COVER SHEET

A S 0 9 4 - 8 6 7 8

SEC Registration Number

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

(Company's Full Name)

N O . 1 W A T E R F R O N T D R I V E

O F F S A L I N A S D R I V E L A H U G

C E B U C I T Y

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

MS. IRISH CHARA LAWAS

Contact Person

855-90129

Company Telephone Number

1 2 3 1

Month *Day*

SEC 17-A

FORM TYPE

1 1 1 6

Month *Day*

Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

435

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

S T A M P S

Remarks = pls. use black ink for scanning purposes

SECURITIES AND EXCHANGE COMMISSIONSEC FORM

17-A, AS AMENDED

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

1. For the calendar year ended
 DECEMBER 31, 2020

2. SEC Identification Number
 AS 094-8678

3. BIR Tax Identification No.
 D80-003-978-254 NV

4. Exact name of issuer as specified in its charter
 WATERFRONT PHILIPPINES, INC.

5. Province, country or other jurisdiction of incorporation or organization
 PHILIPPINES

6. Industry Classification Code (SEC Use Only)

7. Address of principal office
 No. 1 WATERFRONT DRIVE OFF SALINAS DRIVE LAHUG, CEBU CITY 6000

8. Issuer's telephone number, including area code
 (02) 559-0130

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:
 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

13. State the aggregate market value of the voting stock held by non-affiliates of the registrant. The aggregate market value shall be computed by reference to the price at which the stock was sold, or the average bid and asked prices of such stock, as of a specified date within sixty (60) days prior to the date of filing. If a determination as to whether a particular person or entity is an affiliate cannot be made without involving unreasonable effort and expense, the aggregate market value of the common stock held by non-affiliates may be calculated on the basis of assumptions reasonable under the circumstances, provided the assumptions are set forth in this Form.

APPLICABLE ONLY TO ISSUERS INVOLVED IN INSOLVENCY SUSPENSION OF PAYMENTS PROCEEDINGS DURING THE PRECEDING FIVE YEARS

14. Check whether the issuer has filed all documents and reports required to be filed by Section 17 of the Code subsequent to the distribution of securities under a plan confirmed by a court or the Commission.

/Yes

No

DOCUMENTS INCORPORATED BY REFERENCE

15. If any of the following documents are incorporated by reference, briefly describe them and identify the part of SEC Form 17-A into which the document is incorporated:

(a) Any annual report to security holders

(b) Any information statement filed pursuant to SRC Rule 20

(c) Any prospectus filed pursuant to SRC Rule 8.1

WATERFRONT PHILIPPINES, INCORPORATED

PSE Disclosure Form 17-1 - Annual Report *References: SRC Rule 17 and Sections 17.2 and 17.8 of the Revised Disclosure Rules*

For the Calendar year ended	**DECEMBER 31, 2020**	
Currency (indicate units, if applicable)		PESO

Balance Sheet

	Year Ending	Previous Year Ending
	DECEMBER 31, 2020	DECEMBER 31, 2019
Current Assets	**4,423,715,641**	4,124,738,706
Total Assets	**15,243,298,917**	13,105,062,991
Current Liabilities	**2,674,648,755**	2,882,792,090
Total Liabilities	**5,840,935,650**	5,711,727,912
Retained Earnings/ (Deficit)	**1,113,890,733**	552,159,535
Stockholders' Equity	**9,402,363,267**	7,393,335,079
Stockholders' Equity - Parent	**8,319,536,202**	6,627,464,761
Book Value per Share	**3.76**	2.96

Income Statement

	Year Ending	Previous Year Ending
	DECEMBER 31, 2020	DECEMBER 31, 2019
Operating Revenue	**1,033,165,293**	1,961,094,196
Other Revenue	**21,467,007**	35,974,882
Gross Revenue	**1,054,632,300**	1,997,069,078
Operating Expense	**717,654,748**	1,379,935,134
Other Expense	**470,085,862**	12,185,032
Gross Expense	**1,187,740,610**	1,392,120,166
Net Income/(Loss) Before Tax	**807,063,414**	629,318,976
Income Tax Expense	**123,597,065**	158,330,614
Net Income/(Loss) After Tax	**683,466,349**	470,988,362
Net Income Attributable to Parent Equity Holder	**394,555,853**	439,574,045
Earnings/(Loss) Per Share (Basic)	**0.158**	0.176
Earnings/(Loss) Per Share (Diluted)	**0.158**	0.176
EFPS Trailing 12 months	**0.049**	0.218

Other Relevant Information

Financial Ratios

	Formula	December 31, 2020	December 31, 2019
Liquidity Analysis Ratios:			
Current Ratio	**Current Assets / Current Liabilities**	1.654	1.431
Quick Ratio	**(Current Assets - Inventory - Prepayments)/ Current Liabilities**	0.731	0.559
Solvency Ratio	**Total Assets / Total Liabilities**	2.610	2.294
Financial Leverage Ratios:			
Debt Ratio	**Total Debt / Total Assets**	0.383	0.436
Debt-to-Equity Ratio	**Total Debt / Total Stockholders' Equity**	0.621	0.773
Interest Coverage	**Earnings Before Interest and Taxes (EBIT) / Interest Charges**	5.765	4.132
Asset to Equity Ratio	**Total Assets / Total Stockholders' Equity**	1.621	1.773
Profitability Ratios:			
Gross Profit Margin	**Sales - Cost of Goods Sold or Cost of Service/ Sales**	0.320	0.309
Net Profit Margin	**Net Profit / Sales**	0.765	0.315
Return on Assets	**Net Income before Tax/ Total Assets**	0.053	0.048
Return on Equity	**Net Income before Tax / Total Stockholders' Equity**	0.086	0.085
Price / Earnings Ratio	**Price Per Share / Earnings Per Common Share**	3.671	3.977

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PART I - BUSINESS AND GENERAL INFORMATION

Item 1. Business

Waterfront Philippines, Incorporated *(WPI)* was registered with the Securities and Exchange Commission *(SEC)* on September 23, 1994, as an investment holding company for hotel, leisure, and tourism businesses.

To realize the Group's vision of making *WPI* the flagship of the Group's hotel and gaming interests, *TWGI* vended into *WPI*'s acquired properties --- Waterfront Cebu City Casino Hotel, Inc. (WCCCHI) in Cebu City, Waterfront Mactan Casino Hotel, Inc. (WMCHI) in Mactan, Cebu and Davao Insular Hotel Company, Inc. *(DIHCI)* in Davao City. These properties are significant investments for *WPI*. During 2003, the company started acquiring common shares of *ACESITE (Phils.) Hotel Corporation*. A major coup for WPI for the year 2004 was securing of controlling interest in the management over ACESITE (PHILS.) HOTEL CORP. Consequently, Acesite, operating under the trade name Manila Pavilion Hotel, is now part of the Waterfront group of hotels. *WPI* is now known as the largest Filipino hotel chain in the country.

The hotels fit WPI's continuous geographic diversification strategy and they are appropriate candidates for broad product renovation and operational repositioning. The hotels are well positioned in their respective markets, considering the presence of international airports in their locality. Studies indicate that international airports are major generators of lodging demand.

WPI is known as one of the largest hotel chains in the country. We provide much-needed support to the tourism industry's vision for growth. Our hotel experience is highly integrated, offering the best of business and leisure.

The Company has strengthened its brand visibility and continues to expand in innovative ways, using technology and new media to our advantage.

Marketing

Waterfront gives a wide range of business-related conveniences to ensure that our guests enjoy a productive stay. Our special attention to details, well-equipped business centers, accessibility, unrivaled facilities and presence in major cities of the Philippines make us best positioned to cater to the business traveler's needs. As in the previous years, our approach has always been in rejuvenating our hotels and its amenities, promoting the quality of our guest services and programs and empowering our peers. We have much to offer the broad market with the right marketing mix: competitive room rates, premium, value-added guest programs, well-equipped function facilities and professional guest services. Although, extreme competition has always been present with the Waterfront Group and other destinations and hotels, the Company has unfazingly regarded this as a welcome challenge and motivation on increasing its market share with a corresponding increase in average room rates and in actual room occupancies. As part of its marketing strategy, the company exercises flexible rates for contingencies, tie-ups with airlines, special occasion packages and other promos. Also, the massive efforts of our sales and marketing division in creating and implementing dynamic programs designed to search for customers and developing and maintaining their loyalties, have certainly added to the hotels' marketability. Coupled with the efforts of our public relations division in ensuring that the reputation of our hotels are kept free from negative publicity and its awareness of social responsibility, has certainly given marketing strategy a deeper meaning. The Company aims for building a strong relationship with our guests.

Again, considering the successful operations of our Cebu-based hotels, it can be said that Waterfront has already made an impressive dent in the market. Although we continue to discover and learn many new things, we are taking advantage of investment opportunities, which will allow us to be a significant player in the casino and hotel arena nationwide. The Company has strengthened its brand visibility with an integrated marketing communications campaign that would invite continued patronage of its products and services. To complement its marketing and sales efforts, a unified visual advertising tool for all properties was implemented.

Our Central Reservations System has made us the only integrated network of hotels in the country with a powerful presence through our 24/7 booking services. Anyone can book using a single 1-800 number 1-800-WFRONT8 (9376688) for all Waterfront Hotels nationwide.

We have made significant strides in the improvement of our “software”: our technology systems, service and people. Software is the lifeblood of our business--it provides a genuine connection with our customers through various touch points conveys the Waterfront brand in a personal manner and introduces new sales-generating streams in step with today’s growing online patronage.

We have further strengthened our online presence with the launch of our free mobile app for iOS and Android--the very first Filipino hotel chain to do so. We improved our e-newsletter with a software system upgrade. Our website sports a sleek, newly-revamped look with more features to allow easy booking and browsing of our properties. All three work synergistically to complete our user experience and add new avenues for accessing our brand. Our social media channels are also being managed full-time by a dedicated team, ensuring the seamless transfer of news and promotions updates in the most popular social media platforms for our clientele. Each presents a unique opportunity to touch base with our users in a platform of their preference, offering exciting deals and perks that pique their interest.

By the year 2016, we established and publicized the Waterfront Hotels and Casinos brand through an effective and strategic advertising effort in various publications such as glossy, local in-flight magazines. Through this, we can create strong presence and awareness of the new branding – “We’re at the Center of it All” and maintain visibility of the corporate brand in various publications.

We also made a strong presence abroad – Bangkok, Korea, Japan and Singapore - organized by Tourism Promotions Board and Department of Tourism. Joined with established Asia Pacific’s premier M.I.C.E. show which brings together the region’s top M.I.C.E. suppliers and key industry players to collectively sell Asia as an exciting and diverse M.I.C.E. destination. Exhibitors and participants have the opportunity to sell, negotiate and secure deals with more than 500 selected buyers and travel managers from regional and international M.I.C.E and corporate travel industries through pre-scheduled appointments.

By firmly and strategically addressing key areas in our business, we have transformed into a company that is formidable and efficient across all areas of our operations--the hallmark of an institution that remains tried and true and is confidently moving towards a new horizon.

Information Technology

As in all areas of commerce, information technology represents one of the strongest forces for change. They are known to have significant impact in marketing of hotels. It provides an essential tool for hotel organization to keep a hand on the pulse of the customers’ wants and needs. The challenge of any corporation is to conduct their operations efficiently and effectively at the least possible cost. Perhaps, one of the major advancement that happened at Waterfront is its tie-up with **Micros Fidelio** - the world leader in providing computer-related technology for hotel and restaurant chains around the world. They upgraded the system of the Company through their newest operating platform called **Opera**. This software will efficiently manage sales and accounting, reservations, point-of-sales and engineering- a first in the Philippines. This integrated system will aggressively keep track of inventory and manage revenues. The *“Fidelio”* system permits online monitoring of clients in the hotels. To date, here is a summary of the major systems used by Waterfront Hotels:

	WCCCHI	WAH	WIHD	MPH	WEC	WFC	GYM
Agilysis Point-Of-Sale System (POS)	X	X	X				
Micros-Fidelio Engineering Management System	X	X	X				
Micros-Fidelio Opera Sales and Catering System	X	X	X				
Opera Property Management System (PMS)	X	X	X				
SUN SYSTEM	X	X	X	X			
Human Resource Information System	X	X	X	X			
Mitech Payroll System					X	X	X
Actatek Biometric Finger scan System	X	X	X	X	X	X	X
Lotus Email System	X	X	X	X	X	X	X
Micros Materials Control	X	X	X	X		X	
Online Automation System	X	X	X	X	X		
Call Center System					X		
Waterfront Recipe Guide System	X	X	X	X			

Employees' Training

Service is the hotels' most important product and first class service is not instantaneous – it does not happen overnight. It is a team effort, requiring constant attention, training and supervision. In an ongoing endeavor to carry on with this ideal, the Company continues to increase in-house and external training of its personnel to endow the employees with the competence essential to cope with the increasing standards and demands of the market.

For the past years, the Company's employees have undergone training in various skill-building seminars and workshops for F&B, Housekeeping, and Front Office and even in Administrative functions.

The company takes pride in its training and development programs. In fact, Waterfront sets a high standard of achieving 70 training hours per person every year. In order to ensure that such passion for never ending quest for improvement and excellence remains fueled, Waterfront makes People Development an integral Key Performance Index, among others which is Quest Satisfaction Index and Financial Index.

Waterfront is run by its highly competent Peers – the people who make a difference in every aspect of its organization. The company ensures that the quality of the Waterfront experience is maintained through excellent service, and undergoes constant training to ensure service quality and efficiency in all aspects of operations.

Waterfront's various seminars, trainings, and workshops are classified into five major categories: Inductive Program, Basic Skills Program, Upgraded and Advanced Skills, Supervisory and Management Programs, and other Wellness-related Programs.

Upon joining the Waterfront family, newly-hired peers undergo a comprehensive Inductive Program to orient them to the Hotel Culture. Frontliners undergo basic Skills Certification Program for their respective areas of assignment to ensure that hotel service standards are maintained. Supervisors and managers are enrolled in our Supervisory and Managerial Development Programs which equip them with both basic and advanced skills to help them effectively perform their roles as leaders of the organization.

Programs offered do not only stop at improving the brain function but should also include managing emotions and attitude. The wellness-related programs are programs that are also designed and made a part of the entire Peers training and development with the aim of maintaining a healthy lifestyle, physically, mentally and spiritually.

Waterfront also puts itself at par with the global hospitality industry by partnering with International learning Institutions such as Development Dimensions International (DDI), Ivy League member Cornell University, and the Educational Institute of the America Hotel Lodging Association (AHLA).

The Company also conducted The Skills and Operations Audit that seeks to examine the effectiveness and validity of the SOPs. With this the Company is able to ensure property compliance with established standards. The American Council on Exercise (ACE) trainer's certification which is the only trainer's certification rooted in 30 years of science-based research from ACE, the world's largest nonprofit health and fitness organization. An ACE certification prepares trainers with the knowledge and skills to serve diverse clients.

We also have sponsored trainings from DOT like "The Tourism and Hospitality Skills Training Program by Workskills Australia. It is a 5-day training program which covers (1) Customer Service, (2) 5 Star Executive Housekeeping Services and (3) Professional Customer Care Specialist for Front Office Services. This program runs as an interactive workshop for all tourism and hospitality professionals so they develop the industry culture and be at the top in customer service. Workskills Australia, an international training provider, will issue a certificate of competence aligned to ASEAN framework upon completion of the training program. This is one of 6 programs approved under the Tourism Industry Skills Training Support Scheme from the Department of Tourism, Asian Development Bank and the Government of Canada.

Level Up Leadership Seminar - this two-day seminar-workshop is a comprehensive course on leadership training designed to equip current as well as high potential leaders with effective and proven principles, behaviors and applications with the objective to develop the business organization's most important asset – their valued people. This is based on the philosophy that as leaders develops themselves they lead their people better and produce a winning team to help in growing the business.

Employees

As the reputation of the hotels rise and the volume of clientele grow, so will their expectations and demands. The fundamental key to clients' satisfaction will always be the delivery of the best service from the employees. It is a team effort, requiring constant attention, training and supervision. The Company continues to increase in-house and external training of its employees. A salary structure has been implemented to ensure more competitive compensation packages, which are at par with the industry's standards and the department of Labor and Employment's mandated requirements.

The Company believes that after all, happy employees translate into happy customers, and happy customers would be tantamount to greater satisfaction, sales and income for the Company.

As of the end of the calendar year 2020, *WPI* Group has a total of 466 employees that were distributed as follows:

WCCCHI:

	Filipinos	*Foreigners*	*Total*
Executive	25	3	28
Non-Executive	198	0	198
Total	**223**	**3**	**226**

***WMCHI**:*

	Filipinos	*Foreigners*	*Total*
Executive	1	0	1
Non-Executive	77	0	77
Total	**78**	**0**	**78**

WIHD:

	Filipinos	*Foreigners*	*Total*
Executive	10	0	10
Non-Executive	59	0	59
Total	**69**	**0**	**69**

WMHC

	Filipinos	*Foreigners*	*Total*
Executive	0	0	0
Non-Executive	29	2	31
Total	**29**	**2**	**31**

WPI

	Filipinos	*Foreigners*	*Total*
Executive	0	0	0
Non-Executive	24	0	24
Total	**24**	**0**	**24**

ALEC

	Filipinos	*Foreigners*	*Total*
Executive	0	0	0
Non-Executive	2	0	2
Total	**2**	**0**	**2**

WWGI:

	Filipinos	*Foreigners*	*Total*
Executive	1	0	1
Non-Executive	15	0	15
Total	**16**	**0**	**16**

WFC:

	Filipinos	*Foreigners*	*Total*
Executive	1	0	1
Non-Executive	4	0	4
Total	**5**	**0**	**5**

WEC:

	Filipinos	*Foreigners*	*Total*
Executive	2	0	2
Non-Executive	13	0	13
Total	**15**	**0**	**15**

Grand Total	**461**	**5**	**466**

There is an existing union in Davao Insular Hotel. On April 1, 2011, Waterfront Insular Hotel Davao Employees Association (WIHDEA) and renewal on the agreement shall be in full force and effect from April 1, 2016 to March 31, 2021. All other provisions of the CBA are not modified by the foregoing agreement and shall remain between the parties.

The Manila Pavilion Hotel has not experienced any strikes since 2006. The Collective Bargaining Agreement (CBA) for the line employees was concluded on December 12, 2017, covering a period of five (5) years, July 01, 2017 to June 30, 2022. However, the CBA underwent dissolution after a fire broke out in March of 2018.

The CBA for supervisors signed on November 17, 2016 covers a period of five (5) years, April 01, 2016 to March 31, 2021. MAPSA (Manila Pavilion Supervisors' Association) is the one who represented the supervisor during the bargaining. The economic provision of the Agreement shall be subject to renegotiation after the 3rd year of its affectivity or 60 days prior to March 31, 2019. Similar to the CBA for the line employees, the CBA for the supervisors underwent dissolution as well after the fire incident.

Business of WPI and Its Subsidiaries

- ***WPI***

Being an investment holding company in hotel and gaming businesses, *WPI* has a strategic advantage in the marketplace. It can move and position itself to grab opportunities in hospitality industry, which is known to be highly competitive. The world-class facilities that it brings to the Province of Cebu are designed to provide a diverse and complete entertainment system that will attract local, regional, and international visitors.

Despite the growing number of competitors in the respective regions, including the entry of international hotel chains, both *WCCCHI* and *WMCHI* enjoyed favorable occupancy rate, successfully inviting both corporate and individual travel accounts.

Subsidiaries

The Company has the following subsidiaries, which are briefly described in the next pages:
1. Waterfront Cebu City Casino Hotel, Inc. (WCCCHI)
2. Waterfront Mactan Casino Hotel, Inc. (WMCHI)
3. Waterfront Insular Hotel Davao, Inc.
4. ACESITE (Phils.) Hotel Corporation
5. Waterfront Hotel Management Corporation
6. Mayo Bonanza, Inc.
7. Waterfront Entertainment Corporation
8. Waterfront Food Concepts, Inc.
9. Waterfront Wellness Group, Inc.
10. Grand Ilocandia Resort Development Incorporated
11. Waterfront Promotions Limited
12. Waterfront Puerto Princesa Hotel Inc.
13. Waterfront Iloilo Hotel Inc.
14. Waterfront Cebu Ventures Inc.

- ***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 coffee 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.

Year 2016, the property extended the Annex parking to provide more slots for the guests.

- ***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 trade 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 guestrooms 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.

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

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.

- ***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.

On March 18, 2018, a fire broke out in APHC's hotel property that damaged the podium and main hotel that resulted 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 incurred casualty losses due to damages on its inventories and hotel property (see Notes 6 and 9). APHC has filed for property damage and business insurance claims from its insurance companies and the insurance claims were finalized in 2020 amounting to P1.72 billion. As at December 31, 2020, total amount received from the insurance company amounted to P1.58 billion. As at December 31, 2020 and 2019, APHC recognized gains on insurance claims amounting to P854.52 million and P234.09 million, respectively, of which P850.22 million and P431.25 million were received in 2020 and 2019, respectively. The remainder amounting to P136.21 million relates to the portion of the claims that is still receivable from the insurance company. In 2018, APHC has started the reconstruction and restoration of the podium and main hotel which are still ongoing as at December 31, 2020.

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

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

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. Formerly, W Citigyms 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. The management has plan of opening Citigyms in all its hotels.

- ***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 High Roller 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 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.

- ***Waterfront Iloilo Hotel Inc.***

Waterfront Iloilo Hotel Inc. was incorporated and registered with the Philippine Securities and Exchange Commission on March 29, 2019 primarily to operate and manage a resort hotel and a restaurant that caters to the guests of the hotel.

The Company is a wholly-owned subsidiary of Waterfront Philippines, Incorporated (WPI or the Parent Company). WPI is 46%-owned by the The Wellex Group, Inc. and is listed on the Philippine Stock Exchange.

As at December 31, 2020, the Company has not yet started its commercial operations.

