presented for purposes of complying with the Securities Regulation Code Rule 68, As Amended, and is not a required part of the consolidated financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole.

**R.G. MANABAT & CO.**

*Tireso Randy F. Lapidez*

**TIRESO RANDY F. LAPIDEZ**

**Partner**

**CPA License No. 0092183**

**SEC Accreditation No. 1472-A, Group A, valid until April 30, 2018**

**Tax Identification No. 162-411-175**

**BIR Accreditation No. 08-001987-34-2017**

**Issued September 4, 2017; valid until September 3, 2020**

**PTR No. 6615138MD**

**Issued January 3, 2018 at Makati City**

**April 25, 2018**

**Makati City, Metro Manila**

**WATERFRONT PHILIPPINES, INCORPORATED AND SUBSIDIARIES**  
**SUPPLEMENTARY SCHEDULE REQUIRED UNDER SECURITIES REGULATION CODE RULE 68,**  
**AS AMENDED**  
**Schedule of Philippine Financial Reporting Standards (PFRS) and Interpretations**  
**Effective as at December 31, 2017**

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary				✓
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			✓
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
	Annual Improvements to PFRSs 2009 – 2011 Cycle: First-time Adoption of Philippine Financial Reporting Standards – Repeated Application of PFRS 1			✓
	Annual Improvements to PFRSs 2009 – 2011 Cycle: Borrowing Cost Exemption			✓
	Annual Improvements to PFRSs 2011 – 2013 Cycle: PFRS version that a first-time adopter can apply			✓
	Annual Improvements to PFRSs 2014 – 2016 Cycle: Deletion of short-term exemptions for first-time adopters			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
	Annual Improvements to PFRSs 2010 – 2012 Cycle: Meaning of 'vesting condition'			✓
	Amendments to PFRS 2: Classification and Measurement of Share-based Payment Transactions			✓
PFRS 3 (Revised)	Business Combinations			✓
	Annual Improvements to PFRSs 2010 – 2012 Cycle: Classification and measurement of contingent consideration			✓
	Annual Improvements to PFRSs 2011 – 2013 Cycle: Scope exclusion for the formation of joint arrangements			✓
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PFRS 4: Applying PFRS 9, Financial Instruments with PFRS 4, Insurance Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
	Operations			
	Annual Improvements to PFRSs 2012 – 2014 Cycle: Changes in method for disposal			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Transition			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition			✓
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets			✓
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures			✓
	Annual Improvements to PFRSs 2012 – 2014 Cycle: 'Continuing involvement' for servicing contracts	✓		
	Annual Improvements to PFRSs 2012 – 2014 Cycle: Offsetting disclosures in condensed interim financial statements			✓
PFRS 8	Operating Segments	✓		
	Annual Improvements to PFRSs 2010 – 2012 Cycle: Disclosures on the aggregation of operating segments	✓		
PFRS 9	Financial Instruments (2014)	✓		
	Amendments to PFRS 9: Prepayment Features with Negative Compensation			✓
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10, PFRS 11, and PFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance			✓
	Amendments to PFRS 10, PFRS 12, and PAS 27 (2011): Investment Entities			✓
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture			✓
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities: Applying the Consolidation Exception			✓
PFRS 11	Joint Arrangements			✓
	Amendments to PFRS 10, PFRS 11, and PFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance			✓
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations			✓
PFRS 12	Disclosure of Interests in Other Entities			✓
	Amendments to PFRS 10, PFRS 11, and PFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance			✓
	Amendments to PFRS 10, PFRS 12, and PAS 27 (2011):			✓



PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
	Investment Entities			
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities: Applying the Consolidation Exception			✓
	Annual Improvements to PFRSs 2014 – 2016 Cycle: Clarification of the scope of the standard			✓
PFRS 13	Fair Value Measurement	✓		
	Annual Improvements to PFRSs 2010 – 2012 Cycle: Measurement of short-term receivables and payables	✓		
	Annual Improvements to PFRSs 2011 – 2013 Cycle: Scope of portfolio exception	✓		
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers	✓		
PFRS 16	Leases	✓		
<b>Philippine Accounting Standards</b>				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Annual Improvements to PFRSs 2009 – 2011 Cycle: Presentation of Financial Statements – Comparative Information beyond Minimum Requirements			✓
	Annual Improvements to PFRSs 2009 – 2011 Cycle: Presentation of the Opening Statement of Financial Position and Related Notes			✓
	Amendments to PAS 1: Disclosure Initiative	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
	Amendments to PAS 7: Disclosure Initiative	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 12: Deferred Tax: Recovery of Underlying Assets	✓		
	Amendments to PAS 12: Recognition of Deferred Tax Assets for Unrealized Losses	✓		
PAS 16	Property, Plant and Equipment	✓		
	Annual Improvements to PFRSs 2009 – 2011 Cycle: Property, Plant and Equipment – Classification of Servicing Equipment	✓		
	Annual Improvements to PFRSs 2010 – 2012 Cycle: Restatement of accumulated depreciation (amortization) on revaluation (Amendments to PAS 16 and PAS 38)	✓		
	Amendments to PAS 16 and PAS 38: Clarification of	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
	Acceptable Methods of Depreciation and Amortization			
	Amendments to PAS 16 and PAS 41: Agriculture: Bearer Plants			✓
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Amended)	Employee Benefits	✓		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contributions	✓		
	Annual Improvements to PFRSs 2012 – 2014 Cycle: Discount rate in a regional market sharing the same currency – e.g. the Eurozone			✓
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs			✓
PAS 24 (Revised)	Related Party Disclosures	✓		
	Annual Improvements to PFRSs 2010 – 2012 Cycle: Definition of 'related party'	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Amended)	Separate Financial Statements	✓		
	Amendments to PFRS 10, PFRS 12, and PAS 27 (2011): Investment Entities			✓
	Amendments to PAS 27: Equity Method in Separate Financial Statements			✓
PAS 28 (Amended)	Investments in Associates and Joint Ventures			✓
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture			✓
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities: Applying the Consolidation Exception			✓
	Annual Improvements to PFRSs 2014 – 2016 Cycle: Measuring an associate or joint venture at fair value			✓
	Amendments to PAS 28: Long-term Interests in Associates and Joint Ventures			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
	Annual Improvements to PFRSs 2009 – 2011 Cycle: Financial Instruments Presentation – Income Tax Consequences of Distributions			✓
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
	Annual Improvements to PFRSs 2009 – 2011 Cycle: Interim Financial Reporting – Segment Assets and Liabilities			✓
	Annual Improvements to PFRSs 2012 – 2014 Cycle: Disclosure of information "elsewhere in the interim financial report"			✓
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets			✓
	Annual Improvements to PFRSs 2010 – 2012 Cycle: Restatement of accumulated depreciation (amortization) on revaluation (Amendments to PAS 16 and PAS 38)			✓
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization			✓
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition	✓		
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
	Amendment to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✓
PAS 40	Investment Property			✓
	Annual Improvements to PFRSs 2011 – 2013 Cycle: Inter-relationship of PFRS 3 and PAS 40 (Amendment to PAS 40)			✓
	Amendments to PAS 40: Transfers of Investment Property			✓
PAS 41	Agriculture			✓
	Amendments to PAS 16 and PAS 41: Agriculture: Bearer Plants			✓
<b>Philippine Interpretations</b>				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
	Reporting in Hyperinflationary Economies			
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
IFRIC 10	Interim Financial Reporting and Impairment			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies			✓
IFRIC 22	Foreign Currency Transactions and Advance Consideration	✓		
IFRIC 23	Uncertainty over Income Tax Treatments	✓		
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-15	Operating Leases - Incentives	✓		
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures.			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓
<b>Philippine Interpretations Committee Questions and Answers</b>				
PIC Q&A 2006-01	PAS 18, Appendix, paragraph 9 – Revenue recognition for sales of property units under pre-completion contracts			✓
PIC Q&A 2006-02	PAS 27.10(d) – Clarification of criteria for exemption from presenting consolidated financial statements			✓
PIC Q&A 2007-01-Revised	PAS 1.103(a) – Basis of preparation of financial statements if an entity has not applied PFRSs in full			✓
PIC Q&A 2007-02	PAS 20.24.37 and PAS 39.43 - Accounting for government loans with low interest rates [see PIC Q&A No. 2008-02]			✓
PIC Q&A 2007-03	PAS 40.27 – Valuation of bank real and other properties acquired (ROPA)			✓
PIC Q&A 2007-04	PAS 101.7 – Application of criteria for a qualifying NPAAE			✓
PIC Q&A 2008-01-Revised	PAS 19.78 – Rate used in discounting post-employment benefit obligations	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
PIC Q&A 2008-02	PAS 20.43 – Accounting for government loans with low interest rates under the amendments to PAS 20			✓
PIC Q&A 2009-01	Framework.23 and PAS 1.23 – Financial statements prepared on a basis other than going concern			✓
PIC Q&A 2009-02	PAS 39.AG71-72 – Rate used in determining the fair value of government securities in the Philippines			✓
PIC Q&A 2010-01	PAS 39.AG71-72 – Rate used in determining the fair value of government securities in the Philippines			✓
PIC Q&A 2010-02	PAS 1R.16 – Basis of preparation of financial statements	✓		
PIC Q&A 2010-03	PAS 1 Presentation of Financial Statements – Current/non-current classification of a callable term loan			✓
PIC Q&A 2011-01	PAS 1.10(f) – Requirements for a Third Statement of Financial Position			✓
PIC Q&A 2011-02	PFRS 3.2 – Common Control Business Combinations			✓
PIC Q&A 2011-03	Accounting for Inter-company Loans	✓		
PIC Q&A 2011-04	PAS 32.37-38 – Costs of Public Offering of Shares			✓
PIC Q&A 2011-05	PFRS 1.D1-D8 – Fair Value or Revaluation as Deemed Cost			✓
PIC Q&A 2011-06	PFRS 3, Business Combinations (2008), and PAS 40, Investment Property – Acquisition of Investment properties – asset acquisition or business combination?			✓
PIC Q&A 2012-01	PFRS 3.2 – Application of the Pooling of Interests Method for Business Combinations of Entities Under Common Control in Consolidated Financial Statements			✓
PIC Q&A 2012-02	Cost of a New Building Constructed on the Site of a Previous Building			✓
PIC Q&A 2013-01	Applicability of SMEIG Final Q&As on the Application of IFRS for SMEs to Philippine SMEs			✓
PIC Q&A 2013-02	Conforming Changes to PIC Q&As - Cycle 2013			✓
PIC Q&A 2013-03 (Revised)	PAS 19 – Accounting for Employee Benefits under a Defined Contribution Plan subject to Requirements of Republic Act (RA) 7641, The Philippine Retirement Law	✓		
PIC Q&A 2015-01	Conforming Changes to PIC Q&As - Cycle 2015			✓
PIC Q&A 2016-01	Conforming Changes to PIC Q&As - Cycle 2016			✓
PIC Q&A 2016-02	PAS 32 and PAS 38 - Accounting Treatment of Club Shares Held by an Entity			✓
PIC Q&A 2016-04	Application of PFRS 15 "Revenue from Contracts with Customers" on Sale of Residential Properties under Pre-Completion Contracts			✓
PIC Q&A 2017-01	Conforming Changes to PIC Q&As - Cycle 2017			✓
PIC Q&A 2017-02	PAS 2 and PAS 16 - Capitalization of operating lease cost as part of construction costs of a building			✓
PIC Q&A 2017-03	PAS 28 - Elimination of profits and losses resulting from transactions between associates and/or joint ventures			✓
PIC Q&A	PAS 24 - Related party relationships between parents,	✓		



PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
2017-04	subsidiary, associate and non-controlling shareholder			
PIC Q&A 2017-05	PFRS 7 – Frequently asked questions on the disclosure requirements of financial instruments under PFRS 7, Financial Instruments: Disclosures			✓
PIC Q&A 2017-06	PAS 2, 16 and 40 – Accounting for Collector's Items			✓
PIC Q&A 2017-07	PFRS 10 – Accounting for reciprocal holdings in associates and joint ventures			✓
PIC Q&A 2017-08	PFRS 10 – Requirement to prepare consolidated financial statements where an entity disposes of its single investment in a subsidiary, associate or joint venture			✓
PIC Q&A 2017-09	PAS 17 and Philippine Interpretation SIC-15 - Accounting for payments between and among lessors and lessees	✓		
PIC Q&A 2017-10	PAS 40 - Separation of property and classification as investment property			✓
PIC Q&A 2017-11	PFRS 10 and PAS 32 - Transaction costs incurred to acquire outstanding non-controlling interest or to sell non-controlling interest without a loss of control			✓
PIC Q&A 2017-12	Subsequent Treatment of Equity Component Arising from Intercompany Loans			✓
PIC Q&A 2018-01	Voluntary changes in accounting policy			✓
PIC Q&A 2018-02	Non-controlling interests and goodwill impairment test			✓
PIC Q&A 2018-03	Fair value of PPE and depreciated replacement cost	✓		
PIC Q&A 2018-04	Inability to measure fair value reliably for biological assets within the scope of PAS 41			✓
PIC Q&A 2018-05	Maintenance requirement of an asset held under lease			✓
PIC Q&A 2018-06	Cost of investment in subsidiaries in SFS when pooling is applied			✓
PIC Q&A 2018-07	Cost of an associate, joint venture, or subsidiary in separate financial statements			✓
PIC Q&A 2018-08	Accounting for the acquisition of non-wholly owned subsidiary that is not a business			✓
PIC Q&A 2018-09	Classification of deposits and progress payments as monetary or non-monetary items			✓
PIC Q&A 2018-10	Scope of disclosure of inventory write-down			✓

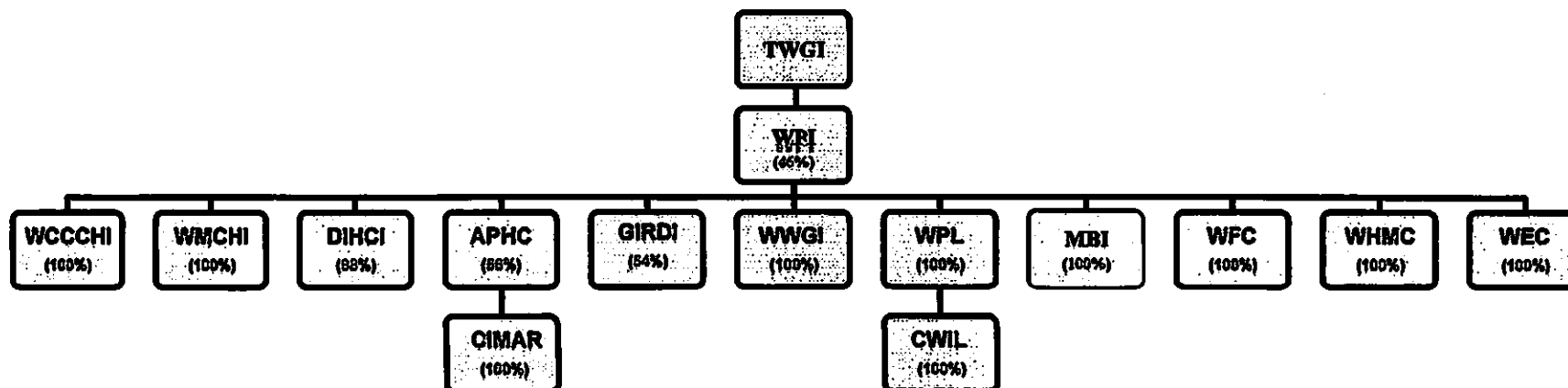
**Legend:**

**Adopted** – means a particular standard or interpretation is relevant to the operations of the entity (even if it has no effect or no material effect on the financial statements), for which there may be a related particular accounting policy made in the financial statements and/or there are current transactions the amounts or balances of which are disclosed on the face or in the notes of the financial statements.

**Not Adopted** – means a particular standard or interpretation is effective but the entity did not adopt it due to either of these two reasons: 1) The entity has deviated or departed from the requirements of such standard or interpretation, or 2) The standard provides for an option to early adopt it but the entity decided otherwise.

**Not Applicable** – means the standard or interpretation is not relevant at all to the operations of the entity.

**WATERFRONT PHILIPPINES, INCORPORATED AND SUBSIDIARIES  
 SUPPLEMENTARY SCHEDULE REQUIRED UNDER SRC RULE 68, AS AMENDED  
 Map of Conglomerate  
 December 31, 2017**



**LEGEND:**

- TWGI - The Wellex Group, Inc.
- WPI - Waterfront Philippines, Incorporated
- WCCCHI - Waterfront Cebu City Casino Hotel, Incorporated
- WMCHI - Waterfront Mactan Casino Hotel, Incorporated
- DIHCI - Davao Insular Hotel Company, Inc.
- APHC - Acesite (Phils.) Hotel Corporation
- CIMAR - CIMA Realty Philippines, Inc.
- GIRDJ - Grand Ilocandia Resort and Development, Inc.
- WWGI - Waterfront Wellness Group, Inc. (formerly W Citigyms & Wellness, Inc.)
- WPL - Waterfront Promotions Limited
- CWIL - Club Waterfront International Limited
- MBI - Mayo Bonanza, Inc.
- WFC - Waterfront Food Concepts
- WHMC - Waterfront Hotel Management Corp. (formerly Waterfront Management Corporation)
- WEC - Waterfront Entertainment Corporation

**WATERFRONT PHILIPPINES, INCORPORATED AND SUBSIDIARIES**

**Table of Contents**

**Supplementary Schedules of Annex 68-E  
Required Under Securities Regulations Code Rule 68, As Amended (2011)  
December 31, 2017**

	<u>Page</u>
A. Financial Assets	<u>2</u>
B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)	<u>3</u>
C. Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements	<u>4</u>
D. Intangible Assets - Other Assets - <i>(nothing to report)</i>	<u>5</u>
E. Long-term Debt	<u>6</u>
F. Indebtedness to Related Parties - <i>(nothing to report)</i>	<u>7</u>
G. Guarantees of Securities of Other Issuers - <i>(nothing to report)</i>	<u>8</u>
H. Capital Stock	<u>9</u>



**WATERFRONT PHILIPPINES, INCORPORATED AND SUBSIDIARIES**  
**SCHEDULE A - FINANCIAL ASSETS**  
**DECEMBER 31, 2017**  
(Amounts in thousands)

<b>Name of Issuing Entity/Description of Each Issue</b>	<b>Number of shares or Principal Amount of Bonds and Notes</b>	<b>Amount Shown in the Statements of Financial Position</b>	<b>Value Based on Market Quotations at December 31, 2017</b>	<b>Income Received and Accrued</b>
<b>Loans and receivables</b>				
Due from The Wellex Group, Inc.	-	P882,189	P882,189	P13,000
Due from Pacific Rehouse Corp.	-	541,781	541,781	10,623
Due from Crisanta Realty Development Corp.	-	362,858	362,858	7,465
Due from Philippine Estate Corp.	-	104,554	104,554	-
Due from Others	-	58,666	58,666	-
Cash on hand	-	3,072	3,072	-
Various banks	-	355,218	355,218	1,902
Receivables from various customers	-	216,029	216,029	-
Other receivables	-	12,332	12,332	-
Notes receivable	195,007	195,007	195,007	-
Refundable deposits	-	23,019	23,019	-
Available-for-sale investment	86,710	15,955	15,955	-
		<b>P2,770,680</b>	<b>P2,770,680</b>	<b>P32,990</b>

See Notes 4, 5, 7, 8 and 10 to the Consolidated Financial Statements.