The Company's registered office address is at 7th Floor Manila Pavilion Hotel, U.N. Avenue corner Ma. Orosa, Barangay 666, Ermita, City of Manila, NCR, Philippines, 1000.

- ***Waterfront Puerto Princesa Hotel, Inc.***

Waterfront Puerto Princesa Hotel, Inc. was incorporated and registered with the Philippine Securities and Exchange Commission on May 15, 2017 primarily to acquire and hold real property such as lands, buildings and personal property of all kinds, to sell, lease, convey, mortgage, construct, improve and develop, contract for, manage, administer and or operate, alone or jointly with others any interest in real or personal property as well as in hotels, inns, lodging houses, resorts and all adjunct and accessories thereto, including restaurants, cafes, bars, stores and offices, barbershops and beauty lounges, sports facilities, places of amusement and entertainment of all kinds; to invest in other corporations for the advancement of its interest or to grant concessions, rights or licenses to others to operate, manage or deal with the same, to do any and all things necessary, suitable, convenient, proper or incidental to the accomplishment of the above purposes.

The Company is a wholly-owned subsidiary of Waterfront Philippines, Incorporated (WPI or the Parent Company). WPI is 46%-owned by the The Wellex Group, Inc. and is listed on the Philippine Stock Exchange.

As at December 31, 2020, the Company has not yet started its commercial operations.

The Company's registered office is at 7th Floor Manila Pavilion Hotel, U.N. Avenue corner Ma. Orosa St., Ermita, Brgy. 666, Manila City 1000.

- ***Waterfront Cebu Ventures, Inc.***

Waterfront Cebu Ventures, Inc. was incorporated and registered with the Philippine Securities and Exchange Commission on August 24, 2018 primarily to carry on the business of an investment holding company.

The Company is a wholly-owned subsidiary of Waterfront Philippines, Incorporated (WPI or the Parent Company). WPI is 46%-owned by The Wellex Group, Inc. and is listed on the Philippine Stock Exchange.

As at December 31, 2020, the Company has not yet started its commercial operations.

The Company's registered office address is located at No. 1 Waterfront Drive, Off Salinas Drive, Barangay Lahug, Cebu City.

Business Development

In 1995, Waterfront Philippines, Inc. (WPI) set out to complete two major objectives in the province of Cebu- to focus on hotel and resort development and to promote tourism in the Philippines. Four years later, this vision became a reality with the full operation of the Waterfront Mactan Island Hotel and Casino, Inc, and Waterfront Cebu City Hotel. At present, WPI would like to establish itself as the premiere tourism organization with leisure and entertainment activities, not only in Cebu, but also in the various provinces nationwide.

Year 2015

The race is not always to the quick. Leaders of the company make it to the top by dint of hardwork, resourcefulness and a healthy streak of creativity. To go beyond outside traditional markets and develop new revenue streams. And further enhance measures to decrease our operating cost without sacrificing the need and satisfaction of our guest.

The company also works hard to tap into alternative opportunities available, such as reaching out to the local market, which has been provided us with a remarkable revenue stream that should be further nurtured and explored.

This year also marks the second time the Philippines is playing host to the Asia-Pacific Economic Cooperation (APEC), having hosted the vent previously in 1996. The meeting aims to solicit proposals and share best practices in boosting connectivity and mobility within and across member-economies, particularly through more active capital markets. Organizers plan also to use something else that will make the Philippines stand out: its hospitality.

Despite the intense competition, the Group was able to bring in significant revenue growth and positioned to reap the fruits of all hardwork.

Year 2016

What sets us apart this year is our renewed and intensified focus on marketing. We have redoubled our efforts to market our brand to our customers and endeavored to meet them where they increasingly spend their time--which is, in this age of digitally-propelled tourism, the online space. We still cater to traditional markets through our offline channels, strengthening partnerships and aggressively forming revenue-generating deals and contracts with significant clients. By being proactive and addressing the consumer market through innovative and creative marketing in multiple touch points and by maximizing online-offline dynamics, we have been able to capture a bigger share of the business, generating increased rooms revenue and F&B revenue.

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

Overall, reflects a keen interest by both local and international markets, with the local market as a uniquely consistent driving force in our hotels--showing that the Waterfront brand has gained significant loyalty among local customers and provides an important revenue stream that can be harnessed further as it creates resilience in the business.

Year 2017

2017 marked continuous growth by becoming the usual host of some of the country's biggest events, the "castlesque" establishment has become one of the city's most iconic monuments and has established itself as a primary entertainment destination through the years. Being truly at the "center of it all", our hotels serve up a combination of refinement and comfort like no other, as each property expresses elegance with beautiful furnishings, exquisite interior design details and state-of-the-art amenities.

The Group has spent two decades of dedication in delivering nothing but excellent service and top-notch rooms and facilities to all its valued guests thus, with this overwhelming recognition to be chosen as one of the Philippine recipients for the ASEAN's prestigious MICE Venue Standard Award in the Hotel Category Setting, the hotel offers this success also to its patrons and loyal guests.

Year 2018

This year was a year filled with challenges and growth for the group. Earlier this year, Acesite Hotels Corporation has met with an unfortunate event. However, this didn't stop the Hotel Group from thriving. Renovations and repairs have already been driven forward to ensure that such roadblocks do not hamper the envisioned growth. The hotels in Cebu and Davao have all provided continuous improvement all throughout the year by cementing its reputation of being reliable and grand venues for events and a center for business.

With a vision to be a leader in the lodging industry through providing excellent customer service, Waterfront Hotel Group pushes forward to new heights with plans to re invigorate function rooms and further improve a cluster of services to our clientele.

Year 2019

The group showed a sustained growth this year all throughout the operational properties. The newly renovated function rooms of WCCHI was unveiled earlier this year with plans to revitalize and renew the remaining function rooms including the coveted venue in the city, The Grand Ballroom.

Both WCCHI and WMCHI are considered to be the top choice of international airline carriers to provide excellent lodging and service for their crew whilst in the city. All three hotels have continually provided venues for grand National events, business ventures and vacationing tourists alike.

Year 2020

This year the group endured a global pandemic. The COVID-19 outbreak has spread across the globe causing disruptions to businesses and economic activities. The hotel was one of the most affected industries. The hotel was not able to operate at full capacity when quarantine was implemented in varying degrees nationwide since the second quarter of the year.

Davao and Mactan achieved 100% and 92% occupancy in the first quarter, respectively. However, occupancy was significantly lower for the rest of year to as low as 2% in Davao and 9% in Mactan and Cebu in some months. To cope, the company offered Bayanihan promos to accommodate guests through online bookings and walk-ins, government groups and corporate clients which include airline, telecommunication and utilities companies. There was significant reduction in the level of capital and operational expenditures in the short term, limiting the outflows to only required compliance with health and safety and pausing all nonessential spending.

Strategies

The hotel properties are centrally located in the central business districts of three prime Philippine destinations, Manila, Cebu and Davao. These are the key cities of the country with the highest tourism traffic. As such our location gives us access to a greater number of foreign and local travelers.

The management team has a substantial management experience in the acquisition of equity interests in hotels in the Philippines. We have enjoyed considerable success in formulating and implementing clear acquisition strategies, and seizing opportunities to explore market potential of the hotel industry.

The acquisition strategy remains sound as it takes half the time to acquire and renovate properties as it does to conceptualize, construct and pre-open new properties. With the expertise in the hotel management, and the partnership with an investment group that is premised on the transfer of clean properties with minimal business risks, the company is confident enough the ability to improve operations and enhance value of acquired assets.

As to price, the Company offers competitive rates and packages catering to the different markets, practices flexible schemes to respond to the dynamic market. As to product/services, consistent excellent service is the key. Moreover, well maintained facilities and equipment, impressive, exciting and value for money promotions in the F&B outlets would definitely make a difference.

The Central Reservations System has made it the only integrated network of hotels in the country with a powerful presence through 24/7 booking service. As the company strives towards further convenience and accessibility, the company has introduced its outline booking facility. The newly redesigned website offers highly efficient online reservations facility that allows customers from all over the world to book real time and receive real time confirmation. This high-speed reservations feature enables the company to fully cater to the online market, whether the purpose is for travel research or convenient booking. All in all the company continue to expand in innovative ways, using technology and new media as a cost effective way to expand its market share, explore new markets and ensure the strength locally and internationally.

In addition to advancement concerning our operations is the upgrading of our property Management Systems (PMS). These are multi-million Peso investments to upgrade our efficiency, and ensuring that our operations remain steady in the years to come. The Waterfront Recipe Guide System is a savvy new strategy to give our F&B operations a boost. This will enable us to standardize our best-selling dishes, aiming to be more consistent in preparation and waste.

At Waterfront, we emphasize service that brings people back, and we reinforce this service through site training, among other programs. We are known for our signature warmth, attention to detail and approachability, qualities that our guests of all nationalities cherish during every stay. Whoever encounters the Waterfront experience will be assured of a reliable, consistent and satisfying brand familiarity that leads to loyalty.

Our greatest software is our People.

Item 2. Properties

The Company, being a holding company, has no real properties in its name. Properties under the WPI Group are under the ownership or lease holdings of the respective subsidiaries.

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.

DIHCI Wholly Owned:

Location	Title	Area (In Sq. Meters)
▪ Lanang, Davao City Size: Approximately 12.29 hectares but with offshore area of 4.3 hectares	TCT 0-255*	2,997
	0-256*	304
	0-257*	113
	0-258*	50
	0-259*	404
	T-10250*	43,881
	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-10254*	500
	T-10254*	400
	T-10303-A*	304
	T-30874*	223
	T-10264*	18,959

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

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. 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."

Item 3. Legal Proceedings

3.1 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.

In the decision, the RTC of Quezon City directed the Company to return to SSS the principal amount of loan amounting to P375 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 filed an appeal with the CA assailing the RTC of Quezon City decision in favor of the Company, et al. SSS filed its Appellant's Brief and the Company filed a Motion for Extension of Time to file Appellee's Brief until May 16, 2016.

On May 16, 2016, the 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 Company from the 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 CA, resolved to submit the appeal for decision.

On August 30, 2019, the Court of Appeals rendered its Decision reversing and setting aside the Decision dated January 13, 2015 and Order dated May 11, 2015 rendered by the RTC of Quezon City.

On November 4, 2019, the counsel for the Parent Company, filed a Petition for Review with the SC.

On February 5, 2020, the SC issued its Resolution requiring SSS to file its Comment. SSS appealed for an extension to file its Comment until March 23, 2020. On August 14, 2020, the counsel for the Parent Company received a copy of the Comment dated June 24, 2020. As at the date of the BOD's approval of the consolidated financial statements, the Parent Company is still awaiting Notice/Resolution from the SC on the Petition for Review.

3.2. 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 P3.3 million. However, on January 15, 2010, the Parent Company appealed the final decision of the BIR with the Court of Tax Appeals (CTA) on the grounds of lack of legal and factual bases in the issuance of the assessments.

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

The Parent Company appealed the case to the CTA sitting En Banc on October 21, 2013. 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.

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 4. Submission of Matters to a Vote of Security Holders

4.1 The stockholders approved and ratified the following matters during the Stockholder's Meeting held last November 16, 2020:

4.2

a. Election of the members of the Board of Directors to serve for the term 2020-2021. Those elected regular members of the Board were:
   1. Mr. Sergio R. Ortiz-Luis, Jr.
   2. Mr. Reno I. Magadia
   3. Mr. Kenneth T. Gatchalian
   4. Mr. Arthur M. Lopez
   5. Mr. Dee Hua T. Gatchalian
   6. Ms. Elvira A. Ting
   7. Atty. Lamberto B. Mercado, Jr.
   8. Mr. Sergio R. Ortiz-Luis, Jr.
   9. Atty. Ruben D. Torres
   10. Mr. Renato Francisco

   Atty. Arthur R. Ponsaran acts as the Corporate Secretary of the Company.

b. The designation of KPMG R.G. Manabat and Co. as the Corporation's external auditor. The signing partner of the company, Mr. Tireso Randy F. Lapidez, has been holding the designation for 5 years starting 2016.

PART II – OPERATIONAL AND FINANCIAL INFORMATION

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters

5.1 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.

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

5.2 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
2020		
January – March 2020	0.630	0.300
April- June 2020	0480	0.350
July- September 2020	0.460	0.360
October- December 2020	0.780	0.375

Peso	High	Low
2019		
January – March 2019	0.830	0.640
April- June 2019	0.810	0.640
July- September 2019	0.890	0.650
October- December 2019	0.700	0.570

The price of the stock is at 0.58 as of December 31, 2020 and at 0.66 as of April 15, 2021.

5.1 The number of stockholders of record as of December 31, 2020 on the Register of Shareholders was 435 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, 2020 were 2,498,991,753. There are no sales for the last three years of unregistered securities.

5.2 The list of top 20 stockholders of record as of December 31, 2020 is as stated hereunder:

	STOCKHOLDER'S NAME	TOTAL HOLDINGS (SUBSCRIBED)	PERCENTAGE TO TOTAL
1	THE WELLEX GROUP, INC.	1,128,466,800	45.16%
2	PCD NOMINEE CORP. (FILIPINO)	839,357,973	33.59%
3	PCD NOMINEE CORP. (NON-FILIPINO)	341,234,201	13.65%
4	KENNETH T. GATCHALIAN	30,000,100	01.20%
5	REXLON T. GATCHALIAN	30,000,100	01.20%
6	WESLIE T. GATCHALIAN	30,000,100	01.20%
7	FORUM HOLDINGS CORPORATION	20,626,000	00.83%
8	PRIMARY STRUCTURES CORPORATION	16,212,500	00.65%
9	REXLON GATCHALIAN	14,740,000	00.59%
10	METRO ALLIANCE HOLDINGS & EQUITIES, INC.	14,370,000	00.58%

11	ELVIRA A. TING	10,000,009	00.40%
12	CATALINA ROXAS MELENDRES	6,246,000	00.25%
13	MANUEL H. OSMENA &/OR MANUEL L. OSMENA II	1,400,000	00.06%
14	ROLANDO M. LIM	1,142,500	00.05%
15	FELIPE A CRUZ, JR.	1,100,000	00.04%
16	MARIA CONCEPCION CRUZ	876,000	00.04%
17	FREYSSINET PHILIPPINES, INC.	770,000	00.03%
18	BENSON COYUCO	605,000	00.02%
19	DAVID LAO OSMENA	589,600	00.02%
20	LUCENA B. ENRIQUEZ	552,000	00.02%

Item 6. Management's Discussion and Analysis or Plan of Operation

Below are the results of operations of the Parent Company and its subsidiaries, for the years ending December 31, 2020 and 2019 together with its financial conditions as of the same period.

RESULTS OF OPERATIONS (Amounts in P)

	2020	**2019**
Revenues	1,054,632,300	1,997,069,078
Less: Costs and Expenses	717,654,748	1,379,935,134
Gross Income	**336,977,552**	**617,133,944**
Other Expenses (Income)	470,085,862	12,185,032
Net Income (Loss) Before Income Tax	**807,063,414**	**629,318,976**
Income Tax Expense (Benefit)	123,597,065	158,330,614
NET INCOME (LOSS)	**683,466,349**	**470,988,362**
Earnings (Loss) Per Share	**0.158**	**0.176**

FINANCIAL CONDITION (Amounts in P)

	2020	**2019**
ASSETS		
Current Assets	4,423,715,641	4,124,738,706
Noncurrent Assets	10,819,583,276	8,980,324,285
Total Assets	**15,243,298,917**	**13,105,062,991**
LIABILITIES		
Current Liabilities	2,674,648,755	2,882,792,090
Non-current Liabilities	3,166,286,895	2,828,935,822
Total Liabilities	5,840,935,650	5,711,727,912
Total Stockholders' Equity	**8,319,536,202**	**6,627,464,761**
Minority Interest	1,082,827,065	765,870,318
Total Liabilities & S/H Equity	**15,243,298,917**	**13,105,062,991**

<u>Calendar Year -ended December 31, 2020 as compared with Calendar Year ended December 31, 2019</u>

RESULTS OF OPERATION

Revenues and Earnings per share

- Total revenues for year ended Dec. 31, 2020 was lower than the previous year. In actual performance, revenues from hotel & other subsidiaries for the year 2020 is at P1.054B compared to 2019's P1.997B, decreasing by 47%.

Earnings per share for 2020, P0.158 and P0.176 for 2019. There are no potentially dilutive shares as of December 31, 2020.

Cost and expenses

– Cost and expenses of 2020 is at 718M compared to last year's 1.38B

FINANCIAL CONDITION

Cash and cash equivalents – This account increased by P501M which is 74% higher from last year.

Receivables – Decreased by 20.51% from P667.54M in 2019 to P530.64M in 2020.

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Notes Receivable – Decreased for the year by 12.36M or a decrease of 5.24%.

Inventories – Inventories decreased by 25.43% from last year.

Due from related parties-current portion – The account decreased to P51.41M, an amount 2.23% lower from last year. This represents interest bearing advances to TWGI, PRC and Crisanta Realty.

Prepaid expenses and other current assets – An increase of P5.98M from last year's P204.55M. 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 – There was a 27.09% increase from last year's P6.71B to this year's P8.53B. In compliance with PAS 27, property and equipment (except operating and transportation equipments) were carried at revalued amounts effective 2009.

Other noncurrent assets – There is an increase of P167M on this account compared to last year's 703M

Current Liabilities – The account consisted of trade payable, income tax payable, accruals and loans payable. The account decreased by 7.22% from last year; P2.88B in 2019 to P2.67B in 2020.

Loans Payable – Current portion of the loan decreased by 3.44%. Non-current portion amounts to 635M or a decrease of 255M.

Other current liabilities – The account resulted in a decrease from 43.15M last year to 39.04M this year. This refers to concessionaire, other deposits and deferred income.

<u>Calendar Year -ended December 31, 2019 as compared with Calendar Year ended December 31, 2018</u>

RESULTS OF OPERATION

Revenues and Earnings per share

- Total revenues for year ended Dec. 31, 2019, was higher than the previous year. In actual performance, revenues from hotel & other subsidiaries for the year 2019 is at P1.99B compared to 2018's P1.85B, increasing by 8%.

  Earnings per share for 2019, P0.176 and P0.017 for 2018. There are no potentially dilutive shares as of December 31, 2019

Cost and expenses

- Cost and expenses of 2019 is at 1.38B compared to last year's 1.39B

FINANCIAL CONDITION

Cash and cash equivalents – This account decreased by P35.885M which is 5% lower from last year.

Receivables – Increased by 19% from P561.48M in 2018 to P667.54M in 2019.

Notes Receivable – Decreased for the year by 18.245M or a decrease of 7%.

Inventories – Inventories increased by 24.22% from last year.

Due from related parties-current portion – The account increased by P225M an amount 11% higher from last year. This represents interest bearing advances to TWGI, PRC and Crisanta Realty.

Prepaid expenses and other current assets – An increase of P66.683M from last year's P137.87M. 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 – There was a 32% increase from last year's P5.10B. In compliance with PAS 27, property and equipment (except operating and transportation equipments were carried at revalued amounts effective 2009.

Other noncurrent assets – There is an increase of P504.64M on this account compared to last year's 198.442M

Current Liabilities – The account consisted of trade payable, income tax payable, accruals and loans payable. The account increased by 14.19% from last year; P2.53B in 2018 to P2.88B in 2019.

Loans Payable – Current portion of the loan remains at 650M. Non-current portion amounts to 890.43M or a decrease of 277.66M

Other current liabilities – The account resulted in a decrease from 220.96M last year to 43.15M this year. This refers to concessionaire, other deposits and deferred income.

Calendar Year -ended December 31, 2018 as compared with Calendar Year ended December 31, 2017

RESULTS OF OPERATION

Revenues and Earnings per share

- Total revenues for year ended Dec. 31, 2018, was lower than the previous year. In actual performance, revenues from hotel & other subsidiaries for the year 2018 is at P1.85B compared to 2017's P2.1B, decreasing by 12%.

  Earnings per share for 2018, P0.017 and P0.087 for 2017. There are no potentially dilutive shares as of December 31, 2018, 2017, 2016.

Cost and expenses

- Cost and expenses of 2018 is at 1.39B which decreased by 2.13% compared to last year.

FINANCIAL CONDITION

Cash and cash equivalents – This account increased by P366.71M which is higher from last year by 106.01%.

Receivables – Increased by 145.87% from P228.36M in 2017 to P561.48M in 2018.

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 decreased by 27.75% from last year.

Due from related parties-current portion – The account increased to P2.08B an amount 30% higher from last year. This represents interest bearing advances to TWGI, PRC and Crisanta Realty. It also includes transactions with PHES which is non-interest bearing. This year of 2018, these advances are due in one year, subject to yearly renewal and re-pricing.

Prepaid expenses and other current assets – An increase of P40.31M from last year's P97.56M. 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 – There was a 20.14% decrease from last year's P6.39B. In compliance with PAS 27, property and equipment (except operating and transportation equipments) were carried at revalued amounts effective 2009.

Other noncurrent assets – There is an increase of P168.22M on this account, an amount equivalent to 556.62% compared from last year.

Current Liabilities – The account consisted of trade payable, income tax payable, accruals and loans payable. The account increased by 30.92% from last year; P1.93B in 2017 to P2.53B in 2018.

Loans Payable – Current portion of the loan increased from 375M to 650M which is an increase of 73.33%. Non-current portion amounts to 1,168,085,107 which was not existent last year

Other current liabilities – The account resulted in an increase of 205.58M. This refers to concessionaire, other deposits and deferred income.

Key Variable and Other Qualitative and Quantitative Factors:

a. Any known Trends, Events or Uncertainties

The Group has assessed that although COVID-19 will not have significant effect on its ability to continue as a going concern, it will still have continuing impact on its operations. The full impact on the Group will depend on the duration of this unique crisis and how it severely impacts the economy going forward, with a range of potential outcomes too large to provide a meaningful quantification at this point. The subsequent impact of this outbreak especially on the Group's estimates of provision on financial instruments and recoverability of nonfinancial assets will be determined, quantified and recognized in the Group's financial statements when these become estimable.

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.

Omnibus Security and Loan Agreement Covenants
As of December 31, 2020, the Group's debt service coverage ratio has fallen below the agreed threshold, but the Group was able to obtain a waiver for the breach (see Note 26). As at the date of the authorization of the financial statements, the Group is not in default and continues to pay the maturing interest and principal in a timely manner.

c. There are no material off-balance sheet transactions, arrangements, obligations (including, contingent obligations), and other relationship of the company with unconsolidated entities or other persons created during the reporting period.
d. The group is not subject to externally-imposed capital requirements.

Financial Risk and Capital 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 investments, equity securities - at FVOCI, other noncurrent assets (excluding advances to contractors and advances to supplier), accounts payable and accrued expenses (excluding local taxes, output VAT and withholding taxes), loans payable, due to a related party, lease liabilities, other current liabilities (excluding deferred income), concessionaires' deposits and retention payables. 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 receivables.

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 credit quality of the Group's financial assets that are neither past due or impaired is considered to be of good quality and expected to collectible without incurring any credit losses.

Liquidity Risk

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

The Group monitors and maintains a level of cash deemed adequate by the management to finance the Group's operation and mitigate the effects of fluctuations in cash flows. Additional short-term funding is obtained 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.

The Group is primarily exposed to the financial risk of changes in equity prices of its equity securities - at FVOCI.

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 primarily 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. 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.

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, 2020 and 2019 (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.

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 listed investment was determined using the closing market price of the investment listed on the PSE as of December 31, 2020 and 2019.

Risk Management Structure

Board of Directors

The BOD is mainly responsible for the overall risk management approach and for the approval of risk strategies and principles of the Group. It 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, evaluating and analyzing of the Group's risks in line with the policies and limits set by the BOD.

Capital Management

The primary objective of the Group's capital management is to ensure its ability to continue as a going concern and that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. Capital is defined as the invested money or invested purchasing power, the net assets or equity of the entity. The Group's overall strategy remains unchanged from 2021 and 2020.

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. For purposes of the Group's capital management, capital includes all equity items that are presented in the consolidated statement of changes in equity, except for revaluation surplus on property and equipment, retirement benefits reserve, foreign currency translation adjustment and fair value reserve.

The Group's capital management, among other things, aims to ensure that it meets financial covenants attached to the omnibus and security loan agreement. Breaches in meeting the financial covenants would permit the bank to immediately call the loans. There have been no breaches of the financial covenants in the current period.

Item 7. Financial Statements

The consolidated financial statements are filed as part of this Form 17-A, attached hereto and marked as Annex 'A'.

INFORMATION ON INDEPENDENT ACCOUNTANT AND OTHER RELATED MATTERS

1) External Audit Fees and Services

KPMG R.G. Manabat & Co. began the external audit of the financial statements of Waterfront Philippines, Inc. and its subsidiaries for the calendar year ended December 31, 2002 until present, December 31, 2020.

A) Audit and Audit-Related Fees, net of Tax

	FOR THE CALENDAR YEAR ENDED DECEMBER 31,	
	2020	***2019***
Aggregate Fees Billed for the external audit of the Company's financial statements	3,477,600	3,818,920

B) Tax Fees

None

C) All Other Fees

None

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

None

PART III – CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Registrant

9.1 The names and ages of the Directors and Executive Officers as of December 31, 2020 are as follows:

Office	Name	Age	Citizenship	Position in Other Listed Companies
Chairman of the Board	Sergio R. Ortiz-Luis, Jr.	76	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	Kenneth T. Gatchalian	45	Filipino	Director-Wellex Industries Inc.; President & CEO of Acesite (Phils.) Hotel 2007-present; President and Chief Excutive Officer of Philippine Estates Corporation 2010-2011; Director-Forum Pacific Inc.
Director	➢ Arthur M.Lopez	75	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	73	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	51	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.	57	Filipino	Director-The Wellex Group, Inc., Metro Alliance Holdings & Equities Corp., Forum Pacific, Inc. Director- Acesite (Phils.) Hotel 2004-present, Air Philippines Corporation and Philippine International Airways, Inc.
Director	➢ Renato C. Francisco	78	Filipino	Associate Justice-Court of Appeals, Former Executive Judge of the Regional Trial Court, Former Assistant City Prosecutor for Makati City
Director	➢ Ruben D. Torres	80	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	61	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	78	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.

➢ ***Independent Directors***

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

Sergio Ortiz-Luis, Jr.	**Chairman of the Board**

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 63rd Annual Convention and lastly, Bringing the Buy Pinoy Campaign to the Next Level.

Kenneth T. Gatchalian	**President**

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.

Arthur M. Lopez	**Director**

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.

Dee Hua T. Gatchalian	**Director**

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.

Reno I. Magadia	Director

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.

Lamberto B. Mercado, Jr.	**Director**

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.

Renato C. Francisco	**Director**

A veteran legal professional, Justice Renato C. Francisco has been serving as an Associate Justice for the Court of Appeals from May 31, 2012 – August 20, 2018. An Ateneo De Manila University graduate for his Bachelor of Laws, Justice Francisco has served in the judiciary as a Presiding/Executive Judge for the Regional Trial Court – Branch 19 of Malolos, Bulacan. Prior to that, he has also been the Assistant City Prosecutor for Makati City from 1992 to 1996. His extensive knowledge about the judiciary and legislations was further improved by the training programs that he has been a part of including The Harvard Negotiation Intensive, The Seminar-Workshop on Substantive Law and Jurisprudence on Intellectual Property for Court of Appeals Justices.

Ruben D. Torres	**Director**

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.

Elvira A. Ting	**Director and Treasurer**

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

Kenneth T. Gatchalian	**President**

(see above description)

Precilla O. Toriano	**Corporate Finance Director**

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". This June 2015, she took the 3-day MBA for Chief Finance Officers held in Kuala Lumpur, Malaysia.

Maria Socorro Cotelo	**Corporate Planning Director**

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.

Lanelle Cristina M. Barba	**Corporate Peers' Resources and Development Director**

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.

9.2 The Directors of WPI are elected at the annual stockholders' meeting to hold office until the next succeeding annual meeting and until their 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 qualified. For the year 2019 the Board of Directors' meeting for the election of the Executive Officers was held on last October 19, 2019. The Directors are to serve one year from then. The last annual stockholders' meeting was held at the Waterfront Cebu City Hotel.

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

There are no other relationships among the officers listed.

9.4 None of the Directors and Executive Officers of the Corporation is engaged in any material litigation either as Plaintiff or Defendant, and the Directors and Executive Officers do not have any knowledge of any proceedings pending or threatened against them for the past five years that are material to evaluation of the integrity and ability of any director including but not limited to the following: (a) Any bankruptcy petition filed by or against any business of which such person was a general partner; (b) any conviction by final judgment, including the nature of the offense, including in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign, excluding traffic violations and minor offenses; (c) Being subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities; and (d) Being found by a domestic or foreign court of competent jurisdiction (in a civil action), the Commission or comparable foreign body, or a domestic or foreign Exchange or other organized trading market or self regulatory organization, to have violated a securities or commodities law or regulation, and the judgment has not been reversed, suspended, or vacated.

9.5 There is no significant employee to the Company who is not an executive officer but who is expected by the Company to make a significant contribution to the business except for the Training Consultant and Legal Consultants, the organic pool of trainors as of the moment. In order to protect the long-term viability of the firm with regard to these people, the Company has included in their contracts a provision for conflict of interest, provision for lock in period and non-duplication of documents and developments with WPI copyrights.

Item 10. Executive Compensation

10.1 None of the directors receive compensation for serving as directors of the company.

10.2 The aggregate compensation paid to the four.

	Fiscal Year Ending December 31 2020	2019	2018
a) Aggregate compensation paid to four most highly compensated executive officers: -estimated i) Anders Hallden ii) Precilla Toriano iii) Maria Socorro Cotelo iv) Lanelle Barba	13,022,205.00	12,402,100.00	11,811,525.00
b) Aggregate compensation paid to other Officers as a group unnamed -estimated	8,979,510.00	8,551,914.00	8,144,680.61

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

10.4 There is no issuance of warrants or options for the year 2020 to the directors or executive officers.

Item 11. Security Ownership of Certain Beneficial Owners and Management

11.1 **Security Ownership of Certain Record and Beneficial Owners**

As of December 31, 2020, WPI has no knowledge of any individual or any party who beneficially owns in excess of 10% of WPI's common stock except as set forth in the table below:

Title of Class	Name of Record/ Beneficial Owner	Amount & Nature of Record/Beneficial Ownership ("r" or "b")	Percent Of Class
Common	The Wellex Group, Inc.	1,128, 466, 800 **"r"** *	45.16
Common	PCD Nominee Corp.(Fil)	580, 381, 575 **"r"**	33.59
Common	PCD Nominee Corp. (Non-Fil)	180, 230, 000 **"r"**	13.65

*Ms. Elvira A. Ting, the Treasurer, represents The Wellex Group, Inc.

11.2 **Security Ownership of Management**

Title Of Class	Name of Owner	Amount and Nature of Ownership ("r" or "b")	Percent of Class
Common	Kenneth T. Gatchalian	30, 000, 100 **r&b**	1.200
Common	Arthur M. Lopez	1 **r&b**	0.000
Common	Elvira A. Ting	10, 000, 009 **r&b**	0.400
Common	Lamberto Mercado	100 **r&b**	0.000
Common	Arthur R. Ponsaran	110 **r&b**	0.000
Common	Dee Hua T. Gatchalian	350, 000 **r&b**	0.014
Common	Reno Magadia	10, 000 **r&b**	0.000
Common	Sergio R. Otiz-Luis Jr.	110 **r&b**	0.000
Common	Ruben Torres	1, 000 **r&b**	0.000

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 12. Certain Relationships and Related Transactions

The Directors by virtue of their interest in the shares of the Company are deemed to have interests in the shares of its subsidiary companies and associated companies to the extent the Company have an interest.

During the fiscal year, no director of WPI has received or become entitled to receive any benefit by reason of:

i) a contract made with WPI or
ii) a contract made with a related corporation or
iii) a contract made with a firm of which the director is a member or
iv) a contract made with a company in which the director has a substantial financial interest.

Item 13. Exhibits and Reports on SEC Form 17-C

(a) Exhibits
(b) Reports on SEC Form 17-C

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code , this report is signed on behalf of the issue by the undersigned; thereunto duly authorized, in the City of CITY OF MANILA on 10 JUN 2021 2021.

KENNETH T. GATCHALIAN
President/ CEO/COO

ELVIRA A. TING
Treasurer/CFO

ARTHUR R. PONSARAN
Corporate Secretary

PRECILLA O. TORIANO
Corporate Finance Director

SUBSCRIBED AND SWORN to before me this ____dayof 10 JUN 2021 2021 affiant(s) exhibiting to me his/their Passport.

NOTARY PUBLIC

Doc. No. 302
Page No. 61
Book No. 14
Series of 2021

ATTY. GILBERTO B. PASIMANERO
Notary Public Until Dec. 31, 2021
Notarial Commission No. 2020-030
IBP # 092831 Pasig 10-7-2019
PTR # 9823042 Mla. 1-4-2021
Roll # 25473, TIN # 103-098-346
MCLE Compl. No. VI- 0011418 until 4-14-2022

Stock Transfer Service Inc.
WATERFRONT PHILIPPINES, INCORPORATED
List of Top 100 Stockholders
As of 12/31/2020

Rank	Name	Shareholdings	Percentage
1	THE WELLEX GROUP, INC.	1,128,466,800	45.16%
2	PCD NOMINEE CORP. (FILIPINO)	839,357,973	33.59%
3	PCD NOMINEE CORP. (NON-FILIPINO)	341,234,201	13.65%
4	KENNETH T. GATCHALIAN	30,000,100	01.20%
5	REXLON T. GATCHALIAN	30,000,000	01.20%
6	WESLIE T. GATCHALIAN	30,000,000	01.20%
7	FORUM HOLDINGS CORPORATION	20,626,000	00.83%
8	PRIMARY STRUCTURES CORPORATION	16,212,500	00.65%
9	REXLON GATCHALIAN	14,740,000	00.59%
10	METRO ALLIANCE HOLDINGS & EQUITIES, INC.	14,370,000	00.58%
11	ELVIRA A. TING	10,000,009	00.40%
12	CATALINA ROXAS MELENDRES	6,246,000	00.25%
13	MANUEL H. OSMENA &/OR MANUEL L. OSMENA II	1,400,000	00.06%
14	ROLANDO M. LIM	1,142,500	00.05%
15	FELIPE A CRUZ, JR.	1,100,000	00.04%
16	MARIA CONCEPCION CRUZ	876,000	00.04%
17	FREYSSINET PHILIPPINES, INC.	770,000	00.03%
18	BENSON COYUCO	605,000	00.02%

19	DAVID LAO OSMENA	589,600	00.02%
20	LUCENA B. ENRIQUEZ	552,000	00.02%
21	EMILY LIM	500,000	00.02%
22	DEE HUA T. GATCHALIAN	350,000	00.01%
23	ARTHUR H. OSMENA &/OR JANE Y. OSMENA	330,000	00.01%
24	JOSE YAP &/OR CONCHITA YAP	330,000	00.01%
25	MARVIN J. GIROUARD	330,000	00.01%
26	ANA L. GO	300,000	00.01%
27	SEGUNDO SEANGIO &/OR VIRGINIA SEANGIO	297,000	00.01%
28	CHARTERED COMMODITIES CORPORATION	294,999	00.01%
29	DOMINGO C GO	275,000	00.01%
30	SILVER GREEN INVESTMENTS LTD.	230,000	00.01%
31	MERIDIAN SEC., INC. A/C# 844	200,000	00.01%
32	GARY GO DYCHIAO	200,000	00.01%
33	CRISTINO NAGUIAT, JR.	181,500	00.01%
34	WILLIE TIO	159,500	00.01%
35	PIERCE INTERLINK SECURITIES, INC.	150,000	00.01%
36	BETO Y. LIM	150,000	00.01%
37	AURORA V. SAN JOSE	143,000	00.01%
38	YAN TO A. CHUA	132,000	00.01%
39	CELY S. LIM	112,200	00.00%
40	DEWEY CHOACHUY, JR	111,300	00.00%

41	JOHN CRHISTOPHER D. WEIGEL	110,000	00.00%
42	WILSON CHUA &/OR BECKY QUE CHUA	110,000	00.00%
43	WANG YU HUEI	110,000	00.00%
44	KENSTAR INDUSTRIAL CORPORATION	110,000	00.00%
45	WATERFRONT NOMINEES SDN BHD A/C#6	107,800	00.00%
46	MIZPAH HOLDINGS, INC.	100,000	00.00%
47	MANUEL H. OSMENA &/OR GRELINA L. OSMENA	100,000	00.00%
48	PACIFIC CONCORDE CORPORATION	100,000	00.00%
49	PACIFIC IMAGES, INC.	100,000	00.00%
50	PACIFIC REHOUSE CORPORATION	100,000	00.00%
51	PACIFIC WIDE REALTY DEVELOPMENT CORP.	100,000	00.00%
52	CATHAY SEC. CO., INC. A/C# 1030	100,000	00.00%
53	CHESA HOLDINGS, INC.	100,000	00.00%
54	CHONG PENG YNG	100,000	00.00%
55	HANSON G. SO &/OR LARCY MARICHI Y. SO	100,000	00.00%
56	CARRIE LIM	100,000	00.00%
57	ALVIN TAN UNJO	88,000	00.00%
58	TERESITA GO &/OR SATURNINA GO	87,000	00.00%
59	GEORGE U. YOUNG, JR	82,500	00.00%
60	ROLANDO D. DE LEON	66,000	00.00%
61	LIPPO SECURITIES, INC.	56,500	00.00%

62	L.M. GARCIA & ASS., INC. A/C# 160	55,000	00.00%
63	LEONG JEE VAN	55,000	00.00%
64	LIM TAY	55,000	00.00%
65	EDILBERTO &/OR ROSITA TANYU &/OR WELLINGTON HO VELASCO	55,000	00.00%
66	RENATO C. GENDRANO &/OR GENDRANO BERNADETTE	55,000	00.00%
67	FRUTO M. TEODORICO, JR	55,000	00.00%
68	KIRBY YU LIM	55,000	00.00%
69	VICKY L. CHAN	55,000	00.00%
70	LYDIA J. SY	55,000	00.00%
71	MA. TERESA P. CRUZ	55,000	00.00%
72	PRIMITIVO C. CAL	55,000	00.00%
73	NEIL JOHN A. YU	50,000	00.00%
74	SANDRA E. PASCUAL	50,000	00.00%
75	ROBERTO L. UY	50,000	00.00%
76	FRANCISCO C. SAN DIEGO	50,000	00.00%
77	UY TIAK ENG	50,000	00.00%
78	EBC SECURITIES CORPORATION	48,400	00.00%
79	TAN DAISY TIENG	46,500	00.00%
80	EAST ASIA OIL & MINING COMPANY, INC.	40,000	00.00%
81	OCBC SECURITIES PHILS., INC.	40,000	00.00%
82	ADRIAN LONG	39,600	00.00%
83	GLADYS MAY L. OSMENA	39,600	00.00%

84	JAY JACOBS	39,600	00.00%
85	ROBERT KLING	39,600	00.00%
86	STEVE WOODWARD	39,600	00.00%
87	MEGHANN GAIL L. OSMENA	39,600	00.00%
88	MANUEL L. OSMENA, II	39,600	00.00%
89	MANILYNN L. OSMENA	39,600	00.00%
90	LUZ YAMANE	38,500	00.00%
91	LILY S. HO	36,300	00.00%
92	ABACUS SECURITIES CORPORATION	35,200	00.00%
93	LILIAN HONG	34,000	00.00%
94	INTERNATIONAL POLYMER CORPORATION	33,000	00.00%
95	SEAFRONT RESOURCES CORP.	33,000	00.00%
96	ARTURO GUANZON	33,000	00.00%
97	LEONCIO TIU	33,000	00.00%
98	TAN LIN LAY	30,000	00.00%
99	MA. YOLANDA MALLARI	30,000	00.00%
100	RAMONCITO ARCEO	30,000	00.00%
	Total Top 100 Shareholders :	2,496,805,682	99.91%
	Total Outstanding Shares	2,498,991,753	

OUTSTANDING BALANCES FOR A SPECIFIC COMPANY

Company Code - WPI000000000

Business Date: December 29, 2020

BPNAME	HOLDINGS
UPCC SECURITIES CORP.	75,000
A & A SECURITIES, INC.	1,479,700
ABACUS SECURITIES CORPORATION	32,035,786
PHILSTOCKS FINANCIAL INC	42,454,055
A. T. DE CASTRO SECURITIES CORP.	54,000
ALL ASIA SECURITIES MANAGEMENT CORP.	202,500
ALPHA SECURITIES CORP.	2,506,000
BA SECURITIES, INC.	2,147,700
AP SECURITIES INCORPORATED	17,740,500
ANSALDO, GODINEZ & CO., INC.	2,702,700
AB CAPITAL SECURITIES, INC.	6,886,500
SB EQUITIES,INC.	4,572,100
ASIA PACIFIC CAPITAL EQUITIES & SECURITIES CORP.	832,800
ASIASEC EQUITIES, INC.	243,000
ASTRA SECURITIES CORPORATION	5,000
CHINA BANK SECURITIES CORPORATION	920,000
BELSON SECURITIES, INC.	3,713,100
B. H. CHUA SECURITIES CORPORATION	50,000
JAKA SECURITIES CORP.	8,655,500
BPI SECURITIES CORPORATION	31,577,714
CAMPOS, LANUZA & COMPANY, INC.	2,447,202
SINCERE SECURITIES CORPORATION	1,045,000
CTS GLOBAL EQUITY GROUP, INC.	779,138
TRITON SECURITIES CORP.	19,214,450
IGC SECURITIES INC.	2,589,000
CUALOPING SECURITIES CORPORATION	110,500
DBP-DAIWA CAPITAL MARKETS PHILPPINES, INC.	2,200
DAVID GO SECURITIES CORP.	962,000
DIVERSIFIED SECURITIES, INC.	4,543,800
E. CHUA CHIACO SECURITIES, INC.	6,397,100
EQUITABLE SECURIITES (PHILS.) INC.	27,200
EAST WEST CAPITAL CORPORATION	400,000
EASTERN SECURITIES DEVELOPMENT CORPORATION	2,821,200
EQUITIWORLD SECURITIES, INC.	517,600
EVERGREEN STOCK BROKERAGE & SEC., INC.	9,231,100
FIRST ORIENT SECURITIES, INC.	4,431,100
FIRST INTEGRATED CAPITAL SECURITIES, INC.	100
F. YAP SECURITIES, INC.	1,676,000
AURORA SECURITIES, INC.	876,700
GLOBALINKS SECURITIES & STOCKS, INC.	1,194,400
JSG SECURITIES, INC.	181,650
GOLDSTAR SECURITIES, INC.	1,765,300
GUILD SECURITIES, INC.	270,000
HDI SECURITIES, INC.	4,002,500
H. E. BENNETT SECURITIES, INC.	2,670,000
HK SECURITIES, INC.	9,100
I. ACKERMAN & CO., INC.	30,000
I. B. GIMENEZ SECURITIES, INC.	528,097
INVESTORS SECURITIES, INC,	2,017,000
IMPERIAL,DE GUZMAN,ABALOS & CO.,INC.	1,293,800