**WATERFRONT PHILIPPINES, INCORPORATED AND SUBSIDIARIES**  
**SCHEDULE B - AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS,**  
**EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (Other than Related Parties)**  
**DECEMBER 31, 2017**  
**(Amounts in thousands)**

Name and Designation of Debtor	Balance at beginning of the period	Additions	Amounts collected	Amounts written off	Current	Noncurrent	Balance at end of the period
The Wellex Group, Inc.	P861,550	P46,127	P25,488	P -	P882,189	P -	P882,189
Pacific Rehouse Corp.	531,158	10,623	-	-	541,781	-	541,781
Crisanta Realty Development Corp.	347,662	15,196	-	-	14,930	347,928	362,858
Philippine Estate Corp.	92,054	12,500	-	-	104,554	-	104,554
Acesite Leisure Entertainment Corporation	-	195,007	-	-	195,007	-	195,007

See Note 8 to the Consolidated Financial Statements.

**WATERFRONT PHILIPPINES, INCORPORATED AND SUBSIDIARIES**  
**SCHEDULE C - AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED**  
**DURING CONSOLIDATION OF FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

<b>Name and Designation of Debtor</b>	<b>Balance at beginning of the period</b>	<b>Additions</b>	<b>Amounts collected</b>	<b>Amounts written off</b>	<b>Current</b>	<b>Noncurrent</b>	<b>Balance at end of the period</b>
<b>Waterfront Cebu City Casino Hotel, Incorporated</b>	<b>P1,510,820,507</b>	<b>P -</b>	<b>P199,973,327</b>	<b>P -</b>	<b>P1,310,847,180</b>	<b>P -</b>	<b>P1,310,847,180</b>
<b>Waterfront Hotel Management Corp.</b>	<b>-</b>	<b>72,040</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Mayo Bonanza, Inc.</b>	<b>-</b>	<b>343,547</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Waterfront Wellness Group, Inc.</b>	<b>-</b>	<b>165,453</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Waterfront Food Concepts, Inc.</b>	<b>-</b>	<b>166,373</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Davao Insular Hotel Company, Inc.</b>	<b>(5,425,438)</b>	<b>1,745,863</b>	<b>5,425,438</b>	<b>-</b>	<b>1,745,863</b>	<b>-</b>	<b>1,745,863</b>
<b>Acesite (Phils.) Hotel Corp.</b>	<b>-</b>	<b>123,072</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>123,072</b>

**WATERFRONT PHILIPPINES, INCORPORATED AND SUBSIDIARIES**  
**SCHEDULE D - INTANGIBLE ASSETS - OTHER ASSETS**  
**DECEMBER 31, 2017**

<u>Description</u>	<u>Beginning balance</u>	<u>Additions at cost</u>	<u>Charged to cost and expenses</u>	<u>Charged to other accounts</u>	<u>Other charges, additions (deductions)</u>	<u>Ending Balance</u>
	P-	P-	P-	P-	P-	P-
	-	-	-	-	-	-
	P-	P-	P-	P-	P-	P-

**Nothing to report**

**WATERFRONT PHILIPPINES, INCORPORATED AND SUBSIDIARIES**  
**SCHEDULE E - LONG-TERM DEBT**  
**DECEMBER 31, 2017**

<u>Title of Issue and Type of Obligation</u>	<u>Amount authorized by indenture</u>	<u>Amount shown under caption "Current portion of long-term debt" in related balance sheet</u>	<u>Amount shown under caption "Long-Term Debt" in related balance sheet</u>
<u>Social Security System Loans Payable</u>	<u>P375,000,000</u>	<u>P375,000,000</u>	<u>P -</u>

See Note 13 to the Consolidated Financial Statements.

**WATERFRONT PHILIPPINES, INCORPORATED AND SUBSIDIARIES**  
**SCHEDULE F - INDEBTEDNESS TO RELATED PARTIES**  
**DECEMBER 31, 2017**

<u>Name of Affiliates</u>	<u>Balance at beginning of period</u>	<u>Balance at end of period</u>

**Nothing to report**

**WATERFRONT PHILIPPINES, INCORPORATED AND SUBSIDIARIES**  
**SCHEDULE G - GUARANTEES OF SECURITIES OF OTHER ISSUERS**  
**DECEMBER 31, 2017**

<u>Name of issuing entity of securities guaranteed by the company for which this statement is filed</u>	<u>Title of issue of each class of securities guaranteed</u>	<u>Total amount guaranteed and outstanding</u>	<u>Amount owned by person for which statement is filed</u>	<u>Nature of guarantee</u>

**Nothing to report**

**WATERFRONT PHILIPPINES, INCORPORATED AND SUBSIDIARIES**  
**SCHEDULE H - CAPITAL STOCK**  
**DECEMBER 31, 2017**

<u>Description</u>	<u>Number of Shares authorized</u>	<u>Number of shares issued and outstanding</u>	<u>Treasury Shares</u>	<u>Number of shares held by affiliates</u>	<u>Directors, officers and employees</u>	<u>Others</u>
<u>Common shares</u>	<u>5,000,000,000</u>	<u>2,498,991,753</u>	<u>-</u>	<u>1,128,466,800</u>	<u>41,790,430</u>	<u>1,328,734,523</u>

See Note 16 to the Consolidated Financial Statements.



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  
Contact Person

(02) 559-0130  
Company Telephone Number

1 2 3 1

Month Day

SEC 17-Q1

FORM TYPE

0 9 2 3

Month Day  
Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

452  
Total No. of Stockholders

Total Amount of Borrowings  
Domestic Foreign

To be accomplished by SEC Personnel concerned

File Number

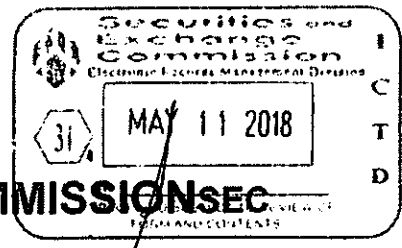
LCU

Document I.D.

Cashier

STAMPS

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

March 31, 2018

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?

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)

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

**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 'March 31, 2018

Currency (indicate units, if applicable) PESO

### Balance Sheet

	Period Ended March 31, 2018	Calendar Year Ended (Audited) Dec 31, 2017
<b>Current Assets</b>	4,946,985,163	2,502,900,348
<b>Total Assets</b>	10,843,613,472	9,352,809,593
<b>Current Liabilities</b>	2,110,788,267	1,929,206,522

<b>Total Liabilities</b>	4,730,080,044	3,335,294,986
<b>Retained Earnings/(Deficit)</b>	(285,209,723)	(404,632,514)
<b>Stockholders' Equity</b>	6,113,533,428	6,017,514,607
<b>Stockholders' Equity - Parent</b>	5,269,556,059	5,150,133,268
<b>Book Value per Share</b>	2.11	2.06

### Income Statement

	Current Year (3 Months)	Previous Year (3 Months)	Current Year-To-Date	Previous Year-To-Date
<b>Operating Revenue</b>	509,026,988	548,525,311	509,026,988	548,525,311
<b>Other Revenue</b>	7,769,084	7,760,328	7,769,084	7,760,328
<b>Gross Revenue</b>	516,796,072	556,285,639	516,796,072	556,285,639
<b>Operating Expense</b>	350,036,628	326,454,290	350,036,628	326,454,290
<b>Other Expense</b>	67,188,197	73,572,293	67,188,197	73,572,293
<b>Gross Expense</b>	417,224,825	400,026,583	417,224,825	400,026,583
<b>Net Income/(Loss) Before Tax</b>	99,571,248	156,259,056	99,571,248	156,259,056
<b>Income Tax Expense</b>	0.00	0.00	0.00	0.00
<b>Net Income/(Loss) After Tax</b>	99,571,248	156,259,056	99,571,248	156,259,056
<b>Net Income Attributable to Parent Equity Holder</b>	119,422,790	140,663,693	119,422,790	140,663,693
<b>Earnings/(Loss) Per Share (Basic)</b>	0.048	0.056	0.048	0.056
<b>Earnings/(Loss) Per Share (Diluted)</b>	0.048	0.056	0.048	0.056

	Current Year (Trailing 12 months)	Previous Year (Trailing 12 months)
Earnings/(Loss) Per Share (Basic)	0.029	0.157
Earnings/(Loss) Per Share (Diluted)	0.029	0.157

### Financial Ratios

	Formula	Current Year March 31, 2018	Previous Year March 31, 2017
<b>Liquidity Analysis Ratios:</b>			
Current Ratio or Working Capital Ratio	Current Assets / Current Liabilities	2.34	1.38
Quick Ratio	(Current Assets - Inventory - Prepayments) / Current Liabilities	2.29	1.32
Solvency Ratio	Total Assets / Total Liabilities	2.29	2.89
<b>Financial Leverage Ratios</b>			
Debt Ratio	Total Debt / Total Assets	0.44	0.35
Debt-to-Equity Ratio	Total Debt / Total Stockholders' Equity	0.77	0.53
Interest Coverage	Earnings Before Interest and Taxes (EBIT) / Interest Charges	4.59	6.07
Asset to Equity Ratio	Total Assets / Total Stockholders' Equity	1.77	1.53
<b>Profitability Ratios</b>			
Gross Profit Margin	Sales - Cost of Goods Sold or Cost of service / Sales	0.32	0.41
Net Profit Margin	Net Profit / Sales	0.19	0.28
Return on Assets	Net Income / Total Assets	0.01	0.02
Return on Equity	Net Income / Total Stockholders' Equity	0.02	0.03
Price / Earnings Ratio	Price Per Share / Earnings Per Common Share	0.048	0.056

**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

05/11/2018

Principal Financial/Accounting Officer/Controller Precilla O. Toriano

Signature and Title

  
Compliance Officer/Corporate Director of Finance

Date

05/11/2018

**WATERFRONT PHILIPPINES, INCORPORATED AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
As of March 31, 2018

Annex A  
Page 1 of 4

	Unaudited March 31, 2018	Unaudited March 31, 2017	Audited December 31, 2017
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	539,835,886	389,470,968	345,929,975
Receivables - net	361,925,584	300,537,689	228,360,959
Notes receivable	115,142,975	-	195,007,214
Insurance receivable	921,117,922	-	-
Inventories	28,332,004	27,374,029	33,918,796
Due from related parties - current portion	2,905,698,980	1,557,170,284	1,602,120,064
Prepaid expenses and other current assets	74,931,812	78,190,535	97,563,340
<b>Total Current Assets</b>	<b>4,946,985,163</b>	<b>2,352,743,505</b>	<b>2,502,900,348</b>
<b>Noncurrent Assets</b>			
Receivables from Acesite Limited (BVI)	-	-	-
Due from related parties - noncurrent portion	347,927,681	373,253,414	347,927,681
Goodwill	-	-	-
Property and equipment - net	5,436,846,006	6,372,199,167	6,390,497,964
Available-for-sale (AFS) investments	15,954,640	16,821,740	15,954,640
Deferred tax assets	56,587,520	17,307,895	64,994,497
Other noncurrent assets	39,312,462	22,335,215	30,534,463
<b>Total Noncurrent Assets</b>	<b>5,896,628,309</b>	<b>6,801,917,431</b>	<b>6,849,909,245</b>
	<b>10,843,613,472</b>	<b>9,154,660,936</b>	<b>9,352,809,593</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Accounts payable and accrued expenses	1,341,113,179	1,239,742,094	1,468,215,052
Loans payable - current portion	375,000,000	375,000,000	375,000,000
Income tax payable	-	232,052	70,613,726
Contract payable	-	-	-
Provisions	72,289,344	-	-
Other current liabilities	322,385,744	86,123,748	15,377,744
<b>Total Current Liabilities</b>	<b>2,110,788,267</b>	<b>1,701,097,894</b>	<b>1,929,206,522</b>
<b>Noncurrent Liabilities</b>			
Loans payable - noncurrent portion	-	-	-
Deferred tax liabilities	1,253,651,944	1,328,142,563	1,275,069,230
Retirement benefits liability	120,683,712	87,381,363	124,481,905
Other noncurrent liabilities	1,244,956,121	49,937,196	6,537,329
<b>Total Noncurrent Liabilities</b>	<b>2,619,291,777</b>	<b>1,465,461,122</b>	<b>1,406,088,464</b>
<b>Total Liabilities</b>	<b>4,730,080,044</b>	<b>3,166,559,016</b>	<b>3,335,294,986</b>
<b>Equity Attributable to Equity Holders of the Parent Company</b>			
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	2,211,108,991	2,349,524,496	2,211,108,991
Foreign currency translation adjustment	52,542,000	41,686,179	52,542,000
Fair value reserve	2,063,223	2,683,245	2,063,223
Retirement benefits reserve	83,695,458	102,082,569	83,695,458
Deficit:			
Appropriated	-	-	-
Unappropriated	(285,209,723)	(620,321,974)	(404,632,514)
<b>Total Equity Attributable to Equity Holders of the Parent Company</b>	<b>5,269,556,059</b>	<b>5,081,010,625</b>	<b>5,150,133,268</b>
<b>Non-controlling interest</b>	<b>843,977,369</b>	<b>907,091,295</b>	<b>867,381,339</b>
	<b>10,843,613,472</b>	<b>9,154,660,936</b>	<b>9,352,809,593</b>

See Notes to the Consolidated Financial Statement.



**WATERFRONT PHILIPPINES, INCORPORATED AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**As of March 31, 2018**

**Annex A**  
**Page 2 of 4**

	Unaudited	Unaudited	Audited
	March 31, 2018	March 31, 2017	December 31, 2017
<b>REVENUES</b>			
Hotel	500,760,515.34	542,927,160	2,057,910,622.60
Nonhotel	8,266,473	5,598,151	
Interest and other income	7,769,084	7,760,328	47,021,801
	<b>516,796,072</b>	<b>556,285,639</b>	<b>2,104,932,423</b>
<b>COSTS AND EXPENSES</b>			
Cost of sales			
Hotel	339,114,597	316,925,285	1,005,632,603
Nonhotel	10,922,031	9,529,005	415,150,260
	<b>350,036,628</b>	<b>326,454,290</b>	<b>1,420,782,863</b>
	<b>166,759,445</b>	<b>229,831,349</b>	<b>684,149,560</b>
<b>OTHER EXPENSES (INCOME)</b>			
Depreciation and amortization	49,379,447	51,463,327	355,307,819
Interest expense	17,808,750	22,117,107	60,222,509
Penalties and other charges	-	-	-
Impairment losses, bad debts written off and provisions	-	-	632,751
Loss on sale on Acesite shares	-	-	-
Interest income	-	-	(42,276,067)
Foreign exchange losses (gains) - net	-	(8,141)	10,365,853
Others - net	-	-	714,766
	<b>67,188,197</b>	<b>73,572,293</b>	<b>384,967,631</b>
<b>INCOME/(LOSS) BEFORE INCOME TAX</b>	<b>99,571,248</b>	<b>156,259,056</b>	<b>299,181,929</b>
<b>INCOME TAX EXPENSE (BENEFIT)</b>	<b>-</b>	<b>-</b>	<b>100,448,728</b>
<b>NET INCOME (LOSS)</b>	<b>99,571,248</b>	<b>156,259,056</b>	<b>198,733,201</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
Appraisal on increase on property and equipment	-	-	-
Foreign currency translation differences for foreign operations	-	-	10,855,821
Actuarial gains on defined benefit plan	-	-	(36,534,724)
Net change in fair value of AFS investment	-	-	(867,100)
Deferred tax effect	-	-	10,960,417
	<b>-</b>	<b>-</b>	<b>(15,585,586)</b>
<b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>	<b>99,571,248</b>	<b>156,259,056</b>	<b>183,147,615</b>

**WATERFRONT PHILIPPINES, INCORPORATED AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**As of March 31, 2018**

Annex A  
Page 3 of 4

	Unaudited March 31, 2018	Unaudited March 31, 2017	Audited December 31, 2017
<b>EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY</b>			
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	2,211,108,991	2,349,524,496	2,349,524,496
Other comprehensive income - net of income tax effect	-	-	-
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	-	-	(138,415,505)
Balance at end of year	2,211,108,991	2,349,524,496	2,211,108,991
Unrealized Valuation Gains (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	52,542,000	41,686,179	41,686,179
Other comprehensive income - net of income tax effect	-	-	10,855,821
Balance at end of year	52,542,000	41,686,179	52,542,000
Deficit			
Appropriation for renovation and business expansion	-	-	-
Unappropriated			
Balance at beginning of year	(404,632,514)	(760,985,667)	(760,985,667)
Transfer of revaluation surplus absorbed through depreciation for the year - net of income tax effect	-	-	138,415,505
Change in retirement benefits reserve	-	-	-
Net income for the year	319,422,791	140,663,693	217,937,648
Balance at end of year	(88,209,723)	(620,321,974)	(404,632,514)
Total deficit	(88,209,723)	(620,321,974)	(404,632,514)
Fair value reserve, beginning of the year	2,063,223	2,683,245	2,683,245
Other comprehensive income-net tax effect	-	-	(620,022)
Total fair value reserve	2,063,223	2,683,245	2,063,223
Retirement benefits reserve, beginning of the year	83,695,458	102,082,569	102,082,569
Other comprehensive income-net tax effect	-	-	(18,387,111)
Total retirement benefits reserve	83,695,458	102,082,569	83,695,458
	5,269,586,059	5,081,010,625	5,150,133,268

**WATERFRONT PHILIPPINES, INCORPORATED AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
As of March 31, 2018

Annex A  
Page 4 of 4

	Unaudited March 31, 2018	Unaudited March 31, 2017	Audited December 31, 2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Loss before income tax	99,571,249	156,259,057	299,181,929
Adjustments for:			
Depreciation and amortization	49,379,447	51,463,327	355,307,819
Interest expense	17,808,750	22,117,107	60,222,509
Loss on sale on asset shares	-	-	-
Retirement benefit costs	(3,798,193)	(11,136,502)	21,196,913
Provisions	(72,289,344)	-	-
Unrealized foreign exchange loss (gain)	-	(8,141)	10,855,821
Penalties and other charges	-	-	-
Loss (gain) on disposal of property and equipment	-	-	-
Impairment losses	-	-	632,751
Interest income	(7,769,084)	-	(42,276,067)
Operating income before working capital changes	81,902,825	218,694,848	705,121,675
Decrease (increase) in:			
Receivables	(974,818,308)	(65,090,542)	6,453,437
Inventories	5,586,792	813,075	(5,731,692)
Prepaid expenses and other current assets	22,631,528	12,212,430	(7,160,375)
Increase (decrease) in:			
Accounts payable and accrued expenses	127,101,873	118,631,938	49,626,652
Other current liabilities	(176,868,559)	(60,479,564)	(10,266,440)
Cash generated from operations	(913,463,849)	224,782,185	738,043,257
Interest received	7,769,084	-	1,902,783
Income taxes paid	(70,613,726)	(69,323,570)	(176,585,272)
Retirement plan contributions paid	-	-	(21,450,000)
Benefits paid	-	-	(10,317,597)
Interest paid	(17,808,750)	(22,117,107)	-
Net cash provided by operating activities	(994,117,241)	133,341,508	531,593,171
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisitions of property and equipment	904,272,511	161,366,356	-
Investment in a subsidiary	-	-	-
Due from related parties	(1,303,578,916)	(52,326,458)	(31,577,221)
Proceeds from sale of an equity interest in subsidiary	-	-	-
Proceeds from sale of property and equipment	-	-	(160,776,933)
Notes Receivable	79,864,239	-	(195,007,214)
Increase in other noncurrent assets	290,463,812	(89,391,590)	(2,556,351)
Net cash used in investing activities	(28,978,354)	19,648,308	(389,917,719)
<i>Forward</i>			
	<b>Years Ended December 31</b>		
	September 30, 2017	March 31, 2017	December 31, 2017
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
(Increase) Decrease in loans payable	-	-	-
(Increase) Decrease in due from related parties	-	-	-
Increase (decrease) in other noncurrent liabilities	1,217,001,506	32,185,999	(40,630)
Payment of obligation under finance lease	-	-	-
Net cash provided by (used in) financing activities	1,217,001,506	32,185,999	(40,630)
<b>INCREASE (DECREASE) IN TRANSLATION ADJUSTMENT FOR THE YEAR</b>			
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	193,905,911	185,175,815	141,634,822
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	345,929,975	204,295,153	204,295,153
CASH AND CASH EQUIVALENTS AT END OF YEAR	539,835,886	389,470,968	345,929,975