BPNAME	HOLDINGS
INTRA-INVEST SECURITIES, INC.	187,400
ASIAN CAPITAL EQUITIES, INC.	56,100
J.M. BARCELON & CO., INC.	1,121,500
STRATEGIC EQUITIES CORP.	893,400
LARRGO SECURITIES CO., INC.	122,000
LUCKY SECURITIES, INC.	263,500
LUYS SECURITIES COMPANY, INC.	865,500
MANDARIN SECURITIES CORPORATION	1,613,200
COL Financial Group, Inc.	183,166,648
DA MARKET SECURITIES, INC.	222,200
MERCANTILE SECURITIES CORP.	131,800
MERIDIAN SECURITIES, INC.	2,154,700
MDR SECURITIES, INC.	341,000
REGIS PARTNERS, INC.	66,300
MOUNT PEAK SECURITIES, INC.	120,000
NEW WORLD SECURITIES CO., INC.	1,929,000
OPTIMUM SECURITIES CORPORATION	2,504,650
RCBC SECURITIES, INC.	3,389,300
PAN ASIA SECURITIES CORP.	135,000
PAPA SECURITIES CORPORATION	1,154,500
MAYBANK ATR KIM ENG SECURITIES, INC.	11,357,400
PLATINUM SECURITIES, INC.	23,000
PNB SECURITIES, INC.	1,643,260
PREMIUM SECURITIES, INC.	2,923,600
PRYCE SECURITIES, INC.	12,124
SALISBURY BKT SECURITIES CORPORATION	15,300
QUALITY INVESTMENTS & SECURITIES CORPORATION	16,558,300
R & L INVESTMENTS, INC.	42,000
R. COYIUTO SECURITIES, INC.	5,518,100
REGINA CAPITAL DEVELOPMENT CORPORATION	6,585,976
R. NUBLA SECURITIES, INC.	1,622,500
AAA SOUTHEAST EQUITIES, INCORPORATED	4,805,100
R. S. LIM & CO., INC.	1,048,400
RTG & COMPANY, INC.	176,600
S.J. ROXAS & CO., INC.	803,500
SECURITIES SPECIALISTS, INC.	2,200
FIDELITY SECURITIES, INC.	918,500
SUMMIT SECURITIES, INC.	1,207,300
STANDARD SECURITIES CORPORATION	1,901,200
SUPREME STOCKBROKERS, INC	31,350
TANSENGCO & CO., INC.	897,200
THE FIRST RESOURCES MANAGEMENT & SECURITIES CORP.	353,200
TOWER SECURITIES, INC.	5,661,600
TRANS-ASIA SECURITIES, INC.	1,325,500
APEX PHILIPPINES EQUITIES CORPORATION	5,000
TRENDLINE SECURITIES CORPORATION	11,200
TRI-STATE SECURITIES, INC.	150,000
UCPB SECURITIES, INC.	2,331,700
UOB KAY HIAN SECURITIES (PHILS.), INC.	1,400,000
E.SECURITIES, INC.	3,300
VENTURE SECURITIES, INC.	196,900
FIRST METRO SECURITIES BROKERAGE CORP.	32,788,590
WEALTH SECURITIES, INC.	7,852,590
WESTLINK GLOBAL EQUITIES, INC.	563,813,540
BERNAD SECURITIES, INC.	372,100
WONG SECURITIES CORPORATION	44,000
YAO & ZIALCITA, INC.	1,745,500
YU & COMPANY, INC.	1,089,000

BPNAME	HOLDINGS
BDO SECURITIES CORPORATION	28,762,928
EAGLE EQUITIES, INC.	886,800
GOLDEN TOWER SECURITIES & HOLDINGS, INC.	1,130,576
SOLAR SECURITIES, INC.	5,385,600
G.D. TAN & COMPANY, INC.	16,480,300
PHILIPPINE EQUITY PARTNERS, INC.	4,011,950
UNICAPITAL SECURITIES INC.	2,104,900
SunSecurities, Inc.	400,000
COHERCO SECURITIES, INC.	3,400,000
ARMSTRONG SECURITIES, INC.	5,300
TIMSON SECURITIES, INC.	8,139,000
STAR ALLIANCE SECURITIES CORP.	250,000
VC SECURITIES CORPORATION	600
CITIBANK N.A.	140,000
STANDARD CHARTERED BANK	933,000
TOTAL	**1,180,592,174**

If no written notice of any error or correction is received by PDTC within five (5) calendar days from receipt hereof, you shall be deemed to have accepted the accuracy and completeness of the details indicated in this report.

C O V E R   S H E E T
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

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

COMPANY NAME

WATERFRONT PHILIPPINES,
INCORPORATED AND SUBSIDIARIES

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

No. 1 Waterfront Drive
Off Salinas Drive, Lahug
Cebu City, Philippines

Form Type	Department requiring the report	Secondary License Type, If Applicable
A F S 2 0		

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	Email Address	Telephone Number/s	Mobile Number
Ms. Elvira A. Ting		(02) 687-0888	

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.

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 non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.

WATERFRONT PHILIPPINES, INCORPORATED AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2020 and 2019

With Independent Auditors' Report

R.G. Manabat & Co.
The KPMG Center, 9/F
6787 Ayala Avenue, Makati City
Philippines 1226
Telephone +63 (2) 8885 7000
Fax +63 (2) 8894 1985
Internet www.home.kpmg/ph
Email ph-inquiry@kpmg.com

REPORT OF INDEPENDENT AUDITORS

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

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, 2020 and 2019, and the consolidated statements of profit or loss and other comprehensive income (loss), changes in equity and cash flows for each of the three years in the period ended December 31, 2020, 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, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2020, in accordance with Philippine Financial Reporting Standards (PFRSs).

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.

Emphasis of Matter - Continuing Impact of Coronavirus Disease 2019 (COVID-19) Pandemic

We draw attention to Note 28 to the consolidated financial statements which describes the continuing impact and consequences of COVID-19 on the Group and the environment it operates. In this note, the Group indicates that uncertainties remain, and the pandemic will significantly impact its operations subsequent to December 31, 2020. The full impact on the Group will depend on the duration of this unique crisis and how it severely impacts the economy going forward, with a range of potential outcomes too large to provide a meaningful quantification at this point. The note also discloses the measures the Group has taken and other measures it plans to implement to mitigate the negative effects of COVID-19. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were 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 these matters.

Revenue Recognition
(P1.05 billion, see consolidated statement of profit or loss and other comprehensive income (loss) and Notes 23 and 24 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 judgment 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 PFRSs.

Valuation of Land
(P3.30 billion, see consolidated statement of financial position and Note 9 to the consolidated financial statements)

The risk
The Group's land is carried at revalued amounts. Although the Group engaged a Philippine Securities and Exchange Commission accredited independent external appraisers to perform the valuation, the model applied to determine the value of land is complex and sensitive to assumptions. Accordingly, we placed significant focus during the audit on the valuation adjustments because the amounts involved are material and significant judgments were involved in assessing the fair value of the land.

Our response
As part of our audit procedures, we assessed the appropriateness of the valuation method applied and the assumptions used in determining the fair values as reported by the independent external appraisers and considered whether these were in accordance with PFRSs and generally accepted business practices. We also performed an evaluation of the competence, independence and integrity of the external appraisers. Lastly, we assessed the adequacy of the Group’s disclosures of land under property and equipment account to determine whether they met the disclosure requirements of relevant accounting standards.

Capitalization of Costs on Construction
(P576.52 million, see consolidated statement of financial position and Note 9 to the consolidated financial statements)

The risk
The subsidiary has incurred significant costs in relation to the reconstruction and restoration project of its hotel property. Costs amounting to P576.52 million have been capitalized as construction-in-progress under property and equipment as at December 31, 2020. We focus on this area because there is a risk that costs are not appropriately capitalized in accordance with the relevant accounting standards, including the requirement to only capitalize overheads and other charges which are directly attributable to the construction activities.

Our response
As part of our audit procedures, we obtained the certified progress report from the subsidiary’s engineering department and vouched on a sampling basis capitalized costs to supporting documents such as progress billings from contractors. We also evaluated the design and implementation of management controls to address the risk of inappropriate capitalization of costs. We also considered the adequacy of the subsidiary’s disclosures and determined whether they met the disclosure requirements of relevant accounting standards.

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, 2020 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, 2020 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 PFRSs, 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, actions taken to eliminate threats or safeguards applied.

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

TIRESO RANDY F. LAPIDEZ
Partner
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Tax Identification No. 162-411-175
BIR Accreditation No. 08-001987-034-2020
Issued July 20, 2020; valid until July 19, 2023
PTR No. MKT 8533905
Issued January 4, 2021 at Makati City

May 31, 2021
Makati City, Metro Manila

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REPORT OF INDEPENDENT AUDITORS ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Board of Directors and Stockholders
Waterfront Philippines, Incorporated
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, 2020, included in this Form 17-A, on which we have rendered our report thereon dated May 31, 2021.

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 Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards and may not be comparable to similarly titled measures presented by other companies.

The above schedule is presented for purposes of complying with the Revised Securities Regulation Code Rule 68 and is not a required part of the Group's consolidated financial statements. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at and for the year ended December 31, 2020 and no material exceptions were noted.

R.G. MANABAT & CO.

TIRESO RANDY F. LAPIDEZ
Partner
CPA License No. 0092183
SEC Accreditation No. 1472-AR-1, Group A, valid until July 2, 2021
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BIR Accreditation No. 08-001987-034-2020
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May 31, 2021
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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
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, 2020, included in this Form 17-A, on which we have rendered our report thereon dated May 31, 2021.

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. Map of Conglomerate *(Annex A)*
2. Supplementary Schedules of Annex 68-J *(Annex B)*

Firm Regulatory Registration & Accreditation:
PRC-BOA Registration No. 0003, valid until November 21, 2023
SEC Accreditation No. 0003-SEC, Group A, valid for five (5) years covering the audit of 2020 to 2024 financial statements (2019 financial statements are covered by SEC Accreditation No. 0004-FR-5)
IC Accreditation No. 0003-IC, Group A, valid for five (5) years covering the audit of 2020 to 2024 financial statements (2019 financial statements are covered by IC Circular Letter (CL) No. 2019-39, Transition clause)
BSP Accreditation No. 0003-BSP, Group A, valid for five (5) years covering the audit of 2020 to 2024 financial statements (2019 financial statements are covered by BSP Monetary Board Resolution No. 2161, Transition clause)

The above supplementary information is presented for purposes of complying with the Revised Securities Regulation Code Rule 68 and is not a required part of the Group's 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
Partner
CPA License No. 0092183
SEC Accreditation No. 1472-AR-1, Group A, valid until July 2, 2021
Tax Identification No. 162-411-175
BIR Accreditation No. 08-001987-034-2020
Issued July 20, 2020; valid until July 19, 2023
PTR No. MKT 8533905
Issued January 4, 2021 at Makati City

May 31, 2021
Makati City, Metro Manila

WATERFRONT PHILIPPINES, INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	December 31 **2020**	2019 (As restated - Note 27)
ASSETS			
Current Assets			
Cash and cash equivalents	*4, 21*	**P1,178,166,307**	P676,757,294
Receivables - net	*5, 21*	**530,644,331**	667,548,558
Notes receivable	*8, 21*	**223,366,443**	235,728,850
Due from related parties - current portion	*8, 21*	**2,258,300,814**	2,309,710,052
Inventories	*6*	**22,701,161**	30,442,158
Prepaid expenses and other current assets	*7, 21*	**210,536,585**	204,551,794
Total Current Assets		**4,423,715,641**	4,124,738,706
Noncurrent Assets			
Equity securities - at fair value through other comprehensive income	*8, 21*	**69,735,540**	30,327,920
Due from related parties - noncurrent portion	*8, 21*	**998,645,371**	1,130,375,000
Property and equipment - net	*9*	**8,533,226,271**	6,714,183,773
Right-of-use assets - net	*24*	**125,620,765**	125,959,870
Deferred tax assets	*19*	**167,667,132**	239,295,050
Retirement benefits asset	*18*	**54,863,072**	37,102,874
Other noncurrent assets - net	*10, 21*	**869,825,125**	703,079,798
Total Noncurrent Assets		**10,819,583,276**	8,980,324,285
		P15,243,298,917	P13,105,062,991
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and accrued expenses	*11, 21*	**P1,938,290,666**	P2,135,561,140
Loans payable - current portion	*13, 21, 26*	**627,659,575**	650,000,000
Due to a related party	*8, 21*	**3,119,367**	3,119,367
Lease liabilities - current portion	*21, 24*	**1,188,032**	85,315
Income tax payable		**65,326,208**	50,875,852
Other current liabilities	*12, 21*	**39,064,907**	43,150,416
Total Current Liabilities		**2,674,648,755**	2,882,792,090
Noncurrent Liabilities			
Loans payable - noncurrent portion	*21, 26*	**635,106,382**	890,425,532
Lease liabilities - net of current portion	*21, 24*	**129,471,801**	128,331,368
Deferred tax liabilities	*19*	**1,982,765,286**	1,455,739,047
Other noncurrent liabilities	*14, 21*	**418,943,426**	354,439,875
Total Noncurrent Liabilities		**3,166,286,895**	2,828,935,822
		5,840,935,650	5,711,727,912

Forward

		December 31	
	Note	**2020**	2019 (As restated - Note 27)
Equity Attributable to Equity Holders of the Parent Company			
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*	**3,823,685,321**	2,704,177,114
Retirement benefits reserve		**126,222,421**	108,135,895
Foreign currency translation adjustment		**46,386,496**	54,703,530
Fair value reserve		**3,995,121**	2,932,577
Retained earnings		**1,113,890,733**	552,159,535
Total Equity Attributable to Equity Holders of the Parent Company		**8,319,536,202**	6,627,464,761
Noncontrolling Interests	*16*	**1,082,827,065**	765,870,318
Total Equity		**9,402,363,267**	7,393,335,079
		P15,243,298,917	P13,105,062,991

See Notes to the Consolidated Financial Statements.

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

			Years Ended December 31	
	Note	**2020**	2019 (As restated - Note 27)	2018
REVENUES				
Rent and related income	*23, 24*	**P579,468,626**	P567,932,177	P476,330,724
Rooms		**264,800,118**	726,772,922	704,251,906
Food and beverage		**188,896,549**	666,389,097	630,701,271
Others		**21,467,007**	35,974,882	38,628,090
		1,054,632,300	1,997,069,078	1,849,911,991
COSTS AND EXPENSES OTHER THAN DEPRECIATION AND AMORTIZATION, INTEREST, GAINS (LOSSES) AND INCOME TAX EXPENSE (BENEFIT)				
Personnel costs	*18*	**217,561,400**	280,993,867	299,570,244
Energy costs		**130,162,682**	272,627,917	306,047,619
Food and beverage	*6*	**77,803,922**	228,800,560	231,056,422
Repairs and maintenance	*6*	**24,478,212**	76,389,568	68,093,484
Rooms		**17,252,077**	40,949,630	26,485,349
Rent	*24*	**12,373,793**	33,654,331	43,677,581
Others	*17*	**238,022,662**	446,519,261	415,539,675
		717,654,748	1,379,935,134	1,390,470,374
INCOME BEFORE DEPRECIATION AND AMORTIZATION, INTEREST, GAINS (LOSSES) AND INCOME TAX EXPENSE (BENEFIT)		**336,977,552**	617,133,944	459,441,617
DEPRECIATION AND AMORTIZATION, INTEREST AND GAINS (LOSSES)				
Gain from insurance claims (casualty losses) - net	*1, 5*	**854,519,803**	234,090,174	(410,172,382)
Interest income	*4, 8, 23*	**130,289,367**	285,333,982	98,420,887
Foreign exchange gains (losses) - net		**10,671,294**	(5,914,510)	2,844,716
Impairment losses	*5, 8, 10*	**(19,499,721)**	(73,356,032)	(4,942,908)
Interest expense	*13, 23, 24, 26*	**(169,380,068)**	(200,945,037)	(161,702,483)
Depreciation and amortization	*9, 24*	**(336,514,813)**	(233,848,916)	(264,684,158)
Others - net		**-**	6,825,371	11,091,784
		470,085,862	12,185,032	(729,144,544)
INCOME (LOSS) BEFORE INCOME TAX EXPENSE (BENEFIT)		**807,063,414**	629,318,976	(269,702,927)
INCOME TAX EXPENSE (BENEFIT)	*19*	**123,597,065**	158,330,614	(157,773,765)
NET INCOME (LOSS)		**683,466,349**	470,988,362	(111,929,162)

Forward

	Note	2020	2019 (As restated - Note 27)	2018
		Years Ended December 31		
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will never be reclassified to profit or loss				
Remeasurement gains on defined benefit plan	*18*	**P27,184,080**	P12,913,568	P44,879,613
Unrealized gains (losses) on equity securities at fair value through other comprehensive income	*8, 21*	**1,907,620**	(3,901,950)	5,462,730
Appraisal increase on property and equipment	*9*	**1,875,632,000**	1,389,405,337	-
Deferred tax effect	*19*	**(570,844,827)**	(420,695,671)	(13,463,885)
		1,333,878,873	977,721,284	36,878,458
Item that may be reclassified subsequently to profit or loss				
Foreign currency translation differences for foreign operations		**(8,317,034)**	7,699,252	(5,537,722)
		1,325,561,839	985,420,536	31,340,736
TOTAL COMPREHENSIVE INCOME (LOSS)		**P2,009,028,188**	P1,456,408,898	(P80,588,426)
Net income (loss) attributable to:				
Equity holders of the Parent Company		**P394,555,853**	P439,574,045	P42,019,520
Noncontrolling interests	*16*	**288,910,496**	31,414,317	(153,948,682)
		P683,466,349	P470,988,362	(P111,929,162)
Total comprehensive income (loss) attributable to:				
Equity holders of the Parent Company		**P1,692,071,441**	P1,419,593,553	P57,737,940
Noncontrolling interests	*16*	**316,956,747**	36,815,345	(138,326,366)
		P2,009,028,188	P1,456,408,898	(P80,588,426)
EARNINGS PER SHARE - Basic and Diluted	*20*	**P0.158**	P0.176	P0.017

See Notes to the Consolidated Financial Statements.

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

Years Ended December 31

	Equity Attributable to Equity Holders of the Parent Company									
	Capital Stock (Note 16)	Additional Paid-in Capital	Revaluation Surplus on Property and Equipment	Retirement Benefits Reserve	Foreign Currency Translation Adjustment	Fair Value Reserve	Retained Earnings	Total	Non-controlling Interests (Note 16)	Total Equity
As at January 1, 2020, as restated	**P2,498,991,753**	**P706,364,357**	**P2,704,177,114**	**P108,135,895**	**P54,703,530**	**P2,932,577**	**P552,159,535**	**P6,627,464,761**	**P765,870,318**	**P7,393,335,079**
Total Comprehensive Income for the Year										
Net income for the year	-	-	-	-	-	-	394,555,853	394,555,853	288,910,496	683,466,349
Other comprehensive income - net of tax effect	-	-	1,286,683,552	18,086,526	(8,317,034)	1,062,544	-	1,297,515,588	28,046,251	1,325,561,839
	-	-	1,286,683,552	18,086,526	(8,317,034)	1,062,544	394,555,853	1,692,071,441	316,956,747	2,009,028,188
Transfer of revaluation surplus absorbed through depreciation for the year - net of tax effect	-	-	(167,175,345)	-	-	-	167,175,345	-	-	-
As at December 31, 2020	**P2,498,991,753**	**P706,364,357**	**P3,823,685,321**	**P126,222,421**	**P46,386,496**	**P3,995,121**	**P1,113,890,733**	**P8,319,536,202**	**P1,082,827,065**	**P9,402,363,267**

See Notes to the Consolidated Financial Statements.

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

Years Ended December 31

	Equity Attributable to Equity Holders of the Parent Company									
	Capital Stock (Note 16)	Additional Paid-in Capital	Revaluation Surplus on Property and Equipment	Retirement Benefits Reserve	Foreign Currency Translation Adjustment	Fair Value Reserve	Retained Earnings	Total	Non-controlling Interests (Note 16)	Total Equity
As at January 1, 2019	P2,498,991,753	P706,364,357	P1,834,710,345	P101,908,860	P47,004,278	P5,105,963	P13,785,652	P5,207,871,208	P729,054,973	P5,936,926,181
Total Comprehensive Income for the Year										
Net income for the year, as previously reported	-	-	-	-	-	-	402,990,162	402,990,162	31,414,317	434,404,479
Impact of restatements (Note 27)	-	-	-	-	-	-	36,583,883	36,583,883	-	36,583,883
Net income for the year, as restated	-	-	-	-	-	-	439,574,045	439,574,045	31,414,317	470,988,362
Other comprehensive income - net of tax effect	-	-	968,266,607	6,227,035	7,699,252	(2,173,386)	-	980,019,508	5,401,028	985,420,536
	-	-	968,266,607	6,227,035	7,699,252	(2,173,386)	439,574,045	1,419,593,553	36,815,345	1,456,408,898
Transfer of revaluation surplus absorbed through depreciation for the year - net of tax effect	-	-	(98,799,838)	-	-	-	98,799,838	-	-	-
As at December 31, 2019, as restated	P2,498,991,753	P706,364,357	P2,704,177,114	P108,135,895	P54,703,530	P2,932,577	P552,159,535	P6,627,464,761	P765,870,318	P7,393,335,079

See Notes to the Consolidated Financial Statements.

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

Years Ended December 31

	Equity Attributable to Equity Holders of the Parent Company								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	Retained Earnings (Accumulated Deficit)	Total		
As at January 1, 2018	P2,498,991,753	P706,364,357	P2,211,108,991	P83,695,458	P52,542,000	P2,063,223	(P404,632,514)	P5,150,133,268	P867,381,339	P6,017,514,607
Total Comprehensive Loss for the Year										
Net loss for the year	-	-	-	-	-	-	42,019,520	42,019,520	(153,948,682)	(111,929,162)
Other comprehensive income - net of tax effect	-	-	-	18,213,402	(5,537,722)	3,042,740	-	15,718,420	15,622,316	31,340,736
	-	-	-	18,213,402	(5,537,722)	3,042,740	42,019,520	57,737,940	(138,326,366)	(80,588,426)
Transfer of revaluation surplus absorbed through depreciation and casualty losses for the year - net of tax effect	-	-	(376,398,646)	-	-	-	376,398,646	-	-	-
As at December 31, 2018	P2,498,991,753	P706,364,357	P1,834,710,345	P101,908,860	P47,004,278	P5,105,963	P13,785,652	P5,207,871,208	P729,054,973	P5,936,926,181

See Notes to the Consolidated Financial Statements.