**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
<b>Hotels and Resorts</b>		
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	-
<b>Real Estate</b>		
CIMA Realty Phil., Inc. (CIMAR)	-	56*
<b>Fitness Gym</b>		
Waterfront Wellness Group, Inc. (WWGI)	100	-
<b>International Marketing and Promotion of Casinos</b>		
WPL	100	-
Mayo Bonanza, Inc. (MBI)	100	-
CWIL (through direct ownership in WPL)	-	100
Waterfront Entertainment Corporation (WEC)	100	-
<b>Pastries Manufacturing</b>		
Waterfront Food Concepts Inc. (WFC)	100	-
<b>Hotel Management and Operation</b>		
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 4,000 people. 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 20<sup>th</sup> 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 (Phila.) 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 El Rey (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 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:

	March 2018	March 2017
Trade	138,763,006	176,959,069
Others	244,746,492	145,889,748
	<b>383,509,498</b>	<b>322,848,817</b>
Less allowance for doubtful accounts	-21,583,914	-22,311,128
<b>Total</b>	<b>361,925,584</b>	<b>300,537,689</b>

**3. Inventories**

This account consists of:

	March 2018	March 2017
Food and Beverage	13,449,833	9,618,500
Operating Supplies	11,056,623	16,411,609
Others	3,825,548	1,343,920
<b>Total</b>	<b>28,332,004</b>	<b>27,374,029</b>

**4. Related Party Transactions**

In 2018, 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:

	March 2018	March 2017
Trade	9,127,282	543,441,145
Accrued Expenses	1,034,693,409	596,241,732
Others	297,292,488	100,059,217
<b>Total</b>	<b>1,341,113,179</b>	<b>1,239,742,094</b>

**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.

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.

On February 27, 2017, a Second Notice to Appear issued by the PMCU-CA directing all parties to appear on February 27, 2017 at a specified time was received by the Parent Company only on February 27, 2017 after the specified time of the meeting. The Parent Company failed to appear.

On June 30, 2017, a resolution issued by the CA, resolved to submit the appeal for decision.

As at the report date, there had been no updates on the matter.

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

	March 2018	March 2017
Net Income (Loss)	119,422,790	140,663,693
Weighted Average Number of Shares Outstanding	2,498,991,753	2,498,991,753
Earnings (Loss) per share	0.048	0.056

There are no dilutive potential shares as of March 31, 2018 and 2017.

**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. Thereafter, PAGCOR paid the WCCCHI and WMCHI rental on a month-to-month basis. The lease was renewed on February 15, 2018, for a period of 1 year.

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, 2017. As at December 31, 2017, PAGCOR continued to operate a portion of the lease area on a month-to-month basis while completing its pullout from APHC.

**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 profit or loss and amounted to P56.39 million, P85.29 million and P135.63 million in 2017, 2016 and 2015, 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 (the Agreement) 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.

**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

**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 March 31, 2018 and 2017 together with its financial conditions as of the same period.

**RESULTS OF OPERATIONS**

	March 2018	March 2017
<b>Revenues</b>	516,796,072	556,285,639
<b>Less: Costs and Expenses</b>	350,036,628	326,454,290
<b>Net Income (Loss) Before Fixed Financial and Other Charges</b>	166,759,445	229,831,349
<b>Less: Fixed Financial and Other Charges (Dep'n and Amort'n, and Interest)</b>	67,188,197	73,572,293
<b>Income (Loss) before Income Tax</b>	99,571,248	156,259,056
<b>Income Tax Expense ( Benefit)</b>	0.00	0.00
<b>Income (Loss) before Share in Minority Interest</b>	99,571,248	156,259,056
<b>Share of Minority Interest</b>	-19,851,543	15,595,363
<b>Net Income (Loss)</b>	119,422,790	140,663,693
<b>Earnings (loss) Per share</b>	0.048	0.056

**FINANCIAL CONDITION**

	March 2018	March 2017
<b>Assets</b>		
<b>Current assets</b>	4,946,985,163	2,352,743,505
<b>Non-current Assets</b>	5,896,628,309	6,801,917,431
<b>Total Assets</b>	10,843,613,472	9,154,660,936
<b>Liabilities and Stockholders' Equity</b>		
<b>Current Liabilities</b>	2,110,788,267	1,701,097,894
<b>Non-current Liabilities</b>	2,619,291,777	1,465,461,122
<b>Total Stockholders' Equity</b>	5,269,556,059	5,081,010,625
<b>Minority Interest</b>	843,977,369	907,091,295
<b>Total Liabilities and Stockholders' Equity</b>	10,843,613,472	9,154,660,936

**RESULTS OF OPERATIONS**

**Period ended March 31, 2018 compared to Period Ended March 31, 2017**

**Income Statement**

Hotels and other subsidiaries gross revenues for the 1st quarter of 2018 and 2017 are Php 516.80 million and Php 556.29 million respectively, decreased by 7% from last year. Consolidated costs and expenses for all properties increased by 7% as compared from last year.

**Seasonality or Cyclicity of Interim Operations****1<sup>ST</sup> 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.

On March 18, 2018, a fire broke out at the Hotel of Acesite (Phils.) Hotel Inc. damaging several floors, casinos and restaurants. Operations have been suspended since then. It is expected that operations will continue after damages are repaired.

**TOP FIVE (5) PERFORMANCE INDICATORS**

	March 2018	March 2017
Occupancy Percentage	78%	79%
Average Room Rates	2,634	2,457
Food Covers	306,506	298,854
Average Food Checks	412	381
Average Food Costs	38%	36%

**Occupancy Percentage**

The occupancy percentage is down by 1% as compared to 1st 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 7% 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 increased by 3% compared to the 1st 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 8% compared to the 1st 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 increased by 2%. Average Food Cost is computed by dividing the total food and beverage revenue by total food cost.

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, 2017, 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.

**Revenues and Earnings per Share**

Revenues decreased by 7%, Php 516.80 million for the 1st quarter of 2018 and Php 556.29 million of the same quarter last year and operating expenses increased by 7%.

GOP at Php 166.76 million in 2018 and Php 229.83 million in 2017.

Earnings per share this quarter is at Php 0.048 while same quarter last year was at Php 0.056.

**Fixed Financial and Other Charges**

Total fixed financial and other charges, Php 67.19 million, reflecting a significant cost reduction of 9% from the previous year's PHP 73.57 million.

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

Interest expense this quarter is lowered by 19% or Php 4.31 million.

**FINANCIAL CONDITION**

**Cash and Cash Equivalents**

Cash and cash equivalents as of the 1st quarter of this year is at Php 539.84 million higher by Php 150.36 million from last year or 39%.

**Receivables**

Receivables for the period increased by 20% from Php 300.54 million 1st quarter last year to Php 361.93 million 1st quarter this year.

**Notes Receivable**

The Group extended loans to Acesite Leisure and Entertainment Corporation (ALEC) and bear interest at 4% per annum. The loan is guaranteed by another entity in behalf of ALEC.

**Insurance Receivable**

On March 18, 2018, a fire broke out at the Hotel of Acesite (Phils.) Hotel Inc. damaging several floors, casinos and restaurants. Operations have been suspended since then. The Hotel has insurance coverage to answer for the damages sustained. It is expected that operations will continue after damages are repaired.

**Inventories**

Inventory this year showed an increased of 3%..

**Due from related parties-current portion**

This account increased by 87% from last year's 1st quarter. This represents interest bearing advances from TWGI and PRC. PHES and ALEC which are due and demandable.

**Due from related parties-noncurrent portion**

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 a decrease of 15% or Php 935.35 million from last year.

**Accounts Payable and Accrued Expenses**

This account had increased to 8% or Php 101.37 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.

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 are 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, 2017 and 2016.

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, 2017 and 2016.

#### **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 2017 and 2016.

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

17Q-1st quarter 2018

shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes in 2017 and 2016. 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 March 31, 2018**

<b>Trade Receivables</b>	<b>0-30 days</b>	<b>31-60 days</b>	<b>61-90 days</b>	<b>91-120 days</b>	<b>121 days over</b>	<b>Total</b>
Waterfront Cebu City Casino Hotel Inc.	18,234,066.85	12,949,559.04	2,226,777.82	3,242,433.94	12,103,719.33	48,756,556.98
Waterfront Airport Hotel and Casino	20,574,460.90	439,532.27	230,469.04	25,825.40	34,320.94	21,304,608.55
Waterfront Insular Hotel Davao	6,082,328.75	1,240,676.87	1,662,359.27	795,341.92	3,671,300.25	13,452,007.06
Manila Pavilion Hotel	12,816,751.41	1,068,226.74	232,144.50	254,828.80	11,314,721.87	25,686,673.32
<b>Total</b>	<b>57,707,607.91</b>	<b>15,697,994.92</b>	<b>4,351,750.63</b>	<b>4,318,430.06</b>	<b>27,124,062.39</b>	<b>109,199,845.91</b>



108132018000806



# 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 : Mark Anthony R. Osen  
Receiving Branch : SEC Head Office  
Receipt Date and Time : August 13, 2018 10:20:33 AM  
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 108132018000806  
Document Type 17-Q (FORM 11-Q: QUARTERLY REPORT/FS)  
Document Code 17-Q  
Period Covered June 30, 2018  
No. of Days Late 0  
Department CFD  
Remarks

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  
Contact Person

(02) 559-0130  
Company Telephone Number

12 31  
Month Day

SEC 17 - Q2  
FORM TYPE

10 13  
Month Day  
Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

439  
Total No. of Stockholders

Total Amount of Borrowings  
Domestic Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

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, 2018

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?

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)

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

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

<b>For the period ended</b>	June 30, 2018	
<b>Currency (Indicate units, if applicable)</b>	PESO	
<b>Balance Sheet</b>		
	<b>Period Ended</b>	<b>Calendar Year Ended (Audited)</b>
	June 30, 2018	Dec 31, 2017
<b>Current Assets</b>	4,737,514,668	2,502,900,348
<b>Total Assets</b>	10,603,977,503	9,352,809,593
<b>Current Liabilities</b>	1,437,941,560	1,929,206,522

<b>Total Liabilities</b>	<b>4,374,552,670</b>	<b>3,335,294,986</b>
<b>Retained Earnings/(Deficit)</b>	<b>(164,041,324)</b>	<b>(404,632,514)</b>
<b>Stockholders' Equity</b>	<b>6,229,424,833</b>	<b>6,017,514,607</b>
<b>Stockholders' Equity - Parent</b>	<b>5,390,724,458</b>	<b>5,150,133,268</b>
<b>Book Value per Share</b>	<b>2.16</b>	<b>2.06</b>

#### Income Statement

	<b>Current Year (3 Months)</b>	<b>Previous Year (3 Months)</b>	<b>Current Year-To-Date</b>	<b>Previous Year-To-Date</b>
<b>Operating Revenue</b>	<b>477,452,321</b>	<b>445,561,196</b>	<b>986,479,310</b>	<b>994,086,508</b>
<b>Other Revenue</b>	<b>7,769,083</b>	<b>7,456,002</b>	<b>15,538,167</b>	<b>15,216,330</b>
<b>Gross Revenue</b>	<b>485,221,404</b>	<b>453,017,198</b>	<b>1,002,017,477</b>	<b>1,009,302,838</b>
<b>Operating Expense</b>	<b>308,457,008</b>	<b>296,700,662</b>	<b>658,493,636</b>	<b>623,154,951</b>
<b>Other Expense</b>	<b>68,642,075</b>	<b>56,032,302</b>	<b>135,830,273</b>	<b>129,604,595</b>
<b>Gross Expense</b>	<b>377,099,083</b>	<b>352,732,964</b>	<b>7943,23,908</b>	<b>752,759,546</b>
<b>Net Income/(Loss) Before Tax</b>	<b>108,122,320</b>	<b>100,284,234</b>	<b>207,693,569</b>	<b>256,543,292</b>
<b>Income Tax Expense</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>Net Income/(Loss) After Tax</b>	<b>108,122,320</b>	<b>100,284,234</b>	<b>207,693,569</b>	<b>256,543,292</b>
<b>Net Income Attributable to Parent Equity Holder</b>	<b>113,399,313</b>	<b>82,191,813</b>	<b>232,822,105</b>	<b>238,450,871</b>
<b>Earnings/(Loss) Per Share (Basic)</b>	<b>0.045</b>	<b>0.033</b>	<b>0.093</b>	<b>0.095</b>
<b>Earnings/(Loss) Per Share (Diluted)</b>	<b>0.045</b>	<b>0.033</b>	<b>0.093</b>	<b>0.095</b>

	Current Year (Trailing 12 months)	Previous Year (Trailing 12 months)
Earnings/(Loss) Per Share (Basic)	0.054	0.129
Earnings/(Loss) Per Share (Diluted)	0.054	0.129

#### Financial Ratios

	Formula	Current Year June 30, 2018	Previous Year June 30, 2017
<b>Liquidity Analysis Ratios:</b>			
Current Ratio or Working Capital Ratio	Current Assets / Current Liabilities	3.29	1.36
Quick Ratio	(Current Assets - Inventory - Prepayments) / Current Liabilities	3.22	1.30
Solvency Ratio	Total Assets / Total Liabilities	2.42	2.88
<b>Financial Leverage Ratios</b>			
Debt Ratio	Total Debt / Total Assets	0.41	0.35
Debt-to-Equity Ratio	Total Debt / Total Stockholders' Equity	0.70	0.53
Interest Coverage	Earnings Before Interest and Taxes (EBIT) / Interest Charges	2.50	7.55
Asset to Equity Ratio	Total Assets / Total Stockholders' Equity	1.70	1.53
<b>Profitability Ratios</b>			
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	0.25
Return on Assets	Net Income / Total Assets	0.02	0.03
Return on Equity	Net Income / Total Stockholders' Equity	0.03	0.04
Price / Earnings Ratio	Price Per Share / Earnings Per Common Share	0.093	0.095
Book Value	Total Common Stockholder's Equity-Parent/No. of Common Shares	2.16	2.08

**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**

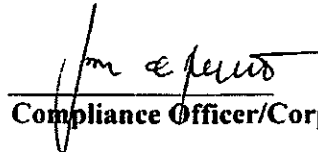
Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Registrant: Waterfront Philippines, Inc.  
Issuer Atty. Arthur R. Ponsaran

Signature and Title   
Corporate Secretary

Date 08/09/2018

Principal Financial/Accounting Officer/Controller Precilla O. Toriano

Signature and Title   
Compliance Officer/Corporate Director of Finance

Date 08/09/2018

**WATERFRONT PHILIPPINES, INCORPORATED AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
As of June 30, 2018

Annex A  
Page 1 of 5

	Unaudited June 30, 2018	Unaudited June 30, 2017	Audited December 31, 2017
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	585,065,914	449,126,088	345,929,975
Receivables - net	222,703,762	254,794,368	228,360,959
Notes receivable	129,106,906	-	195,007,214
Insurance receivable	963,089,200	-	-
Inventories	26,996,328	27,764,819	33,918,796
Due from related parties - current portion	2,728,312,699	1,614,831,281	1,602,120,064
Prepaid expenses and other current assets	82,239,859	85,831,533	97,563,340
<b>Total Current Assets</b>	<b>4,737,514,668</b>	<b>2,432,348,089</b>	<b>2,502,900,348</b>
<b>Noncurrent Assets</b>			
Receivables from Acesite Limited (BVI)	-	-	-
Due from related parties - noncurrent portion	347,927,681	373,253,414	347,927,681
Property and equipment - net	5,418,629,892	6,483,358,593	6,390,497,964
Available-for-sale (AFS) investments	15,954,640	16,821,740	15,954,640
Deferred tax assets	62,768,808	27,533,720	64,994,497
Other noncurrent assets	21,181,814	21,257,586	30,534,463
<b>Total Noncurrent Assets</b>	<b>5,866,462,835</b>	<b>6,922,225,053</b>	<b>6,849,909,245</b>
	<b>10,603,977,503</b>	<b>9,354,573,142</b>	<b>9,352,809,593</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Accounts payable and accrued expenses	744,152,708	1,293,729,020	1,468,215,052
Loans payable - current portion	375,000,000	375,000,000	375,000,000
Income tax payable	-	-	70,613,726
Contract payable	-	-	-
Provisions	-	4,468,009	-
Other current liabilities	318,788,852	112,038,813	15,377,744
<b>Total Current Liabilities</b>	<b>1,437,941,560</b>	<b>1,785,235,842</b>	<b>1,929,206,522</b>
<b>Noncurrent Liabilities</b>			
Loans payable - noncurrent portion	-	-	-
Deferred tax liabilities	1,264,167,382	1,321,126,904	1,275,069,230
Retirement benefits liability	88,904,829	90,558,386	124,481,905
Other noncurrent liabilities	1,583,538,899	51,173,433	6,537,329
<b>Total Noncurrent Liabilities</b>	<b>2,936,611,110</b>	<b>1,462,858,723</b>	<b>1,406,088,464</b>
<b>Total Liabilities</b>	<b>4,374,552,670</b>	<b>3,248,094,565</b>	<b>3,335,294,986</b>
<b>Equity Attributable to Equity Holders of the Parent Company</b>			
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	2,211,108,991	2,349,524,496	2,211,108,991
Foreign currency translation adjustment	52,542,000	41,686,179	52,542,000
Fair value reserve	2,063,223	2,683,245	2,063,223
Retirement benefits reserve	83,695,458	102,082,569	83,695,458
Deficit:			
Appropriated	-	-	-
Unappropriated	(164,041,324)	(504,442,375)	(404,632,514)
<b>Total Equity Attributable to Equity Holders of the Parent Company</b>	<b>5,390,724,458</b>	<b>5,196,890,224</b>	<b>5,150,133,268</b>
<b>Non-controlling interest</b>	<b>838,700,375</b>	<b>909,588,353</b>	<b>867,381,339</b>
	<b>10,603,977,503</b>	<b>9,354,573,142</b>	<b>9,352,809,593</b>

See Notes to the Consolidated Financial Statements.