WATERFRONT PHILIPPINES, INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

		Years Ended December 31		
	Note	**2020**	2019 (As restated - Note 27)	2018
CASH FLOWS FROM OPERATING ACTIVITIES				
Income (loss) before income tax expense (benefit)		**P807,063,414**	P629,318,976	(P269,702,927)
Adjustments for:				
Depreciation and amortization	*9, 24*	**336,514,813**	233,848,916	264,684,158
Interest expense	*13, 23, 24, 26*	**169,380,068**	200,945,037	161,702,483
Impairment losses	*5, 8, 10*	**19,499,721**	73,356,032	4,942,908
Retirement benefits cost	*18*	**10,263,697**	7,551,068	19,658,475
Gain on reversal of allowance for impairment losses	*5*	**-**	-	(8,350,581)
Income due to rent concession	*24*	**(3,474,244)**	-	-
Unrealized foreign exchange (gains) losses - net		**(19,061,098)**	13,609,982	(8,382,438)
Interest income	*4, 8, 23*	**(130,289,367)**	(285,333,982)	(98,420,887)
(Gain from insurance claims) casualty losses - net	*1, 5*	**(854,519,803)**	(234,090,174)	410,172,382
		335,377,201	639,205,855	476,303,573
Changes in:				
Receivables		**134,153,525**	(329,028,656)	2,204,475
Inventories		**7,740,997**	(5,935,747)	3,824,972
Prepaid expenses and other current assets		**(5,984,791)**	(66,683,111)	(40,305,343)
Accounts payable and accrued expenses		**(266,313,750)**	440,591,352	102,955,348
Other current liabilities		**(10,669,087)**	(181,532,732)	205,584,634
		194,304,095	496,616,961	750,567,659
Interest received	*4*	**7,648,410**	12,509,353	4,015,390
Retirement benefits paid	*18*	**(839,815)**	(9,447,376)	(81,053,765)
Retirement contributions paid	*18*	**-**	(15,500,000)	(25,000,000)
Interest paid		**(87,273,039)**	(119,783,910)	(101,480,251)
Income taxes paid		**(81,337,379)**	(236,877,213)	(211,207,802)
Net cash provided by operating activities		**32,502,272**	127,517,815	335,841,231
CASH FLOWS FROM INVESTING ACTIVITIES				
Changes in:				
Due from related parties		**295,147,009**	217,082,023	(1,473,837,573)
Equity securities - at fair value through other comprehensive income		**(37,500,000)**	(12,500,000)	-
Other noncurrent assets		**(166,745,327)**	(550,737,952)	(168,220,135)
Notes receivable		**21,287,524**	28,092,436	(58,967,111)
Additions to property and equipment	*9*	**(276,293,895)**	(452,873,995)	(11,063,615)
Proceeds from insurance claims on property damage	*1*	**850,222,546**	431,250,000	300,000,000
Net cash provided by (used in) investing activities		**686,117,857**	(339,687,488)	(1,412,088,434)

Forward

			Years Ended December 31	
	Note	**2020**	2019 (As restated - Note 27)	2018
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from loan availment	*26*	**P -**	P -	P1,500,000,000
Loan payments	*26*	**(277,659,575)**	(277,659,575)	(56,914,893)
Payment of lease liabilities	*24*	**(4,055,092)**	(13,940,367)	-
Change in due to a related party		**-**	3,119,367	-
Change in other noncurrent liabilities		**64,503,551**	464,765,515	(125,852)
Net cash (used in) provided by financing activities		**(217,211,116)**	176,284,940	1,442,959,255
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**501,409,013**	(35,884,733)	366,712,052
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**676,757,294**	712,642,027	345,929,975
CASH AND CASH EQUIVALENTS AT END OF YEAR	*4*	**P1,178,166,307**	P676,757,294	P712,642,027

See 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. The Parent Company is listed on 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, 2020 and 2019 are as follows:

	Percentage of Ownership	
	Direct	**Indirect**
Hotels and Resorts		
Waterfront Cebu City Casino Hotel, Incorporated (WCCCHI)	**100**	**-**
Waterfront Mactan Casino Hotel, Incorporated (WMCHI)	**100**	**-**
Waterfront Iloilo Hotel Inc. (WIHI)	**100**	**-**
Waterfront Puerto Princesa Hotel, Inc. (WPPHI)	**100**	**-**
Davao Insular Hotel Company, Inc. (DIHCI)	**98**	**-**
Acesite (Phils.) Hotel Corporation (Doing business under the name and style of Waterfront Manila Hotel and Casino) (APHC)	**56**	**-**
Grand Ilocandia Resort and Development, Inc. (GIRDI)	**54**	**-**
Real Estate		
Acesite Realty, Inc. (formerly CIMA Realty Phils., Inc.) (through direct ownership in APHC)	**-**	**56**
Fitness Gym		
Waterfront Wellness Group, Inc. (WWGI)	**100**	**-**
International Marketing and Promotion of Casinos		
Waterfront Promotion Limited (WPL)	**100**	**-**
Mayo Bonanza, Inc. (MBI)	**100**	**-**
Club Waterfront International Limited (CWIL) (through direct ownership in WPL)	**-**	**100**
Pastries Manufacturing		
Waterfront Food Concepts, Inc. (WFC)	**100**	**-**
Hotel Management and Operation		
Waterfront Hotel Management Corp. (WHMC)	**100**	**-**
Waterfront Entertainment Corporation (WEC)	**100**	**-**
Investment Holding Company		
Waterfront Cebu Ventures, Inc. (WCVI)	**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.

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

Status of APHC Operation
On March 18, 2018, a fire broke out in APHC's hotel property that damaged the podium and main hotel that resulted to the suspension of its 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 was declared and classified as "accidental in nature". APHC incurred casualty losses due to damages on its inventories and hotel property (see Notes 6 and 9). APHC filed for property damage and business insurance claims from its insurance companies and the insurance claims were finalized in 2020 amounting to P1.72 billion. As at December 31, 2020, total amounts received from the insurance companies amounted to P1.58 billion. As at December 31, 2020 and 2019, APHC recognized gains on insurance claims amounting to P854.52 million and P234.09 million, respectively, of which P850.22 million and P431.25 million were received in 2020 and 2019, respectively. The remainder amounting to P136.21 million relates to the portion of the claims that is still receivable from an insurance company (see Note 5).

In 2018, APHC has started the reconstruction and restoration of the podium and main hotel which are still ongoing as at December 31, 2020. Although the various community quarantines implemented in Metro Manila have caused some delays, construction activities have not been totally stopped and management expects to complete Phase 1 of reconstruction project by end of 2021. Phase 1, which is budgeted at P1.95 billion, involves the primary restoration and general construction work of the podium and main hotel. A soft opening of the podium, which houses the public areas including the lobby, some food and beverage outlets and the casino area at the ground floor level up to the third floor, is expected by the 1st quarter of 2022. A related party, who has a long term sublease contract with Philippine Amusement and Gaming Corporation (PAGCOR), entered into a long term lease contract with APHC for the operation of a casino. Further, the soft opening will include opening of four hotel room floors in the main hotel to accommodate casino players and local staycation guests. The entire proceeds from insurance coverage claims have been allotted to complete the Phase 1 of the reconstruction work with additional funding expected to be coming from bank borrowings to be guaranteed by an affiliate.

The amenities, guest facilities and the remaining rooms of the main hotel are expected to be completed in Phases 2 and 3 of the reconstruction project. Phase 2 is expected to be completed by the latter part of 2022 and Phase 3 is expected to be completed by early 2023. These two latter phases will be funded by the cash flows generated by the operations and, when necessary, bank borrowings.

The phased opening of APHC is based on management's assumption that the travel and hospitality sectors, which are currently depressed due to the coronavirus disease 2019 (COVID-19) pandemic, will return to pre-pandemic levels starting 2023 given that the vaccination program of the government will take until end of 2022 to roll out completely. As the hospitality industry comes to a full recovery, APHC management expects to attract a good share of the incoming tourist markets with the completion of Phases 2 and 3.

2. Basis of Preparation

Basis of Accounting

These 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 (PFRSs). They were approved and authorized for issue by the Parent Company's board of directors (BOD) on May 31, 2021.

Details of the Group's accounting policies are included in Note 30.

The Group has early adopted the amendment to standard, *COVID-19 - related rent concessions (Amendment to PFRS 16, Leases),* issued on May 28, 2020. The amendment introduces an optional practical expedient for leases in which the Group is a lessee. The Group has applied the amendment retrospectively. The amendment has no impact on retained earnings as at January 1, 2020.

Basis of Measurement

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

Items	Measurement Basis
Land, land improvements, hotel buildings and improvements, furniture, fixtures and equipment, and transportation equipment	Revalued amount less accumulated depreciation and impairment losses
Financial assets at fair value through other comprehensive income (FVOCI) - equity securities	Fair value
Retirement benefits assets	Fair value of plan assets (FVPA) less the present value of the defined benefits obligation (DBO)

Functional and Presentation Currency

These 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 amounts presented in Philippine peso have been rounded to the nearest peso, unless otherwise indicated.

3. Use of Judgments and Estimates

In preparing these consolidated financial statements, management has made judgments and estimates 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 in applying accounting policies that have the most significant effects on the amounts recognized in the consolidated financial statements is as follows:

Recognizing Insurance Claims

APHC recognizes gain on insurance from its damaged property and business interruption claims when it is determined that the amount to be received from the insurance recovery is virtually certain and recognition in the period is appropriate considering the following:

- There is a valid insurance policy for the incident;
- The status of APHC's discussion with the adjuster and the insurance company regarding the claim; and
- The subsequent information that confirms the status of the claim as of the reporting date.

Classifying Financial Instruments

The Group exercises judgment in classifying a financial instrument, or its component parts, on initial recognition as a financial asset, 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.

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 services.

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 properly 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 Notes 9, 23 and 24).

Transactions with 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 twenty-five (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 23).

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 such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all of the fair value of the commercial property, 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 24).

Determining the Lease Term of Contracts with Renewal and Termination Options - Group as Lessee
The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Group applies judgment in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or terminate.

The Group included the renewal period as part of the lease term for lease of its land. There is a reasonable certainty that the Group would exercise its option to renew for the lease because there will be a significant negative effect on its operation if a replacement asset is not readily available (see Note 24).

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 25).

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 (12) months after the reporting period or within the Group's normal operating cycle are considered current assets (see Note 8 and 21).

Consolidation of Entities in which the Group Holds 43% and 50% Voting Rights
The Group considers that it controls WCCCHI and DIHCI even though it only owns 43% and 50% of the voting rights, respectively. This is because the Group is the single largest shareholder of WCCCHI and DIHCI with 100% and 98% equity interest, respectively. The remaining 57% and 50% of the voting rights of WCCCHI and DIHCI, respectively, is held by Philippine Bank of Communications (PBCOM) in accordance with the Omnibus Loan and Security Agreement (the Agreement) (see Note 26).

Assumptions and Estimation Uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year is as follows:

Allowance for Impairment Losses on Financial Instruments

The Group uses the expected credit loss (ECL) model in estimating the level of allowance which includes forecasts of future events and conditions. A credit loss is the difference between the cash flows that are expected to be received discounted at the original effective interest rate (EIR). PFRS 9, *Financial Instruments*, requires the Group to record ECL on all of its financial instruments, either on a 12-month or lifetime basis. The Group applied the simplified approach to receivables from third parties and its related parties and recorded the lifetime ECL. The model represents a probability-weighted estimate of the difference over the remaining life of the receivables. Lifetime ECL is calculated by multiplying the lifetime Probability of Default by Loss Given Default (LGD) and Exposure at Default (EAD). LGD is the magnitude of the likely loss if there is a default. The Group estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. EAD represents the expected exposure in the event of a default. The Group derives the EAD from the current exposure to the counterparty. The EAD of a financial asset is its gross carrying amount at the time of default. In addition, management assessed the credit risk of the receivables as at the reporting date as low, therefore the Group did not have to assess whether a significant increase in credit risk has occurred.

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

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 that created them.

All models are certified before they are used and are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practicable, models use only observable data, however areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect reported fair values of financial instruments.

The specific methods and assumptions used by the Group in estimating the fair values of its financial instruments are disclosed in Note 21.

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
The Group's policy on estimating the impairment of nonfinancial assets is discussed in Note 30. The Group assesses at each reporting date whether there is an indication that the carrying amount of nonfinancial assets may be impaired or that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated.

The factors that the Group considers important which could trigger an impairment review include the following:

- significant underperformance relative to the expected historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- significant negative industry or economic trends.

The Group believes that the carrying amounts of its nonfinancial assets approximate their recoverable amounts, except for advances to contractors. Further details on the carrying amount of nonfinancial assets are disclosed in Notes 6, 7, 9 and 10.

Retirement Benefits
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 Bankers Association of the Philippines PHP Bloomberg Valuation Reference Rates benchmark reference curve for the government securities market 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.

Deferred Tax Assets
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.

Leases - Estimating the Incremental Borrowing Rate (IBR)
The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its IBR to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use assets in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs such as market interest rates when available and is required to make certain entity-specific estimates such as a subsidiary's stand-alone credit rating.

Further details on leases are disclosed in Note 24.

4. Cash and Cash Equivalents

This account consists of:

	Note	**2020**	2019 (As restated - Note 27)
Short-term placements	*21*	**P682,156,079**	P404,294,077
Cash in banks	*21*	**493,225,059**	269,103,048
Cash on hand		**2,785,169**	3,360,169
		P1,178,166,307	P676,757,294

Cash in banks earn interest at the respective bank deposit rates.

Short-term placements earn interest at annual average rate of 0.50% to 5.00% in 2020 with average maturities ranging from 30 to 90 days and 0.13% to 3.50% in 2019 with average maturities ranging from 30 to 35 days.

Related interest income recognized in the consolidated statement of profit or loss and other comprehensive income (loss) amounted to P7.65 million, P12.51 million and P4.02 million in 2020, 2019 and 2018, respectively.

5. Receivables

This account consists of:

	Note	2020	2019 (As restated - Note 27)
Trade receivables		**P207,500,104**	P432,824,727
Insurance receivable	*1*	**136,210,506**	131,913,248
Advances to employees		**2,956,805**	4,512,714
Others		**226,919,229**	141,718,484
	21	**573,586,644**	710,969,173
Less allowance for impairment losses on trade receivables	*21*	**42,942,313**	43,420,615
		P530,644,331	P667,548,558

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

Insurance receivable pertains to insurance claims for the property damage and business interruption (see Note 1).

Others include Social Security System (SSS) benefits paid in advance by the Group to its officers and employees as well as advances to its suppliers.

In assessing the lifetime ECL of the Group's receivables, the Group excluded in its EAD all receivables that were related to long outstanding third party accounts as these were already specifically identified as uncollectible, hence, impaired. Remaining EAD pertains to receivables from related parties in which the Group deemed to have no credit risk. In 2020, 2019 and 2018, accounts specifically identified as impaired amounted to P7.05 million, P25.80 million and P4.94 million, respectively, recognized and presented as part of “Impairment losses” account in the consolidated statement of profit or loss and other comprehensive income (loss) while no amount of ECL was recognized.

The Group also received collections on some long outstanding accounts in which the Group already provided an allowance for impairment in previous years. Accordingly, the Group recognized a gain on reversal of previous allowance for impairment losses in 2018 amounting to P8.35 million recognized and presented as part of “Other revenues” in the consolidated statement of profit or loss and other comprehensive income (loss).

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

	2020	2019	2018
Beginning balance	**P43,420,615**	P17,618,396	P21,583,914
Impairment losses during the year	**7,047,959**	25,802,219	4,942,908
Write-offs during the year	**(7,526,261)**	-	(557,845)
Reversal of allowance for impairment losses	**-**	-	(8,350,581)
Ending balance	**P42,942,313**	P43,420,615	P17,618,396

6. Inventories

This account consists of:

	2020	2019
Food and beverage	**P12,340,814**	P16,430,690
Operating supplies	**9,829,291**	13,493,000
Engineering and maintenance supplies	**531,056**	518,468
	P22,701,161	P30,442,158

The Group's inventories are carried at cost, which is lower than the NRV, as at December 31, 2020 and 2019.

The cost of food and beverage charged to profit or loss amounted to P77.80 million, P228.80 million and P231.06 million in 2020, 2019 and 2018, respectively, and is presented as "Food and beverage" account in the consolidated statement of profit or loss and other comprehensive income (loss).

The Group recognized expenses for operating supplies amounting to P8.83 million, P20.05 million and P19.92 million in 2020, 2019 and 2018, respectively, and are presented as "Supplies" under "Other costs and expenses" account in the consolidated statement of profit or loss and other comprehensive income (loss) (see Note 17), while the expenses for engineering and maintenance supplies amounting to P24.48 million, P76.39 million and P68.09 million in 2020, 2019 and 2018, respectively, are included under "Repairs and maintenance" account in the consolidated statement of profit or loss and other comprehensive income (loss).

In 2018, APHC recognized casualty losses for the destroyed and damaged inventories amounting to P5.59 million as presented under "Gain from insurance claims (casualty losses) - net" account in the consolidated statement of profit or loss and other comprehensive income (loss) (see Note 1).

7. Prepaid Expenses and Other Current Assets

This account consists of:

	Note	**2020**	2019
Input VAT		**P131,762,792**	P103,292,832
Prepaid taxes		**48,615,135**	30,750,107
Short-term investments	*21*	**12,857,824**	14,662,137
Advances to suppliers		**8,784,772**	39,872,569
Prepaid expenses		**4,845,674**	7,750,080
Others		**3,670,388**	8,224,069
		P210,536,585	P204,551,794

Others include prepayments for maintenance services, subscriptions and association dues.

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 Corporation (PRC)	Stockholder
Crisanta Realty Development Corporation (CRDC)	Under common control
Philippine Estates Corporation (PHES)	Under common control
Forum Holdings Corporation (FHC)	Stockholder
East Asia Oil & Mining Company, Inc. (East Asia)	Stockholder
Pacific Wide Realty Development Corp. (PWRDC)	Stockholder
Westland Pacific Properties Corporation (WPPC)	Under common control
Rexlon Realty Group, Inc. (RRGI)	Under common control
Plastic City Industrial Corporation (PCIC)	Under common control
Waterfront Manila Premier Development, Inc.(WMPD)	Under common control
Wellex Industries Incorporated (WII)	Under common control
Acesite Leisure and Entertainment Corporation (ALEC)	Under common control

Significant Transactions with Related Parties

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

Category/Transaction	Year	Note	Amount of the Transaction	Due from Related Parties (As restated - Note 27)		Notes Receivable	Equity Securities - at FVOCI (As restated - Note 27)	Due to a Related Party	Advances to a Supplier	Advances to Subsidiaries*	Due to Subsidiaries*	Terms and Conditions
				Current	Noncurrent							
Ultimate Parent												
▪ TWGI												
Advances, interest and Settlements	**2020**	*8a*	**(P116,087)**	**P983,333**	**P -**	**P -**	**P -**	**P -**	**P -**	**P -**	**P -**	Secured; interest-bearing; due in one year subject to renewal partially impaired
	2019	*8a*	(145,285)	1,099,420	-	-	-	-	-	-	-	
	2018	*8a*	301,331	1,244,705	-	-	-	-	-	-	-	
Stockholders/under Common Control												
▪ PRC												
Advances, interest and Settlements	**2020**	*8a*	**10,651**	**573,919**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	Secured; interest-bearing; due in one year; subject to renewal; not impaired
	2019	*8a*	10,651	563,268	-	-	-	-	-	-	-	
	2018	*8a*	10,623	552,617	-	-	-	-	-	-	-	
Payment for purchase of Land	**2020**	*8a*	**150,000**	**-**	**-**	**-**	**-**	**-**	**150,000**	**-**	**-**	Unsecured; noninterest-bearing; due on demand; not impaired
	2019	*8a*	-	-	-	-	-	-	-	-	-	
	2018	*8a*	-	-	-	-	-	-	-	-	-	
▪ CRDC												
Advances and interest Settlements	**2020**	*8a*	**17,174**	**-**	**412,370**	**-**	**-**	**-**	**-**	**-**	**-**	Unsecured; interest-bearing; due in five years; not impaired
	2019	*8a*	16,798	395,196	-	-	-	-	-	-	-	
	2018	*8a*	15,540	22,395	356,003	-	-	-	-	-	-	
▪ WPPC												
Advances and interest	**2020**	*8a*	**22,400**	**-**	**586,275**	**-**	**-**	**-**	**-**	**-**	**-**	Unsecured; interest-bearing; due in five years; not impaired
	2019	*8a*	8,173	-	563,875	-	-	-	-	-	-	
	2018	*8a*	555,702	-	555,702	-	-	-	-	-	-	
▪ RRGI												
Advances and interest	**2020**	*8a*	**42,000**	**608,500**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	Secured; interest-bearing; due in three years; not impaired
	2019	*8a*	44,625	-	566,500	-	-	-	-	-	-	
	2018	*8a*	521,875	-	521,875	-	-	-	-	-	-	
▪ PWRDC												
Advances	**2020**	*8a, 8b*	**(160,000)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	Secured; noninterest-bearing; due on demand; not impaired
	2019	*8a, 8b*	-	160,000	-	-	-	-	-	-	-	
	2018	*8a, 8b*	160,000	160,000	-	-	-	-	-	-	-	
▪ PHES												
Advances	**2020**	*8b*	**-**	**92,054**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	Unsecured; noninterest-bearing; due on demand; not impaired
	2019	*8b*	(12,500)	92,054	-	-	-	-	-	-	-	
	2018	*8b*	-	104,554	-	-	-	-	-	-	-	
▪ Others												
Advances and interest	**2020**	*8b*	**723**	**60,114**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	Unsecured; noninterest-bearing; due on demand; not impaired
	2019	*8b*	(889)	59,391	-	-	-	-	-	-	-	
	2018	*8b*	1,614	60,280	-	-	-	-	-	-	-	
▪ WMPD												
Equity securities - at FVOCI	**2020**	*8f*	**37,500**	**-**	**-**	**-**	**50,000**	**-**	**-**	**-**	**-**	Unsecured; noninterest-bearing; due on demand; not impaired
	2019	*8f*	12,500	-	-	-	12,500	-	-	-	-	
	2018	*8f*	-	-	-	-	-	-	-	-	-	
▪ WII												
Equity securities - at FVOCI	**2020**	*8f*	**1,908**	**-**	**-**	**-**	**19,423**	**-**	**-**	**-**	**-**	Unsecured; noninterest-bearing; due on demand; not impaired
	2019	*8f*	(3,902)	-	-	-	17,515	-	-	-	-	
	2018	*8f*	5,462	-	-	-	21,417	-	-	-	-	
▪ ALEC												
Notes receivable	**2020**	*8g*	**(12,363)**	**-**	**-**	**223,366**	**-**	**-**	**-**	**-**	**-**	Unsecured; interest-bearing; due in one year; not impaired
	2019	*8g*	(18,245)	-	-	235,729	-	-	-	-	-	
	2018	*8g*	58,967	-	-	253,974	-	-	-	-	-	
Advances	**2020**	*8e*	**-**	**-**	**-**	**-**	**-**	**3,119**	**-**	**-**	**-**	Unsecured; noninterest-bearing; due on demand
	2019	*8e*	(4,464)	-	-	-	-	3,119	-	-	-	
	2018	*8e*	1,345	1,345	-	-	-	-	-	-	-	