**WATERFRONT PHILIPPINES, INCORPORATED AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
For the Quarter Ended June 30, 2018

Annex A  
Page 2 of 5

	Unaudited April-June 2018	Unaudited April-June 2017	Audited December 31, 2017
<b>REVENUES</b>			
Hotel	473,546,445	444,248,828	2,057,910,622.00
Nonhotel	3,905,876	1,312,368	
Interest and other income	7,769,083	7,456,002	47,021,801
	<b>485,221,404</b>	<b>453,017,198</b>	<b>2,104,932,423</b>
<b>COSTS AND EXPENSES</b>			
Cost of sales			
Hotel	300,678,608	291,559,277	1,005,632,603
Nonhotel	7,778,400	5,141,385	415,150,260
	<b>308,457,008</b>	<b>296,700,662</b>	<b>1,420,782,863</b>
	<b>176,764,396</b>	<b>156,316,536</b>	<b>684,149,560</b>
<b>OTHER EXPENSES (INCOME)</b>			
Depreciation and amortization	27,129,270	48,141,268	355,307,819
Interest expense	41,512,805	7,882,893	60,222,509
Penalties and other charges	-	-	-
Impairment losses, bad debts written off and provisions	-	-	632,751
Loss on sale on Acesite shares	-	-	-
Interest income	-	-	(42,276,067)
Foreign exchange losses (gains) - net	-	8,141	10,365,853
Others - net	-	-	714,766
	<b>68,642,075</b>	<b>56,032,302</b>	<b>384,967,631</b>
<b>INCOME (LOSS) BEFORE INCOME TAX</b>	<b>108,122,320</b>	<b>100,284,234</b>	<b>299,181,929</b>
<b>INCOME TAX EXPENSE (BENEFIT)</b>	<b>-</b>	<b>-</b>	<b>100,448,728</b>
<b>NET INCOME (LOSS)</b>	<b>108,122,320</b>	<b>100,284,234</b>	<b>198,733,201</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
Appraisal on increase on property and equipment	-	-	-
Foreign currency translation differences for foreign operations	-	-	10,855,821
Actuarial gains on defined benefit plan	-	-	(36,534,724)
Net change in fair value of AFS investment	-	-	(867,100)
Reduction of deferred tax liability relating to revaluation surplus	-	-	-
Deferred tax effect	-	-	10,960,417
	<b>-</b>	<b>-</b>	<b>(15,585,586)</b>
<b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>	<b>108,122,320</b>	<b>100,284,234</b>	<b>183,147,615</b>
<b>EARNINGS PER SHARE - Basic and Diluted</b>	<b>0.045</b>	<b>0.033</b>	<b>0.087</b>

*There are no dilutive potential shares*

**WATERFRONT PHILIPPINES, INCORPORATED AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
As of June 30, 2018

Annex A  
Page 3 of 5

	Unaudited June 30, 2018	Unaudited June 30, 2017	Audited December 31, 2017
<b>REVENUES</b>			
Hotel	974,306,960.65	987,175,989	2,057,910,622.00
Nonhotel	12,172,350	6,910,519	
Interest and other income	15,538,167	15,216,330	47,021,801
	<b>1,002,017,477</b>	<b>1,009,302,838</b>	<b>2,104,932,423</b>
<b>COSTS AND EXPENSES</b>			
Cost of sales			
Hotel	639,793,205	608,484,561	1,005,632,603
Nonhotel	18,700,430	14,670,390	415,150,260
	<b>658,493,636</b>	<b>623,154,951</b>	<b>1,420,782,863</b>
	<b>343,523,842</b>	<b>386,147,887</b>	<b>684,149,560</b>
<b>OTHER EXPENSES (INCOME)</b>			
Depreciation and amortization	76,508,718	99,604,595	355,307,819
Interest expense	59,321,555	30,000,000	60,222,509
Penalties and other charges	-	-	-
Impairment losses, bad debts written off and provisions	-	-	632,751
Loss on sale on Acesite shares	-	-	-
Interest income	-	-	(42,276,067)
Foreign exchange losses (gains) - net	-	-	10,365,853
Others - net	-	-	714,766
	<b>135,830,273</b>	<b>129,604,595</b>	<b>384,967,631</b>
<b>INCOME (LOSS) BEFORE INCOME TAX</b>	<b>207,693,569</b>	<b>256,543,292</b>	<b>299,181,929</b>
<b>INCOME TAX EXPENSE (BENEFIT)</b>	<b>-</b>	<b>-</b>	<b>100,448,728</b>
<b>NET INCOME (LOSS)</b>	<b>207,693,569</b>	<b>256,543,292</b>	<b>198,733,201</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
Appraisal on increase on property and equipment	-	-	-
Foreign currency translation differences for foreign operations	-	-	10,855,821
Actuarial gains on defined benefit plan	-	-	(36,534,724)
Net change in fair value of AFS investment	-	-	(867,100)
Reduction of deferred tax liability relating to revaluation surplus	-	-	-
Deferred tax effect	-	-	10,960,417
	<b>-</b>	<b>-</b>	<b>(15,585,586)</b>
<b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>	<b>207,693,569</b>	<b>256,543,292</b>	<b>183,147,615</b>
<b>EARNINGS PER SHARE - Basic and Diluted</b>	<b>0.093</b>	<b>0.095</b>	<b>0.087</b>

**WATERFRONT PHILIPPINES, INCORPORATED AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
As of June 30, 2018

Annex A  
Page 4 of 5

	Unaudited June 30, 2018	Unaudited June 30, 2017	Audited December 31, 2017
<b>EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY</b>			
Capital stock - P1 per 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
<b>Revaluation Surplus in Property and Equipment</b>			
Balance at beginning of year	2,211,108,991	2,349,524,496	2,349,524,496
Other comprehensive income - net of income tax effect	-	-	-
Recognition 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	-	-	(138,415,505)
Balance at end of year	2,211,108,991	2,349,524,496	2,211,108,991
<b>Unrealized Valuation Gain (Loss) on AFS Investments</b>			
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	-	-	-
<b>Foreign Currency Translation Adjustment</b>			
Balance at beginning of year	52,542,000	41,686,179	41,686,179
Other comprehensive income - net of income tax effect	-	-	10,855,821
Balance at end of year	52,542,000	41,686,179	52,542,000
<b>Deficit</b>			
Appropriation for renovation and business expansion			
Unappropriated	-	-	-
Balance at beginning of year	(404,632,514)	(760,985,667)	(760,985,667)
Transfer of revaluation surplus absorbed through depreciation for the year - net of income tax effect	-	-	138,415,505
Change in retirement benefits reserve	-	-	-
Net income for the year	240,591,190	256,543,292	217,937,648
Balance at end of year	(164,041,324)	(504,442,375)	(404,632,514)
Total deficit	(164,041,324)	(504,442,375)	(404,632,514)
	5,304,965,777	5,092,134,410	5,064,374,587
<b>Fair value reserve, beginning of the year</b>			
Other comprehensive income-net tax effect	2,063,223	2,683,245	2,683,245
Total fair value reserve	2,063,223	2,683,245	2,063,223
<b>Retirement benefits reserve, beginning of the year</b>			
Other comprehensive income-net tax effect	83,695,458	102,082,569	102,082,569
Total retirement benefits reserve	83,695,458	102,082,569	83,695,458
<b>Total Equity Attributable to Equity Holders of the Parent Company</b>	<b>5,390,724,458</b>	<b>5,196,890,234</b>	<b>5,150,133,268</b>



**WATERFRONT PHILIPPINES, INCORPORATED AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
As of June 30, 2018

Annex A  
Page 5 of 5

	Unaudited June 30, 2018	Unaudited June 30, 2017	Audited December 31, 2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income before income tax	207,693,569	256,543,293	299,181,929
Adjustments for:			
Depreciation and amortization	76,508,718	99,604,594	355,307,819
Interest expense	59,321,555	30,000,000	60,222,509
Loss on sale on aciesite shares	-	-	-
Retirement benefit costs	(35,577,076)	(7,959,479)	21,196,913
Provisions	-	(4,468,009)	-
Unrealized foreign exchange loss (gain)	-	-	10,855,821
Penalties and other charges	-	-	-
Loss(gain) on disposal of property and equipment	-	-	-
Impairment losses	-	-	632,751
Interest income	-	(13,212,615)	(42,276,067)
Operating income before working capital changes	307,946,766	360,507,784	705,121,675
Decrease (increase) in:			
Receivables	(891,531,695)	(19,347,221)	6,453,437
Inventories	6,922,468	422,285	(5,731,692)
Prepaid expenses and other current assets	15,323,481	4,571,432	(7,160,375)
Increase (decrease) in:			
Accounts payable and accrued expenses	(724,062,344)	64,636,871	49,626,652
Other current liabilities	(173,271,667)	(86,394,639)	(10,266,440)
Cash generated from operations	(1,458,672,991)	324,396,522	738,043,257
Interest received	-	13,212,615	1,902,783
Income taxes paid	(70,613,726)	(69,555,622)	(176,585,272)
Retirement plan contributions paid	-	-	(21,450,000)
Benefits paid	-	-	(10,317,597)
Interest paid	(59,321,555)	(30,000,000)	-
<b>Net cash provided by operating activities</b>	<b>(1,588,608,272)</b>	<b>238,053,515</b>	<b>531,593,171</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisitions of property and equipment	895,359,354	2,065,662	-
Investment in a subsidiary	-	-	-
Due from related parties	(1,126,192,635)	(109,987,455)	(31,577,221)
Proceeds from sale of an equity interest in subsidiary	-	-	-
Proceeds from sale of property and equipment	-	-	(160,776,933)
Notes Receivable	65,900,308	-	(195,007,214)
Increase in other noncurrent assets	11,578,339	88,292,635	(2,556,351)
<b>Net cash used in investing activities</b>	<b>(153,354,634)</b>	<b>(19,629,158)</b>	<b>(389,917,719)</b>
<i>Forward</i>			
	<b>Years Ended December 31</b>		
	June 30, 2018	June 30, 2017	December 31, 2017
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
(Increase)Decrease in loans payable	-	-	-
(Increase) Decrease in due from related parties	-	-	-
Increase (decrease) in other noncurrent liabilities	1,981,098,846	26,406,578	(40,630)
Payment of obligation under finance lease	-	-	-
<b>Net cash provided by (used in) financing activities</b>	<b>1,981,098,846</b>	<b>26,406,578</b>	<b>(40,630)</b>
<b>INCREASE (DECREASE) IN TRANSLATION ADJUSTMENT FOR THE YEAR</b>			
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>239,135,939</b>	<b>244,830,935</b>	<b>141,634,822</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>345,929,975</b>	<b>204,295,153</b>	<b>204,295,153</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>585,065,914</b>	<b>449,126,088</b>	<b>345,929,975</b>

**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
<b>Hotels and Resorts</b>		
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	-
<b>Real Estate</b>		
CIMA Realty Phil., Inc. (CIMAR)	-	56*
<b>Fitness Gym</b>		
Waterfront Wellness Group, Inc. (WWGI)	100	-
<b>International Marketing and Promotion of Casinos</b>		
WPL	100	-
Mayo Bonanza, Inc. (MBI)	100	-
CWIL (through direct ownership in WPL)	-	100
Waterfront Entertainment Corporation (WEC)	100	-
<b>Pastries Manufacturing</b>		
Waterfront Food Concepts Inc. (WFC)	100	-
<b>Hotel Management and Operation</b>		
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 4,000 people. 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 20<sup>th</sup> 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 El Rey (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 Horizon Corporation (previously 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 subsidiary is located in the Ground Level of Waterfront Cebu City Casino Hotel occupying 617.53 square meters. Previously 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 by opening -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 2018 and 2017 and have average maturities ranging from 30 to 35 days for both years.

**2. Receivables**

This account consists:

	June 2018	June 2017
Trade	114,050,644	101,163,108
Others	130,237,032	173,655,600
	244,287,676	274,818,708
Less allowance for doubtful accounts	-21,583,914	-20,024,340
<b>Total</b>	<b>222,703,762</b>	<b>254,794,368</b>

**3. Inventories**

This account consists of:

	June 2018	June 2017
Food and Beverage	14,172,929	15,973,236
Operating Supplies	10,006,308	10,602,084
Others	2,817,091	1,189,499
<b>Total</b>	<b>26,996,328</b>	<b>27,764,819</b>

**4. Related Party Transactions**

This represents interest bearing advances from TWGI and PRC. Non-interest bearing advances from PHES, AFS investment and notes receivable wherein the Group extended loans to ALEC (Acesite Leisure and Entertainment Corporation) at 4% per annum.

**5. Accounts Payable and Accrued Expenses**

This account consists of:

	June 2018	June 2017
Trade	235,864,335	242,826,133
Accrued Expenses	213,002,572	610,554,923
Others	295,285,801	440,347,964
<b>Total</b>	<b>744,152,708</b>	<b>1,293,729,020</b>

**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.

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.

On February 27, 2017, a Second Notice to Appear issued by the PMCU-CA directing all parties to appear on February 27, 2017 at a specified time was received by the Parent Company only on February 27, 2017 after the specified time of the meeting. The Parent Company failed to appear.

On June 30, 2017, a resolution issued by the CA, resolved to submit the appeal for decision.

As at the report date, there had been no updates on the matter.

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

	June 2018	June 2017
Net Income (Loss)	232,822,105	238,450,871
Weighted Average Number of Shares Outstanding	2,498,991,753	2,498,991,753
Earnings (Loss) per share	0.093	0.095

There are no dilutive potential shares as of June 30, 2018 and 2017.

**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. Thereafter, PAGCOR paid the WCCCHI and WMCHI rental on a month-to-month basis. The lease was renewed on February 15, 2018, for a period of 1 year.

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, 2017. As at December 31, 2017, PAGCOR continued to operate a portion of the lease area on a month-to-month basis while completing its pullout from APHC.

**9. Other Lease Agreements****Group as Lessor****Lease Agreements with Concessionaires**

WCCCHI, WMCHI and DIHCI 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.

**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 (the Agreement) 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.

**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, 2017, the Parent Company is still awaiting the SC's decision.

On May 02, 2018, the legal counsel served copies of the reply in the case pending before the Court of Tax Appeals.

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.

**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, 2018 and 2017 together with its financial conditions as of the same period.

**RESULTS OF OPERATIONS**

	June 2018	June 2017
<b>Revenues</b>	1,002,017,477	1,009,302,838
<b>Less: Costs and Expenses</b>	658,493,636	623,154,951
<b>Net Income (Loss) Before Fixed Financial and Other Charges</b>	343,523,842	386,147,887
<b>Less: Fixed Financial and Other Charges (Dep'n and Amort'n, and Interest)</b>	135,830,273	129,604,595
<b>Income (Loss) before Income Tax</b>	207,693,569	256,543,292
<b>Income Tax Expense (Benefit)</b>	0.00	0.00
<b>Income (Loss) before Share in Minority Interest</b>	207,693,569	256,543,292
<b>Share of Minority Interest</b>	-25,128,537	18,092,421
<b>Net Income (Loss)</b>	232,822,105	238,450,871
<b>Earnings (loss) Per share</b>	0.093	0.095

**FINANCIAL CONDITION**

	June 2018	June 2017
<b>Assets</b>		
<b>Current assets</b>	4,737,514,668	2,432,348,089
<b>Non-current Assets</b>	5,866,462,835	6,922,225,053
<b>Total Assets</b>	10,603,977,503	9,354,573,142
<b>Liabilities and Stockholders' Equity</b>		
<b>Current Liabilities</b>	1,437,941,560	1,785,235,842
<b>Non-current Liabilities</b>	2,936,611,110	1,462,858,723
<b>Total Stockholders' Equity</b>	5,390,724,458	5,196,890,224
<b>Minority Interest</b>	838,700,375	909,588,353
<b>Total Liabilities and Stockholders' Equity</b>	10,603,977,503	9,354,573,142

**RESULTS OF OPERATIONS**

Period ended June 30, 2018 compared to Period Ended June 30, 2017

**Income Statement**

Hotels and other subsidiaries gross revenues for the 2nd quarter of 2018 and 2017 are Php 1.00 billion and Php 1.01 billion respectively, slight decreased of 1% from last year. Consolidated costs and expenses for all properties increased by 6% as compared from last year.

**Seasonality or Cyclicity of Interim Operations****1<sup>ST</sup> 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.

On March 18, 2018, a fire broke out at the Hotel of Acesite (Phils.) Hotel Inc. damaging several floors, casinos and restaurants. Operations have been suspended since then. It is expected that operations will continue after damages are repaired.

**2<sup>nd</sup> QUARTER**

For most aspects of operations, 2018 continued the upward trajectory seen in the past year. Concurrently, however, challenges have presented themselves, slowing the growth potential in some areas of our operations. We are confident that these challenges can be resolved by employing the right strategies towards setting the entire group back in sync and on track.

In addition, our new tagline, "We're at the center of it all." and our new revitalized brand signify our leadership in the industry, our strength and ability to draw the market. It demonstrates an alignment of objectives, a powerful, unified message and a confident voice. Waterfront continues to leverage its strengths, both of its infrastructure and its network, to maintain a competitive edge in the hospitality industry.

**TOP FIVE (5) PERFORMANCE INDICATORS**

	June 2018	June 2017
Occupancy Percentage	75%	74%
Average Room Rates	2,651	2,478
Food Covers	613,904	611,810
Average Food Checks	405	386
Average Food Costs	37%	35%

**Occupancy Percentage**

The occupancy percentage is up by 1% as compared to 2nd 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 7% higher 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 increased by 0.3% compared to the 2nd 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 5% compared to the 2nd 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 increased by 2%. 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 1.00 billion for the 2nd quarter of 2018 and Php 1.01 billion of the same quarter last year and operating expenses increased by 6%.

GOP at Php 343.52 million in 2018 and Php 386.15 million in 2017.

Earnings per share this quarter is at Php 0.093 while same quarter last year was at Php 0.095.

**Fixed Financial and Other Charges**

Total fixed financial and other charges, Php 135.83 million, reflecting an increase of 5% from the previous year's PHP 129.60 million.

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

**FINANCIAL CONDITION**

**Cash and Cash Equivalents**

Cash and cash equivalents as of the 2nd quarter of this year is at Php 585.07 million higher by Php 135.94 million from last year or 30%.

**Receivables**

Receivables for the period decreased by 13% from Php 254.79 million 2nd quarter last year to Php 222.70 million 2nd quarter this year.

**Notes Receivable**

The Group extended loans to Acesite Leisure and Entertainment Corporation (ALEC) and bear interest at 4% per annum. The loan is guaranteed by another entity in behalf of ALEC.

**Insurance Receivable**

On March 18, 2018, a fire broke out at the hotel of Acesite (Phils.) Hotel Inc. damaging several floors, casinos and restaurants. Operations have been suspended since then. The Hotel has insurance coverage to answer for the damages sustained. It is expected that operations will continue after damages are repaired.

**Inventories**

Inventory this year showed a decreased of 3%.

**Due from related parties-current portion**

This account increased by 69% from last year's 2nd quarter. This represents interest bearing advances from TWGI and PRC. Non-interest bearing advances from PHES and AFS investment. Notes receivable wherein the Group extended loans to ALEC (Acesite Leisure and Entertainment Corporation) at 4% per annum.

**Due from related parties-noncurrent portion**

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 decreased by 16% or Php 1.06 billion from last year. Significant decrease was brought by the fire incident.

**Accounts Payable and Accrued Expenses**

This account had decreased to 42% or Php 549.58 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.

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 are 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, 2017 and 2016.

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.



### **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 2018 and 2017.

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 2018 and 2017. 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 June 30, 2018**

<b>Trade Receivables</b>	<b>0-30 days</b>	<b>31-60 days</b>	<b>61-90 days</b>	<b>91-120 days</b>	<b>121 days over</b>	<b>Total</b>
Waterfront Cebu City Casino Hotel Inc.	24,852,908.17	4,935,811.28	2,119,386.06	4,606,868.01	16,015,520.68	52,530,494.20
Waterfront Airport Hotel and Casino	10,423,209.14	1,431,924.17	1,467,634.41	354,686.38	14,881,822.06	28,559,276.16
Waterfront Insular Hotel Davao	5,486,721.53	789,231.21	443,186.38	347,547.04	3,167,148.46	10,233,834.62
Manila Pavilion Hotel					16,693,389.19	16,693,389.19
<b>Total</b>	<b>40,762,838.84</b>	<b>7,156,966.66</b>	<b>4,030,206.85</b>	<b>5,309,101.43</b>	<b>50,757,880.39</b>	<b>108,016,994.17</b>