**Eliminated during consolidation*

Forward

Category/Transaction	Year	*Note*	Amount of the Transaction	Due from Related Parties (As restated - Note 27) Current	Noncurrent	Notes Receivable	Equity Securities - at FVOCI (As restated - Note 27)	Due to a Related Party	Advances to a Supplier	Advances to Subsidiaries*	Due to Subsidiaries*	Terms and Conditions
Subsidiaries												
▪ WCCCHI	**2020**	*8e*	**P65,903**	**P -**	**P -**	**P -**	**P -**	**P -**	**P -**	**P -**	**P733,572**	Unsecured; interest-bearing; due in three years
Advances and	2019	*8e*	55,206	-	-	-	-	-	-	-	799,475	
Settlements	2018	*8e*	(1,165,528)	-	-	-	-	-	-	-	854,681	
Deposits for future stock	**2020**	*8d*	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	Unsecured; interest-bearing; due on demand; not impaired
Subscription	2019	*8d*	(1,000,000)	-	-	-	-	-	-	-	-	
	2018	*8d*	-	-	-	-	-	-	-	1,000,000	-	
▪ DIHCI												
Advances and	**2020**	*8e*	**(10,179)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**14,053**	Unsecured; noninterest-bearing; due on demand
Settlements	2019	*8e*	-	-	-	-	-	-	-	-	3,874	
	2018	*8e*	(5,620)	-	-	-	-	-	-	-	3,874	
▪ APHC												
Advances and	**2020**	*8c*	**(4,149)**	**-**	**-**	**-**	**-**	**-**	**-**	**185,690**	**-**	Unsecured; noninterest-bearing; due on demand; not impaired
Settlements	2019	*8c*	(68)	-	-	-	-	-	-	189,839	-	
	2018	*8c*	189,784	-	-	-	-	-	-	189,907	-	
▪ GIRDI												
Advances and	**2020**	*8e*	**2,369**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**199,249**	Unsecured; noninterest-bearing; due on demand
Settlements	2019	*8e*	2,275	-	-	-	-	-	-	-	201,618	
	2018	*8e*	2,003	-	-	-	-	-	-	-	203,893	
▪ WHMC												
Advances and	**2020**	*8c*	**11,503**	**-**	**-**	**-**	**-**	**-**	**-**	**98,940**	**-**	Unsecured; noninterest-bearing; due on demand; fully impaired
Settlements	2019	*8c*	-	-	-	-	-	-	-	87,437	-	
	2018	*8c*	57	-	-	-	-	-	-	87,437	-	
▪ WIHI												
Advances and	**2020**	*8c*	**322**	**-**	**-**	**-**	**-**	**-**	**-**	**322**	**-**	Unsecured; noninterest-bearing; due on demand; not impaired
Settlements	2019	*8c*	-	-	-	-	-	-	-	-	-	
	2018	*8c*	-	-	-	-	-	-	-	-	-	
Deposits for future stock	**2020**	*8d*	**125,000**	**-**	**-**	**-**	**-**	**-**	**-**	**125,000**	**-**	Unsecured; noninterest-bearing; due on demand; not impaired
Subscription	2019	*8d*	-	-	-	-	-	-	-	-	-	
	2018	*8d*	-	-	-	-	-	-	-	-	-	
▪ WPPHI												
Advances and	**2020**	*8c*	**50**	**-**	**-**	**-**	**-**	**-**	**-**	**50**	**-**	Unsecured; noninterest-bearing; due on demand; not impaired
Settlements	2019	*8c*	-	-	-	-	-	-	-	-	-	
	2018	*8c*	-	-	-	-	-	-	-	-	-	
Deposits for future stock	**2020**	*8d*	**90,620**	**-**	**-**	**-**	**-**	**-**	**-**	**90,620**	**-**	Unsecured; noninterest-bearing; due on demand; not impaired
Subscription	2019	*8d*	-	-	-	-	-	-	-	-	-	
	2018	*8d*	-	-	-	-	-	-	-	-	-	
▪ MBI												
Advances and	**2020**	*8c*	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**4,746**	**-**	Unsecured; noninterest-bearing; due on demand; fully impaired
Settlements	2019	*8c*	-	-	-	-	-	-	-	4,746	-	
	2018	*8c*	(2,742)	-	-	-	-	-	-	4,746	-	
Deposits for future stock	**2020**	*8d*	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**35,000**	**-**	Unsecured; noninterest-bearing; due on demand; fully impaired
Subscription	2019	*8d*	-	-	-	-	-	-	-	35,000	-	
	2018	*8d*	-	-	-	-	-	-	-	35,000	-	
▪ WWGI												
Advances and	**2020**	*8c*	**335**	**-**	**-**	**-**	**-**	**-**	**-**	**2,061**	**-**	Unsecured; noninterest-bearing; due on demand; fully impaired
Settlements	2019	*8c*	727	-	-	-	-	-	-	1,726	-	
	2018	*8c*	187	-	-	-	-	-	-	999	-	
Deposits for future stock	**2020**	*8d*	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**13,000**	**-**	Unsecured; noninterest-bearing; due on demand; fully impaired
Subscription	2019	*8d*	-	-	-	-	-	-	-	13,000	-	
	2018	*8d*	-	-	-	-	-	-	-	13,000	-	
▪ WMCHI												
Advances and	**2020**	*8e*	**(23,166)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**282,326**	Unsecured; noninterest-bearing; due on demand
Settlements	2019	*8e*	(537)	-	-	-	-	-	-	-	259,160	
	2018	*8e*	(43,093)	-	-	-	-	-	-	-	258,623	

**Eliminated during consolidation*

Forward

Category/Transaction	Year	Note	Amount of the Transaction	Due from Related Parties (As restated - Note 27) Current	Due from Related Parties (As restated - Note 27) Noncurrent	Notes Receivable	Equity Securities - at FVOCI (As restated - Note 27)	Due to a Related Party	Advances to a Supplier	Advances to Subsidiaries*	Due to Subsidiaries*	Terms and Conditions
▪ WEC												
Advances and Settlements	**2019**	*8e*	**P3**	**P -**	**P -**	**P -**	**P -**	**P -**	**P -**	**P -**	**P4,002**	Unsecured; noninterest-bearing; due on demand
	2018	*8e*	(1,754)	-	-	-	-	-	-	-	4,005	
	2017	*8e*	97	-	-	-	-	-	-	-	2,251	
▪ WFC												
Advances and Settlements	**2020**	*8c*	**612**	**-**	**-**	**-**	**-**	**-**	**-**	**1,940**	**-**	Unsecured; noninterest-bearing; due on demand; fully impaired
	2019	*8c*	727	-	-	-	-	-	-	1,328	-	
	2018	*8c*	194	-	-	-	-	-	-	601	-	
Deposits for future stock subscription	**2020**	*8d*	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**6,000**	**-**	Unsecured; noninterest-bearing; due on demand; fully impaired
	2019	*8d*	-	-	-	-	-	-	-	6,000	-	
	2018	*8d*	-	-	-	-	-	-	-	6,000	-	
▪ WPL												
Advances and Settlements	**2020**	*8e*	**128**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**194,756**	Unsecured; noninterest-bearing; due on demand
	2019	*8e*	-	-	-	-	-	-	-	-	194,884	
	2018	*8e*	115	-	-	-	-	-	-	-	194,884	
▪ WCVI												
Deposits for future stock subscription	**2020**	*8d*	**100**	**-**	**-**	**-**	**-**	**-**	**-**	**100**	**-**	Unsecured; noninterest-bearing; due on demand; not impaired
	2019	*8d*	-	-	-	-	-	-	-	-	-	
	2018	*8d*	-	-	-	-	-	-	-	-	-	
Allowance for impairment losses	**2020**		**(12,452)**	**(59,619)**	**-**	**-**	**-**	**-**	**-**	**(161,689)**	**-**	
	2019		112	(59,619)	-	-	-	-	-	(149,237)	-	
	2018		2,304	(61,185)	-	-	-	-	-	(147,783)	-	
KMP												
▪ Short-term employee Benefits	**2020**		**26,825**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	
	2019		36,723	-	-	-	-	-	-	-	-	
	2018		32,921	-	-	-	-	-	-	-	-	
▪ Post-employment Benefits	**2020**		**7,257**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	
	2019		7,940	-	-	-	-	-	-	-	-	
	2018		7,807	-	-	-	-	-	-	-	-	
TOTAL	**2020**	*21*		**P2,258,301**	**P998,645**	**P223,366**	**P69,423**	**P3,119**	**P150,000**	**P401,780**	**P1,427,958**	
TOTAL	2019	*21*		P2,309,710	P1,130,375	P235,729	P30,015	P3,119	P -	P189,839	P1,463,016	

**Eliminated during consolidation*

a. Interest-bearing Advances to Related Parties

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

TWGI and PRC
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 due in one (1) year, subject to renewal. The advances to TWGI charge interest at 4% and 6% per annum in 2020 and 2019, respectively, while the advances to PRC charge interest at 2% per annum in 2020 and 2019. TWGI paid P150.74 million and P196.10 million in 2020 and 2019, respectively, while PRC had no payments in 2020 and 2019.

In a Resolution dated February 5, 2015, the Parent Company, TWGI and PRC entered into a Memorandum of Understanding (MOU) whereby the parties agreed that the outstanding balance of the advances from TWGI and PRC will be settled using parcels of land owned by PRC.

On April 3, 2019, the Parent Company, TWGI and PRC made amendments to the previously issued MOU for the inclusion of the new outstanding liabilities of PWRDC to the Parent Company. The amended MOU stated that PWRDC shall be a party to the said MOU, and all references to any obligation or rights that PWRDC shall have under the said MOU shall be in force. All other terms and conditions shall remain unchanged.

On January 6, 2021, the Parent Company, TWGI, PRC and PWRDC made amendments to the previously issued amended MOU to exclude PWRDC since its outstanding liability was already paid in full in 2020. All other terms and conditions shall remain unchanged.

As at December 31, 2020 and 2019, 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 P7.76 billion.

On April 11, 2018, TWGI initiated the transfer of certain parcels of land totaling to P96.87 million located in Puerto Princesa, Palawan as partial settlement of the advances. On April 11, 2019, the deed of absolute sale for the transfer of certain parcels of land was signed.

On December 9, 2019, the Group and PRC entered into a Memorandum of Agreement whereby PRC agreed to sell the Group certain parcels of land to settle the advances as indicated in the MOU. In 2020, the Group made partial payments amounting to P150.00 million for the purchase of certain parcels of land (see Note 10).

Interest receivable from TWGI amounted to P232.70 million and P200.54 million as at December 31, 2020 and 2019, respectively, while interest receivable from PRC amounted to P98.41 million and P87.75 million as at December 31, 2020 and 2019, respectively. Interest income recognized in the consolidated statement of profit or loss and other comprehensive income (loss) amounted to P38.22 million, P53.67 million and P24.05 million in 2020, 2019 and 2018, respectively. Allowance for impairment losses on receivables from TWGI amounted to P59.62 million as at December 31, 2020 and 2019.

CRDC
On December 21, 2015, the Parent Company granted advances to CRDC with an interest of 2% and maturity on December 21, 2020. At the end of 2020, the Parent Company extended the maturity of the advances for a period of 5 years up to December 21, 2025 at an increased rate of 2.55% per annum. Interest receivable from CRDC amounted to P39.12 million and P30.76 million as at December 31, 2020 and 2019, 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. Interest income recognized in the consolidated statement of profit or loss and other comprehensive income (loss) amounted to P7.47 million in 2020, 2019 and 2018 while accretion income amounted to P8.81 million, P8.44 million and P8.08 million in 2020, 2019 and 2018, respectively.

WPPC
On June 1, 2018, the Parent Company granted advances to WPPC amounting to P500.00 million for general corporate purposes. The advances bear interest at 7.5% per annum and repayable in lump-sum at maturity on June 1, 2021.

On December 31, 2018, the Parent Company granted additional advances to WPPC amounting to P33.83 million for general corporate purposes. The advances bear interest at 7.5% per annum and repayable in lump-sum at maturity. WPPC paid nil and P33.83 million in 2020 and 2019, respectively.

In 2020, the Parent Company extended the maturity of the advances for a period of 5 years up to December 21, 2025 at a decreased rate of 4% per annum.

Interest receivable from WPPC amounted to P86.28 million and P63.88 million as at December 31, 2020 and 2019, respectively. Interest income recognized in the consolidated statement of profit or loss and other comprehensive income (loss) amounted to P20.00 million, P37.50 million and P21.88 million in 2020, 2019 and 2018 respectively.

RRGI
On June 1, 2018, WCCCHI extended advances to RRGI amounting to P500.00 million for general corporate purposes. The advances bear interest at 7.5% per annum and repayable in lump-sum at maturity on June 1, 2021. The advances and interest will mature on June 1, 2021. Interest receivable from RRGI amounted to P108.50 million and P66.50 million as at December 31, 2020 and 2019, respectively. Interest income recognized in the consolidated statement of profit or loss and other comprehensive income (loss) amounted to P37.50 million in 2020 and 2019, and P21.86 million in 2018.

b. Noninterest-bearing Advances to Related Parties

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

PWRDC
On July 5, 2018, the Parent Company granted a noninterest-bearing, collateral-free advances to PWRDC which is due on demand (see Note 8a). PWRDC paid the full amount in 2020.

PHES, FHC, PCIC and East Asia
The Parent Company has noninterest-bearing, collateral-free advances to PHES, FHC, PCIC and East Asia with no fixed term of repayment. The said advances are due on demand.

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

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/to a Related Party

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.

On June 1, 2018, the Parent Company received advances from WCCCHI with an interest of 7.5% per annum and maturity on June 1, 2021. Accrued interest payable to WCCCHI amounted to P136.76 million and P88.04 million as at December 31, 2020 and 2019, respectively. Interest expense related to the advances recognized in the consolidated statement of profit or loss and other comprehensive income (loss) amounted to P43.50 million, P51.69 million and P30.15 million in 2020, 2019 and 2018, respectively.

f. Financial Assets at FVOCI - Equity Securities

The Group has investment in shares of stocks in WMPD amounting to P12.50 million consisting of 12.50 million shares with par value of P1.00 per share as at December 31, 2019. Additional investment was made in 2020 amounting to P37.50 million consisting of 37.50 million shares. This investment is measured at cost due to the lack of reliable estimates of unobserved inputs, less impairment, if any.

In July and August 2005, the BOD of APHC approved the conversion of its net receivables from related parties amounting to P43.30 million into 86.71 million shares of stock of WII which are listed on 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, 2020 and 2019 amounted to P19.42 million and P17.52 million, respectively (see Note 21), resulting in a valuation gain of P1.91 million in 2019, valuation loss of P3.90 million in 2019 and valuation gain of P5.46 million in 2018.

g. Notes Receivable

In 2017, the Group extended a loan to ALEC payable on December 31, 2018, and bear interest at 4% per annum. In 2018, the Group extended another interest-bearing loan at 4% per annum to ALEC payable at the end of 2019. At the end of 2019, the Group extended the loan, with the same terms as the original loan, to mature at the end of 2020. At the end of 2020, the Group extended another interest-bearing loan at 4% per annum to ALEC payable at the end of 2021. The related interest income recognized in the consolidated statement of profit or loss and other comprehensive income (loss) amounted to P8.93 million, P9.85 million and P7.42 million in 2020, 2019 and 2018, respectively.

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

9. Property and Equipment

Movements in this account are as follows:

	For the Year Ended December 31, 2020								
	Land	**Land Improvements**	**Leasehold Improvements**	**Hotel Buildings and Improvements**	**Furniture, Fixtures and Equipment**	**Operating Equipment**	**Transportation Equipment**	**Construction-in-Progress**	
Measurement Basis:	***Revalued***	***Revalued***	***At Cost***	***Revalued***	***Revalued***	***At Cost***	***Revalued***	***At Cost***	**Total**
Beginning balance	**P1,428,918,000**	**P18,679,612**	**P25,063,249**	**P6,495,645,708**	**P1,381,734,045**	**P88,195,431**	**P30,120,761**	**P344,635,751**	**P9,812,992,557**
Additions	**-**	**-**	**-**	**25,020,909**	**19,217,515**	**167,857**	**-**	**231,887,614**	**276,293,895**
Appraisal increase	**1,875,632,000**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,875,632,000**
Ending balance	**3,304,550,000**	**18,679,612**	**25,063,249**	**6,520,666,617**	**1,400,951,560**	**88,363,288**	**30,120,761**	**576,523,365**	**11,964,918,452**
Accumulated Depreciation and Amortization									
Beginning balance	**-**	**15,896,045**	**21,045,049**	**1,942,254,837**	**1,013,819,612**	**86,120,753**	**19,672,488**	**-**	**3,098,808,784**
Depreciation and amortization	**-**	**1,216,287**	**319,302**	**187,104,547**	**140,106,588**	**371,691**	**3,764,982**	**-**	**332,883,397**
Ending balance	**-**	**17,112,332**	**21,364,351**	**2,129,359,384**	**1,153,926,200**	**86,492,444**	**23,437,470**	**-**	**3,431,692,181**
Carrying Amount	**P3,304,550,000**	**P1,567,280**	**P3,698,898**	**P4,391,307,233**	**P247,025,360**	**P1,870,844**	**P6,683,291**	**P576,523,365**	**P8,533,226,271**

	For the Year Ended December 31, 2019 (As restated - Note 27)								
	Land	Land Improvements	Leasehold Improvements	Hotel Buildings and Improvements	Furniture, Fixtures and Equipment	Operating Equipment	Transportation Equipment	Construction-in-Progress	
Measurement Basis:	*Revalued*	*Revalued*	*At Cost*	*Revalued*	*Revalued*	*At Cost*	*Revalued*	*At Cost*	Total
Beginning balance	P1,076,280,000	P17,021,145	P25,016,605	P5,735,394,429	P1,007,659,453	P85,692,611	P23,648,982	P -	P7,970,713,225
Additions	96,870,000	-	46,644	-	6,091,875	909,189	4,320,536	344,635,751	452,873,995
Appraisal increase	255,768,000	1,658,467	-	760,251,279	367,982,717	1,593,631	2,151,243	-	1,389,405,337
Ending balance	1,428,918,000	18,679,612	25,063,249	6,495,645,708	1,381,734,045	88,195,431	30,120,761	344,635,751	9,812,992,557
Accumulated Depreciation and Amortization									
Beginning balance	-	15,880,901	20,731,893	1,802,897,461	925,615,459	85,653,835	16,714,298	-	2,867,493,847
Depreciation and amortization	-	15,144	313,156	139,357,376	88,204,153	466,918	2,958,190	-	231,314,937
Ending balance	-	15,896,045	21,045,049	1,942,254,837	1,013,819,612	86,120,753	19,672,488	-	3,098,808,784
Carrying Amount	P1,428,918,000	P2,783,567	P4,018,200	P4,553,390,871	P367,914,433	P2,074,678	P10,448,273	P344,635,751	P6,714,183,773

The Group engaged an independent firm of appraisers to determine the fair value of certain classes of 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 Group's revaluation of its land improvements, hotel buildings and improvements, furniture, fixtures and equipment and transportation equipment is done once every three (3) years. The date of the latest revaluation was as at November 15, 2019, which resulted to the increase in the gross carrying amount of property and equipment amounting to P1.39 billion. In 2020, the Group also engaged an independent firm of appraisers to determine the fair value of land. The date of the revaluation was as at April 12, 2021, which resulted to the increase in the gross carrying amount of land to amounting to P1.88 billion.

After the fire incident (see Note 1), APHC engaged an independent firm of appraisers to determine the fair value of certain classes of its property and equipment, specifically hotel building and equipment and furniture, fixtures and equipment, that were damaged by fire. The appraisal results show that the estimated market value of property and equipment after the fire (excluding land) amounted to P293.53 million.

Had the following classes of property and equipment been carried at cost less accumulated depreciation, their carrying amounts as at December 31, 2020 and 2019 would have been as follows:

	2020	2019
Hotel buildings and improvements	**P3,186,775,590**	P3,164,814,164
Land	**650,515,909**	650,515,909
Furniture, fixtures and equipment	**776,080,803**	746,431,506
Transportation equipment	**14,696,528**	14,696,528
Land improvements	**1,328,990**	1,328,990
	4,629,397,820	4,577,787,097
Accumulated depreciation	**(2,391,613,337)**	(2,309,660,409)
	P2,237,784,483	P2,268,126,688

Depreciation on cost charged to profit or loss amounted to P84.31 million, P81.44 million and P139.44 million in 2020, 2019 and 2018, respectively. Depreciation on appraisal increase charged to profit or loss amounted to P248.57 million, P149.87 million and P125.24 million in 2020, 2019 and 2018, respectively.

The revaluation increment directly absorbed through casualty losses and depreciation and consequently transferred directly to retained earnings, net of deferred tax effect, amounted to P167.18 million, P98.80 million and P376.40 million in 2020, 2019 and 2018, respectively. The carrying amount of the revaluation surplus amounting to P3.82 billion and P2.70 billion as at December 31, 2020 and 2019, respectively, is not available for distribution to shareholders.

10. Other Noncurrent Assets

This account consists of:

	Note	**2020**	2019
Advances to contractors		**P727,001,678**	P709,403,998
Advances to a supplier	*8*	**150,000,000**	-
Refundable deposits	*21*	**18,761,385**	25,310,347
Others	*21*	**20,162,314**	14,465,705
		915,925,377	749,180,050
Less allowance for impairment losses on advances to contractors		**46,100,252**	46,100,252
		P869,825,125	P703,079,798

Advances to contractors pertain to deposits in connection with the reconstruction and restoration of APHC's hotel property and equipment and the renovation work of WCCCHI.

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

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

In 2019, portion of the advances to contractors specifically identified as impaired amounted to P46.10 million, recognized and presented as part of "Impairment losses" account in the consolidated statement of profit or loss and other comprehensive income (loss).

11. Accounts Payable and Accrued Expenses

This account consists of:

	Note	**2020**	2019
Accrued:			
Interest and penalties	*13, 21*	**P1,106,279,481**	P1,046,279,481
Salaries, wages and employee benefits	*21*	**17,338,632**	31,321,061
Utilities	*21*	**6,335,463**	5,980,017
Rent	*21*	**176,428**	176,428
Other accruals	*21*	**20,518,165**	20,285,870
Trade payables	*21*	**658,296,997**	845,454,341
Local taxes and output VAT		**43,130,282**	63,678,143
Service charges	*21*	**1,731,859**	1,882,862
Withholding taxes payable		**1,080,809**	949,150
Unclaimed wages	*21*	**507,891**	693,942
Guest deposits	*21*	**350,000**	386,559
Retention payables	*21*	**4,241,431**	36,161,051
Other payables	*21*	**78,303,228**	82,312,235
		P1,938,290,666	P2,135,561,140

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

Retention payables pertain mainly to amounts withheld from contractors which are payable one year from the date of final turnover and acceptance.

Other payables include commissions, sponsorships, gift certificates issued, SSS, Philippine Health Insurance Corporation and Home Development Mutual Fund and sundry payables.

12. Other Current Liabilities

This account consists of:

	Note	**2020**	2019
Concessionaires' and other deposits	*21, 24*	**P37,395,856**	P40,573,764
Deferred income		**611,551**	1,512,252
Others	*21*	**1,057,500**	1,064,400
		P39,064,907	P43,150,416

Others include 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, 2020 and 2019 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

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 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 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.

On August 30, 2019, the CA rendered its Decision reversing and setting aside the Decision dated January 13, 2015 and Order dated May 11, 2015 rendered by the RTC of Quezon City.

On November 4, 2019, the counsel for the Parent Company, WII and TWGI filed a Petition for Review with the SC.

On February 5, 2020, the SC issued its Resolution requiring SSS to file its Comment. SSS appealed for an extension to file its Comment until March 23, 2020. On August 14, 2020, the counsel for the Parent Company received a copy of the Comment dated June 24, 2020.

As at the date of the BOD's approval of the consolidated financial statements, the Parent Company is still awaiting Notice/Resolution from the SC on the Petition for Review.

Outstanding principal balance of the loan amounted to P375.00 million as at December 31, 2020 and 2019. Interest expense related to the SSS loan recognized in the consolidated statement of profit or loss and other comprehensive income (loss) amounted to P60.00 million, P59.92 million and P60.00 million in 2020, 2019 and 2018, 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 P1.11 billion and P1.05 billion as at December 31, 2020 and 2019, respectively (see Note 11).

14. Other Noncurrent Liabilities

The account consists of:

	Note	**2020**	2019
Advance rentals	*23*	**P232,439,873**	P232,439,872
Concessionaires' deposit	*21, 23*	**131,004,216**	122,000,003
Retention payables	*21*	**55,499,337**	-
		P418,943,426	P354,439,875

Retention payable pertains to amounts withheld from contractors which are payable one year from the date of final turnover and acceptance.

15. Segment Information

The Group's operating businesses are organized and managed separately according to hotel property location, with each segment representing a strategic business unit. Segment accounting policies are the same as the policies described primarily in Note 30 to the consolidated financial statements.

The following table presents the revenue and profit information regarding industry segments for the years ended December 31, 2020, 2019 and 2018 and certain asset and liability information regarding industry segments as at December 31, 2020, 2019 and 2018 (in thousands):

	For the Year Ended December 31, 2020							
	WCCCHI	WMCHI	DIHCI	Parent Company and Others	APHC and Subsidiary	Total	Eliminations	Consolidated
REVENUES								
External sales	**P678,644**	**P286,819**	**P82,289**	**P14,294**	**P -**	**P1,062,046**	**(P7,414)**	**P1,054,632**
RESULTS								
Segment operating profit	**P298,551**	**P164,929**	**(P34,722)**	**(P20,316)**	**(P80,233)**	**P328,209**	**P8,769**	**P336,978**
OTHER EXPENSES (INCOME)								
Depreciation and amortization	**223,371**	**68,391**	**21,467**	**1,260**	**22,026**	**336,515**	**-**	**336,515**
Interest expense	**98,314**	**9,574**	**-**	**104,994**	**-**	**212,882**	**(43,502)**	**169,380**
Foreign exchange losses (gains) - net	**-**	**18**	**-**	**(10,750)**	**61**	**(10,671)**	**-**	**(10,671)**
Impairment losses	**2,651**	**4,397**	**-**	**12,452**	**-**	**19,500**	**-**	**19,500**
Gains from insurance claims	**-**	**-**	**-**	**-**	**(854,520)**	**(854,520)**	**-**	**(854,520)**
Interest income	**(85,077)**	**(6,717)**	**(1,831)**	**(76,222)**	**(3,944)**	**(173,791)**	**43,502**	**(130,289)**
Others - net	**-**	**-**	**-**	**(8,769)**	**-**	**(8,769)**	**8,769**	**-**
	239,259	**75,663**	**19,636**	**22,965**	**(836,377)**	**(478,854)**	**8,769**	**(470,085)**
INCOME TAX EXPENSE (BENEFIT)	**24,683**	**26,276**	**(16,856)**	**(12,084)**	**101,578**	**123,597**	**-**	**123,597**
NET INCOME (LOSS)	**P34,609**	**P62,990**	**(P37,502)**	**(P31,197)**	**P654,566**	**P683,466**	**P -**	**P683,466**
OTHER INFORMATION								
Segment assets	**P5,504,396**	**P2,071,595**	**P2,902,172**	**P5,742,037**	**P3,278,075**	**P19,498,275**	**(P4,422,643)**	**P15,075,632**
Deferred tax assets	**54,262**	**26,402**	**14,204**	**72,781**	**18**	**167,667**	**-**	**167,667**
Consolidated Total Assets	**P5,558,658**	**P2,097,997**	**P2,916,376**	**P5,814,818**	**P3,278,093**	**P19,665,942**	**(P4,422,643)**	**P15,243,299**
Segment liabilities	**P1,518,572**	**P348,201**	**P46,645**	**P3,358,924**	**P1,048,108**	**P6,320,450**	**(P2,462,279)**	**P3,858,171**
Deferred tax liabilities	**673,887**	**233,521**	**816,168**	**(774)**	**259,963**	**1,982,765**	**-**	**1,982,765**
Consolidated Total Liabilities	**P2,192,459**	**P581,722**	**P862,813**	**P3,358,150**	**P1,308,071**	**P8,303,215**	**(P2,462,279)**	**P5,840,936**
Other Segment Information								
Capital expenditures	**P3,321,938**	**P925,724**	**P2,717,954**	**P99,384**	**P1,468,226**	**P8,533,226**	**P -**	**P8,533,226**
Depreciation and amortization	**223,371**	**68,391**	**21,467**	**1,260**	**22,026**	**336,515**	**-**	**336,515**

	For the Year Ended December 31, 2019 (As restated - Note 27)							
	WCCCHI	WMCHI	DIHCI	Parent Company and Others	APHC and Subsidiary	Total	Eliminations	Consolidated
REVENUES								
External sales	P1,273,295	P464,071	P253,754	P27,006	P -	P2,018,126	(P21,057)	P1,997,069
RESULTS								
Segment operating profit	P489,202	P237,175	P33,505	(P24,243)	(P118,505)	P617,134	P -	P617,134
OTHER EXPENSES (INCOME)								
Depreciation and amortization	148,803	55,915	7,659	1,177	20,295	233,849	-	233,849
Interest expense	128,693	8,674	-	115,264	-	252,631	(51,686)	200,945
Foreign exchange losses - net	-	-	-	5,915	-	5,915	-	5,915
Impairment losses	-	1,150	-	4,250	70,507	75,907	(2,551)	73,356
Gains from insurance claims	-	-	-	-	(234,090)	(234,090)	-	(234,090)
Interest income	(175,491)	(46,019)	(1,633)	(108,748)	(5,130)	(337,021)	51,686	(285,335)
Others - net	-	-	-	(6,825)	-	(6,825)	-	(6,825)
	102,005	19,720	6,026	11,033	(148,418)	(9,634)	(2,551)	(12,185)
INCOME TAX EXPENSE (BENEFIT)	129,999	64,004	7,754	(5,743)	(37,683)	158,331	-	158,331
NET INCOME (LOSS)	P257,198	P153,451	P19,725	(P29,533)	P67,596	P468,437	P2,551	P470,988
OTHER INFORMATION								
Segment assets	P5,769,463	P2,010,204	P1,119,259	P5,651,080	P2,376,356	P16,926,362	(P4,060,594)	P12,865,768
Deferred tax assets	51,269	23,448	2,046	54,483	108,049	239,295	-	239,295
Consolidated Total Assets	P5,820,732	P2,033,652	P1,121,305	P5,705,563	P2,484,405	P17,165,657	(P4,060,594)	P13,105,063
Segment liabilities	P1,808,757	P345,595	P84,573	P3,119,010	P907,325	P6,265,260	(P2,009,271)	P4,255,989
Deferred tax liabilities	694,628	237,470	258,631	(572)	265,582	1,455,739	-	1,455,739
Consolidated Total Liabilities	P2,503,385	P583,065	P343,204	P3,118,438	P1,172,907	P7,720,999	(P2,009,271)	P5,711,728
Other Segment Information								
Capital expenditures	P3,503,786	P989,685	P861,872	P3,606	P1,258,365	P6,617,314	P -	P6,617,314
Depreciation and amortization	148,803	55,915	7,659	1,177	20,295	233,849	-	233,849

	For the Year Ended December 31, 2018							
	WCCCHI	WMCHI	DIHCI	Parent Company and Others	APHC and Subsidiary	Total	Eliminations	Consolidated
REVENUES								
External sales	P1,119,779	P424,035	P240,877	P25,085	P54,373	P1,864,149	(P14,237)	P1,849,912
RESULTS								
Segment operating profit	P420,288	P195,555	P34,442	(P19,452)	(P171,391)	P459,442	P -	P459,442
OTHER EXPENSES (INCOME)								
Casualty loss on damaged properties	-	-	-	-	410,172	410,172	-	410,172
Depreciation and amortization	148,918	54,948	10,712	2,190	47,916	264,684	-	264,684
Interest expense	101,480	-	-	90,372	-	191,852	(30,150)	161,702
Impairment losses	-	406	-	892	3,645	4,943	-	4,943
Foreign exchange gains - net	-	-	-	(2,845)	-	(2,845)	-	(2,845)
Interest income	(55,150)	(3,259)	(716)	(63,089)	(6,357)	(128,571)	30,150	(98,421)
Others - net	-	-	-	(2,741)	(8,351)	(11,092)	-	(11,092)
	195,248	52,095	9,996	24,779	447,025	729,143	-	729,143
INCOME TAX EXPENSE (BENEFIT)	72,224	42,851	7,119	(9,936)	(270,030)	(157,772)	-	(157,772)
NET INCOME (LOSS)	P152,816	P100,609	P17,327	(P34,295)	(P348,386)	(P111,929)	P -	(P111,929)
OTHER INFORMATION								
Segment assets	P4,653,280	P1,545,953	P750,406	P5,711,031	P1,768,417	P14,429,087	(P3,890,139)	P10,538,948
Deferred tax assets	3,425	678	2,361	36,786	74,123	117,373	-	117,373
Consolidated Total Assets	P4,656,705	P1,546,631	P752,767	P5,747,817	P1,842,540	P14,546,460	(P3,890,139)	P10,656,321
Segment liabilities	P2,840,976	P164,761	P57,554	P3,262,651	P333,788	P6,659,730	(P2,959,483)	P3,700,247
Deferred tax liabilities	403,880	186,238	162,667	(483)	266,848	1,019,150	-	1,019,150
Consolidated Total Liabilities	P3,244,856	P350,999	P220,221	P3,262,168	P600,636	P7,678,880	(P2,959,483)	P4,719,397
Other Segment Information								
Capital expenditures	P2,716,462	P893,611	P561,165	P3,128	P928,853	P5,103,219	P -	P5,103,219
Depreciation and amortization	148,918	54,948	10,712	2,190	47,916	264,684	-	264,684

16. Capital Stock and Noncontrolling Interests

Capital Stock

Details of capital stock of the Parent Company as at December 31 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	112.50 million shares
(Initial Public Offering)	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, 2020 and 2019, 1.95 billion shares of the Parent Company are listed on the PSE and has a total of 435 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, 2020, 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, 2020		December 31, 2019	
	APHC	**GIRDI**	APHC	GIRDI
Percentage of NCI	**44%**	**46%**	44%	46%
Carrying amount of NCI	**P841,563**	**P198,382**	P549,803	P198,694
Net income (loss) attributable to NCI	**P289,973**	**(P312)**	P29,945	(P55)
Other comprehensive income attributable to NCIs	**P1,787**	**P -**	P884	P -

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

	December 31, 2020		December 31, 2019	
	APHC	**GIRDI**	APHC	GIRDI
Total assets	**P3,279,724**	**P468,998**	P2,381,211	P469,656
Total liabilities	**(1,309,625)**	**(37,732)**	(1,069,789)	(37,711)
Net assets	**P1,970,099**	**P431,266**	P1,311,422	P431,945
Revenue	**P -**	**P1,712**	P -	P1,662
Net income (loss)	**P654,644**	**(P679)**	P67,595	(P120)
Other comprehensive income	**4,034**	**-**	1,997	-
	P658,678	**(P679)**	P69,592	(P120)
Cash flows provided by operating activities	**P9,033**	**P -**	P96,726	P -
Cash flows provided by (used in) investing activities	**618,375**	**-**	(431,551)	-
Cash flows provided by financing activities	**35,681**	**-**	269,630	-
Net increase (decrease) in cash	**P663,089**	**P -**	(P65,195)	P -

17. Other Costs and Expenses

This account consists of:

	Note	2020	2019 (As restated - Note 27)	2018
Taxes and licenses		**P66,189,717**	P104,719,701	P51,970,083
Laundry, valet and other hotel services		**32,008,594**	121,723,857	122,815,582
Security and other related services		**31,888,701**	40,730,273	39,303,457
Professional fees		**18,094,052**	18,801,710	16,616,534
Corporate expenses		**16,388,650**	20,382,390	29,160,020
Insurance		**13,885,400**	13,322,652	15,865,861
Data processing		**11,290,352**	21,233,251	16,145,135
Supplies	*6*	**8,833,145**	20,045,746	19,915,410
Advertising		**7,203,921**	17,522,754	22,774,086
Commissions		**4,916,118**	10,878,712	12,094,617
Communications		**4,522,231**	4,178,568	5,148,740
Guest amenities		**2,791,592**	5,477,313	4,315,152
Fuel and oil		**2,738,638**	6,909,177	8,282,184
Transportation and travel		**2,638,236**	3,358,155	6,673,785
Guest and laundry valet		**1,580,568**	5,921,144	4,737,776
Meeting expenses		**736,835**	1,201,170	1,507,267
Representation and entertainment		**712,769**	12,773,517	9,981,109
Customer claims		**-**	-	13,215,750
Miscellaneous		**11,603,143**	17,339,171	15,017,127
		P238,022,662	P446,519,261	P415,539,675

Miscellaneous include recruitment expense and employee association dues.

Customer claims pertain to amounts incurred for the accommodation, hospitalization and other assistance provided by APHC to the hotel guests after the fire incident (see Note 1).

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, 2020, 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 (R.A.) 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 (asset) as presented in the consolidated statement of financial position is as follows:

2020	**DBO**	**FVPA**	**Asset Ceiling Adjustment**	**Retirement Benefits Liability (Asset)**
Balance, January 1, 2020	**P149,019,737**	**(P186,122,611)**	**P -**	**(P37,102,874)**
Included in Profit or Loss				
Current service cost	**12,101,529**	**-**	**-**	**12,101,529**
Net interest cost (income)	**7,276,796**	**(9,114,628)**	**-**	**(1,837,832)**
	19,378,325	**(9,114,628)**	**-**	**10,263,697**
Included in OCI				
Remeasurement gains on plan assets:				
1. Actuarial gains arising from:				
▪ Changes in financial assumptions	**(9,719,660)**	**-**	**-**	**(9,719,660)**
▪ Experience adjustments	**(13,708,289)**	**-**	**-**	**(13,708,289)**
2. Return on plan assets excluding interest income	**-**	**(3,756,131)**	**-**	**(3,756,131)**
	(23,427,949)	**(3,756,131)**	**-**	**(27,184,080)**
Others				
Benefits paid from:				
Book reserves	**(839,815)**	**-**	**-**	**(839,815)**
Plan assets	**(35,083,779)**	**35,083,779**	**-**	**-**
Balance, December 31, 2020	**P109,046,519**	**(P163,909,591)**	**P -**	**(P54,863,072)**

2019	DBO	FVPA	Asset Ceiling Adjustment	Retirement Benefits Liability (Asset)
Balance, January 1, 2019	P132,611,165	(P152,458,292)	P13,054,129	(P6,792,998)
Included in Profit or Loss				
Current service cost	8,057,234	-	-	8,057,234
Net interest cost (income)	9,941,295	(11,427,563)	980,102	(506,166)
	17,998,529	(11,427,563)	980,102	7,551,068
Included in OCI				
Remeasurement gains on plan assets:				
1. Actuarial losses (gains) arising from:				
▪ Changes in financial assumptions	39,022,924	-	-	39,022,924
▪ Changes in demographic assumptions	(926,130)	-	-	(926,130)
▪ Experience adjustments	(24,741,964)	-	-	(24,741,964)
2. Return on plan assets excluding interest income	-	(12,234,167)	-	(12,234,167)
3. Remeasurement gain on asset ceiling	-	-	(12,623,802)	(12,623,802)
4. Effect of asset ceiling	-	-	(1,410,429)	(1,410,429)
	13,354,830	(12,234,167)	(14,034,231)	(12,913,568)
Others				
Contributions paid by the employer	-	(15,500,000)	-	(15,500,000)
Benefits paid from:				
Book reserves	(9,447,376)	-	-	(9,447,376)
Plan assets	(5,497,411)	5,497,411	-	-
Balance, December 31, 2019	P149,019,737	(P186,122,611)	P -	(P37,102,874)

The retirement benefits cost recognized in profit or loss for the years ended December 31, 2020, 2019 and 2018 amounted to P10.26 million, P7.55 million and P19.66 million, respectively, and is presented as part of “Personnel costs” account in the consolidated statement of profit or loss and other comprehensive income (loss).

Personnel costs comprise the following:

	2020	2019	2018
Salaries and wages	**P192,108,881**	P249,463,879	P255,616,449
Retirement benefits expense	**10,263,697**	7,551,068	19,658,475
Other employee benefits	**15,188,822**	23,978,920	24,295,320
	P217,561,400	P280,993,867	P299,570,244

The Group's plan assets consist of the following:

	2020	2019
Debt instruments - government bonds	**P103,545,677**	P120,475,984
Cash and cash equivalents	**27,172,877**	31,408,593
Investment in government securities	**21,547,124**	21,867,104
Deposit in banks	**8,230,016**	8,352,233
Investment in other securities and debt instruments	**432,287**	533,421
Equity instruments	**301,919**	336,606
Debt instruments - other bonds	**103,355**	99,733
Other receivables	**2,576,336**	3,048,937
	P163,909,591	P186,122,611

The principal actuarial assumptions at reporting date are as follows:

	2020	2019
Discount rate	**3.40% - 3.79%**	4.83% - 5.05%
Salary increase rate	**3.00% - 5.00%**	3.00% - 10.00%

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 14.71 years and 14.66 years as at December 31, 2020 and 2019, respectively.

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

	2020	2019
Carrying amount	**P109,046,519**	P149,019,737
Within 1 year	**P8,783,207**	P18,117,387
Within 1 - 5 years	**32,028,046**	50,091,808
Within 5 - ten (10) years	**59,135,116**	90,141,448
Contractual cash flows	**P99,946,369**	P158,350,643

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:

	2020		2019	
	+1%	**-1%**	+1%	-1%
Discount rate	**(P10,278,632)**	**P12,020,686**	(P13,781,557)	P16,130,170
Salary increase rate	**11,856,041**	**(10,417,135)**	15,751,601	(13,855,152)

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:

	2020	2019 (As restated - Note 27)	2018
Recognized in Profit or Loss			
Current tax expense	**P95,787,735**	P264,358,618	P163,988,523
Deferred tax expense (benefit)	**27,809,330**	(106,028,004)	(321,762,288)
	P123,597,065	P158,330,614	(P157,773,765)
Recognized in OCI			
Deferred tax expense	**P570,844,827**	P420,695,671	P13,463,885

The reconciliation of the income tax expense (benefit) computed at the statutory tax rate to the actual income tax expense (benefit) shown in the consolidated statement of profit or loss and other comprehensive income (loss) is as follows:

	2020	2019 (As restated - Note 27)	2018
Income (loss) before income tax expense (benefit)	**P807,063,414**	P629,318,976	(P269,702,927)
Income tax expense (benefit) at 30%	**P242,119,024**	P188,795,693	(P80,910,878)
Additions to (reductions in) income tax resulting from the tax effects of:			
Nondeductible expenses	**12,368,659**	44,432,939	114,095,149
Derecognition of net operating loss carry-over (NOLCO) and minimum corporate income tax (MCIT)	**108,048,907**	-	-
Unrecognized deferred tax assets during the year	**23,405,779**	1,617,811	2,591,060
Income not subjected to income tax	**(262,345,304)**	(76,515,829)	(193,549,096)
	P123,597,065	P158,330,614	(P157,773,765)

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

December 31, 2020	**Balance January 1, 2020** (As restated - Note 27)	**Recognized in Profit or Loss**	**Recognized in OCI**	**Balance December 31, 2020**
Deferred tax liabilities:				
Revaluation surplus on property and equipment	**P1,388,596,754**	**(P74,352,122)**	**P562,689,600**	**P1,876,934,232**
Retirement benefits liability	**11,130,861**	**(2,827,165)**	**8,155,227**	**16,458,923**
Unrealized foreign exchange gain	**20,040**	**(18,043)**	**-**	**1,997**
Accrued interest income	**121,777**	**-**	**-**	**121,777**
Unamortized discount on security deposit	**33,904,904**	**(1,975,074)**	**-**	**31,929,830**
Accrued rent income	**21,964,711**	**35,353,816**	**-**	**57,318,527**
	1,455,739,047	**(43,818,588)**	**570,844,827**	**1,982,765,286**
Deferred tax assets:				
Allowance for impairment losses on receivables	**4,314,859**	**1,769,528**	**-**	**6,084,387**
Unamortized past service cost	**1,113,460**	**(315,436)**	**-**	**798,024**
Accrued rent expense	**918,005**	**2,930,087**	**-**	**3,848,092**
Unrealized foreign exchange loss	**-**	**18,356**	**-**	**18,356**
Unearned revenues	**453,675**	**(164,204)**	**-**	**289,471**
Lease liabilities - net	**737,044**	**1,814,593**	**-**	**2,551,637**
Advanced rental	**69,731,961**	**-**	**-**	**69,731,961**
NOLCO	**108,011,219**	**(96,106,583)**	**-**	**11,904,636**
MCIT	**37,690**	**425,741**	**-**	**463,431**
Accrued interest expense on loan	**53,977,137**	**18,000,000**	**-**	**71,977,137**
	239,295,050	**(71,627,918)**	**-**	**167,667,132**
	P1,216,443,997	**P27,809,330**	**P570,844,827**	**P1,815,098,154**

December 31, 2019	Balance January 1, 2019	Recognized in Profit or Loss (As restated - Note 27)	Recognized in OCI	Balance December 31, 2019 (As restated - Note 27)
Deferred tax liabilities:				
Revaluation surplus on property and equipment	P1,016,734,121	(P44,958,968)	P416,821,601	P1,388,596,754
Retirement benefits liability	2,037,899	5,218,892	3,874,070	11,130,861
Unrealized foreign exchange gain	255,769	(235,729)	-	20,040
Accrued interest income	121,777	-	-	121,777
Unamortized discount on security deposit	-	33,904,904	-	33,904,904
Accrued rent income	-	21,964,711	-	21,964,711
	1,019,149,566	15,893,810	420,695,671	1,455,739,047
Deferred tax assets:				
Allowance for impairment losses on receivables	3,970,000	344,859	-	4,314,859
Unamortized past service cost	1,629,303	(515,843)	-	1,113,460
Accrued rent expense	1,190,900	(272,895)	-	918,005
Unearned revenues	460,077	(6,402)	-	453,675
Lease liabilities - net	-	737,044	-	737,044
Advanced rental	-	69,731,961	-	69,731,961
NOLCO	74,122,956	33,888,263	-	108,011,219
MCIT	-	37,690	-	37,690
Accrued interest expense on loan	36,000,000	17,977,137	-	53,977,137
	117,373,236	121,921,814	-	239,295,050
	P901,776,330	(P106,028,004)	P420,695,671	P1,216,443,997

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.

The BIR issued RR No. 25-2020 to implement Section 4 (b) of R.A. No. 11494, *Bayanihan to Recover as One Act*, which provides that the NOLCO incurred for taxable years 2020 and 2021 can be carried over as a deduction from gross income for the next 5 consecutive taxable years immediately following the year of such loss. The said RR also defined taxable years 2020 and 2021 to include those corporations with fiscal years ending on or before June 30, 2021 and June 30, 2022, respectively.

	2020		2019	
	Tax Base	**Tax Effect**	Tax Base	Tax Effect
NOLCO	**P23,045,158**	**P6,913,547**	P34,479,313	P10,343,794
MCIT	**51,814**	**51,814**	45,163	45,163
Allowance for impairment losses	**(194,220)**	**(58,266)**	(610,186)	(183,056)
	P22,902,752	**P6,907,095**	P33,914,290	P10,205,901

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

	2020	2019
Balance at beginning of year	**P10,205,901**	P12,219,273
Unrecognized deferred tax assets during the year:		
NOLCO	**1,453,349**	2,294,175
MCIT	**6,651**	45,163
Impairment losses	**124,790**	184,621
Applied during the year:		
NOLCO	**-**	(736,896)
MCIT	**-**	(165,177)
Expiration of unrecognized deferred tax assets:		
NOLCO	**(4,883,596)**	(3,429,247)
MCIT	**-**	(206,011)
Balance at end of year	**P6,907,095**	P10,205,901

Details of unrecognized NOLCO are as follows:

Year Incurred	Expiry Year	Amount	Applied	Expired	Balance
2020	2025	P4,844,498	P -	P -	P4,844,498

Details of unrecognized NOLCO not covered by R.A. No. 11494 are as follows::

Year Incurred	Expiry Date	NOLCO	Applied	Expired Amount	Remaining Amount
2019	December 31, 2022	P7,647,249	P -	P -	P7,647,249
2018	December 31, 2021	10,553,411	-	-	10,553,411
		P18,200,660	P -	P -	P18,200,660

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
2020	December 31, 2023	P6,651	P -	P -	P6,651
2019	December 31, 2022	45,163	-	-	45,163
		P51,814	P -	P -	P51,814

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.

	2020	2019 (As restated - Note 27)	2018
Net income attributable to equity holders of the Parent Company	**P394,555,853**	P439,574,045	P42,019,520
Weighted number of shares outstanding	**2,498,991,753**	2,498,991,753	2,498,991,753
Earnings per share - basic and diluted	**P0.158**	P0.176	P0.017

There are no potentially dilutive shares as at December 31, 2020, 2019 and 2018. Accordingly, diluted EPS is the same as basic EPS.

21. Financial Instruments - Risk Management and Fair Values

Risk Management Structure
BOD
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 investments, equity securities - at FVOCI, other noncurrent assets (excluding advances to contractors and advances to a supplier), accounts payable and accrued expenses (excluding local taxes, output VAT and withholding taxes), loans payable, due to a related party, lease liabilities, other current liabilities (excluding deferred income), concessionaires' deposits and retention payables. 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 receivables.

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 cash and cash equivalents (excluding cash on hand), receivables, notes receivable, due from related parties, short-term investments, equity securities - at FVOCI and other noncurrent assets (excluding advances to contractors), 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.

As at December 31, the Group's maximum exposure to credit risk, without considering the effects of collateral, credit enhancements and other credit risk mitigation techniques are as follows (in thousands):

	Note	**2020**	2019 (As restated - Note 27)
Cash and cash equivalents*	*4*	**P1,175,381**	P673,397
Receivables	*5*	**573,587**	710,969
Notes receivable	*8*	**223,366**	235,729
Due from related parties	*8*	**3,316,565**	3,499,704
Short-term investments	*7*	**12,858**	14,662
Equity securities - at FVOCI	*8*	**69,736**	30,328
Other noncurrent assets **	*10*	**38,924**	39,776
		5,410,417	5,204,565
Less allowance for impairment losses	*5, 8*	**102,561**	103,040
		P5,307,856	P5,101,525

**Excluding cash on hand*
***Excluding advances to contractors and advances to a supplier*

The aging analyses of the Group's financial assets as at December 31, 2020 and 2019 are as follows (in thousands):

				Past Due but not Impaired					
December 31, 2020	***Note***	**Total**	**Neither Past Due nor Impaired**	**<30 Days**	**30 - 60 Days**	**61 - 90 Days**	**91 - 120 Days**	**> 120 Days**	**Impaired**
Cash and cash equivalents*	*4*	**P1,175,381**	**P1,175,381**	**P -**	**P -**	**P -**	**P -**	**P -**	**P -**
Receivables	*5*	**573,587**	**362,593**	**37,156**	**2,559**	**3,770**	**997**	**123,570**	**42,942**
Notes receivable	*8*	**223,366**	**223,366**	**-**	**-**	**-**	**-**	**-**	**-**
Due from related parties	*8*	**3,316,565**	**3,256,946**	**-**	**-**	**-**	**-**	**-**	**59,619**
Short-term investments	*7*	**12,858**	**12,858**	**-**	**-**	**-**	**-**	**-**	**-**
Equity securities - at FVOCI	*8*	**69,736**	**69,736**	**-**	**-**	**-**	**-**	**-**	**-**
Other noncurrent assets **	*10*	**38,924**	**38,924**	**-**	**-**	**-**	**-**	**-**	**-**
Total		**P5,410,417**	**P5,139,804**	**P37,156**	**P2,559**	**P3,770**	**P997**	**P123,570**	**P102,561**

**Excluding cash on hand*
***Excluding advances to contractors and advances to a supplier*

December 31, 2019 (As restated - Note 27)	Note	Total	Neither Past Due nor Impaired	Past Due but not Impaired <30 Days	30 - 60 Days	61 - 90 Days	91 - 120 Days	> 120 Days	Impaired
Cash and cash equivalents*	*4*	P673,397	P673,397	P -	P -	P -	P -	P -	P -
Receivables	*5*	710,969	361,601	107,967	20,051	15,477	108,270	54,182	43,421
Notes receivable	*8*	235,729	235,729	-	-	-	-	-	-
Due from related parties	*8*	3,499,704	3,429,906	-	-	-	-	10,179	59,619
Short-term investments	*7*	14,662	14,662	-	-	-	-	-	-
Equity securities - at FVOCI	*8*	30,328	30,328	-	-	-	-	-	-
Other noncurrent assets **	*10*	39,776	39,776	-	-	-	-	-	-
Total		P5,204,565	P4,785,399	P107,967	P20,051	P15,477	P108,270	P64,361	P103,040

**Excluding cash on hand*
***Excluding advances to contractors*

Impairment on the financial assets has been measured on a 12-month expected loss basis and reflects the short maturities of the exposure.

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, 2020 and 2019 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, 2020 and 2019 based on contractual undiscounted payments (in thousands):

December 31, 2020	***Note***	**Total Carrying Amount**	**Contractual Undiscounted Payments Total**	**On Demand**	**Less than 1 Year**	**> 1 Year**
Accounts payable and accrued expenses*	*11*	**P1,894,080**	**P1,894,080**	**P1,894,080**	**P -**	**P -**
Loans payable	*13, 26*	**1,262,766**	**1,262,766**	**375,000**	**252,660**	**635,106**
Due to a related party	*8*	**3,119**	**3,119**	**3,119**	**-**	**-**
Lease liabilities	*24*	**130,660**	**681,466**	**-**	**15,137**	**666,329**
Other current liabilities**	*12*	**38,453**	**38,453**	**1,057**	**37,396**	**-**
Concessionaires' deposits - net of current portion	*14*	**131,004**	**237,437**	**-**	**-**	**237,437**
Retention payables	*14*	**55,499**	**55,499**	**-**	**-**	**55,499**
		P3,515,581	**P4,172,820**	**P2,273,256**	**P305,193**	**P1,594,371**

**Excluding local taxes and output VAT and withholding taxes payable*
***Excluding deferred income*

December 31, 2019	*Note*	Total Carrying Amount	Contractual Undiscounted Payments Total	On Demand	Less than 1 Year	> 1 Year
Accounts payable and accrued expenses*	*11*	P2,070,934	P2,070,934	P2,070,934	P -	P -
Loans payable	*13, 26*	1,540,426	1,540,426	375,000	275,000	890,426
Due to a related party	*8*	3,119	3,119	3,119	-	-
Lease liabilities	*24*	128,417	692,952	-	13,940	679,012
Other current liabilities**	*12*	41,638	41,638	1,064	40,574	-
Concessionaires' deposits - net of current portion	*14*	122,000	235,016	-	-	235,016
		P3,906,534	P4,584,085	P2,450,117	P329,514	P1,804,454

**Excluding local taxes and output VAT and withholding taxes payable*
***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.

The Group is primarily exposed to the financial risk of changes in equity prices of its equity securities - at FVOCI.

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 primarily exposed to interest risk is the interest-bearing loans payable (see Note 26).

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 2020 and 2019, 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 loans payable held at the reporting date. All other variables are held constant.

	2020	
Changes in Interest Rates (in Basis Points)	**+10**	**-10**
Net income	**(P11,261,037)**	**P11,261,037**

	2019	
Changes in Interest Rates (in Basis Points)	+10	-10
Net income	(P11,978,391)	P11,978,391

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 on the PSE totaling to 86.71 million shares as at December 31, 2020 and 2019 (see Note 8f). The Group has also investment in shares of stock of Pavilion Leisure & Entertainment Corp. (PLEC), amounting to P0.31 million, representing 14.2% of the total capital stock of PLEC. As at December 31, 2020 and 2019, PLEC has not yet started commercial operations, and no related party transactions have transpired between the Group and PLEC. Further, the Group has investment in shares of stock of WMPD amounting to P50.00 million representing 5% of the total capital stock of WMPD. (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 equity securities - at FVOCI and macroeconomic forecast for 2020 and 2019. This analysis assumes an increase of 10% for 2020 and 2019 and a decrease of 10% for 2020 and 2019 of the equity price of the Group's equity securities - at FVOCI. All other variables are held constant:

	2020		2019	
	10%	**-10%**	10%	-10%
Equity	**P1,359,613**	**(P1,359,613)**	P1,226,079	(P1,226,079)

<u>Fair Value of Financial Assets and Liabilities</u>
The table below summarizes the carrying amounts and fair values of the Group's financial assets and liabilities as at December 31, 2020 and 2019 (in thousands):

	2020		2019 (As restated - Note 27)	
	Carrying Amounts	**Fair Values**	Carrying Amounts	Fair Values
Financial Assets				
Cash and cash equivalents	**P1,178,166**	**P1,178,166**	P676,757	P676,757
Receivables	**530,644**	**530,644**	667,549	667,549
Notes receivable	**223,366**	**223,366**	235,729	235,729
Due from related parties	**3,256,946**	**3,256,946**	3,440,085	3,440,085
Short-term investments	**12,858**	**12,858**	14,662	14,662
Equity securities - at FVOCI	**69,736**	**69,736**	30,328	30,328
Other noncurrent assets *	**38,924**	**38,924**	39,776	39,776
	P5,310,640	**P5,310,640**	P5,104,886	P5,104,886

**Excluding advances to contractors and advances to a supplier*

	2020		2019	
	Carrying Amounts	**Fair Values**	Carrying Amounts	Fair Values
Financial Liabilities				
Accounts payable and accrued expenses**	**P1,894,080**	**P1,894,080**	P2,070,934	P2,070,934
Loans payable	**1,262,766**	**1,262,766**	1,540,426	1,540,426
Due to a related party	**3,119**	**3,119**	3,119	3,119
Lease liabilities	**38,453**	**38,453**	128,417	128,417
Other current liabilities***	**130,660**	**130,660**	41,638	41,638
Concessionaires' deposits	**131,004**	**131,004**	122,000	122,000
Retention payables	**55,499**	**55,499**	-	-
	P3,515,581	**P3,515,581**	P3,906,534	P3,906,534

***Excludes local taxes, output VAT and withholding taxes*
****Excluding deferred income*

As at December 31, 2020 and 2019, the carrying values of the Group's financial instruments approximate fair values as follows:

- *Cash and Cash Equivalents, Receivables, Notes Receivable, Current Portion of Due from Related Parties, Short-term Investments, Accounts Payable and Accrued Expenses (excluding local taxes and output VAT and withholding taxes payable), Due to a Related Party and Other Current Liabilities (excluding deferred income).* The carrying values of these financial instruments approximate fair values due to their relatively short-term maturities.

- *Interest-bearing Due from Related Parties and Loans Payable.* 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.

- *Equity Securities - at FVOCI.* The fair value of listed investment in shares of stock was determined using the closing market price of the investment listed on the PSE as of December 31, 2020 and 2019 while the cost of unquoted investments in shares of stock approximate their fair value as at reporting date.

- *Lease Liabilities.* The fair value of lease liabilities is based on the discounted value of expected future cash flows using the Group's IBR, thus, the carrying amount approximates fair value.

- *Other Noncurrent Assets (excluding advances to contractors and advances to a supplier) and Concessionaires' Deposits.* The fair value of other noncurrent assets (excluding advances to contractors and advances to a supplier) and concessionaires' deposits approximates the carrying amount as these are settled in fixed amounts upon maturity based on the contract executed.

- *Retention Payables.* The fair value of retention payables approximate their carrying amount because these are not subject to significant risk of change in value.

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 2020 and 2019.

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. For purposes of the Group's capital management, capital includes all equity items that are presented in the consolidated statement of changes in equity, except for revaluation surplus on property and equipment, retirement benefits reserve, foreign currency translation adjustment and fair value reserve.

The Group's capital management, among other things, aims to ensure that it meets financial covenants attached to the omnibus loan and security agreement (see Note 26). Breaches in meeting the financial covenants would permit the bank to immediately call the loans. There were no breaches of the financial covenants in 2019. However, as at December 31, 2020, WCCCHI did not meet the minimum debt service coverage ratio of 1.25:1 as described in Section 4.4 Debt Service Coverage Ratio of the Agreement (see Note 26).

22. Right to Provide Venue for Land-based Casinos

PAGCOR has granted the Group the right to provide venue for land-based casinos. By virtue of this right, the subsidiaries, namely WCCCHI, WMCHI and APHC, have existing lease agreements with PAGCOR (see Note 23).

In 2008, the Parent Company filed an application for a license of its planned integrated resort, *Grand Waterfront Casino and Hotel*, in Expo Pilipino Entertainment City, commonly known as Entertainment City.

However, PAGCOR failed to respond to the application, and the Parent Company filed legal action in 2015 which Manila RTC ruled in favor of the Parent Company. In 2018, the CA upheld the decision, and it ordered PAGCOR to issue the Parent Company a license similar to that of the integrated resorts currently existing in Entertainment City.

In February 2020, the Supreme Court denied the petition of PAGCOR for review and in October 2020, the Parent Company received the notice that the decision has become final and executory.

23. 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 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 leases were renewed on February 15, 2018, for a period of 1 year. On May 29, 2019 the leases were further renewed until the year 2032.

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 month-to-month lease of PAGCOR effectively ended on March 18, 2018 due to the fire incident (see Note 1).

Relative to the renewal of the contract, the security deposit equivalent to six (6) months advance rental amounting to P159.02 million and P73.42 million was received by WCCCHI and WMCHI, respectively, and presented as part of “Concessionaires’ deposit” account in other noncurrent liabilities in the consolidated statement of financial position and were carried at its present value as at December 31, 2020 computed using an EIR of 5.51% over the term of the contract. The change in the present value and amortization of the discount is recognized as part of “Interest expense” account in the consolidated statement of profit or loss and other comprehensive income (loss). Interest expense recognized in 2020 and 2019 amounted to P6.58 million and P3.73 million, respectively. The amortized cost of the refundable security deposits was determined by calculating the present value of the cash flows anticipated until the end of the lease term using the interest rate of 5.51%. as the deposit does not have an active market, the underlying interest rate was determined by reference to market interest rates of comparable financial instruments.

In line with the amortization of the refundable security deposit, the Group recognized day one gain of P116.74 million in 2019 presented as part of “Interest income” account in the statement of profit or loss and other comprehensive income (loss).

The undiscounted amounts and the related unamortized discount are as follows:

	Note	**2020**	2019
PAGCOR security deposits		**P237,436,983**	P235,016,350
Unamortized discount		**(106,432,767)**	(113,016,347)
	14	**P131,004,216**	P122,000,003

In addition, in 2019, WCCCHI and WMCHI also received advance rentals equivalent to 6 months amounting to P159.02 million and P73.42 million, respectively. These advance rentals are presented as part of “Advance rentals” account in other noncurrent liabilities and are carried at cost (see Note 14) .

Total rental income from the above PAGCOR lease contracts recognized as part of "Rent and related income" in the consolidated statement of profit or loss and other comprehensive income (loss) amounted to P550.96 million, P519.36 million and P428.63 million in 2020, 2019 and 2018, respectively.

24. 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.

Security deposits received from other concessionaires amounted to P8.89 million and P9.65 million as at December 31, 2020 and 2019, respectively (see Note 12).

Rent revenue recognized as part of "Rent and related income" in the consolidated statement of profit or loss and other comprehensive income (loss) and amounted to P28.51 million, P48.57 million and P47.70 million in 2020, 2019 and 2018, 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 25 years, depending on the provisions of the applicable Philippine laws at the time of renewal.

WCCCHI also entered into a lease agreement for the use of access road from the hotel property to the main road for a period of 3 years commencing on January 1, 2020 subject to renewal upon mutual agreement of both parties.

Information about leases for which the Group is a lessee is presented below.

The right-of-use assets movement is as follows:

	2020	2019
Cost		
At January 1	**P128,493,849**	P128,493,849
Additions	**3,292,311**	-
At December 31	**131,786,160**	128,493,849
Accumulated Depreciation		
At January 1	**2,533,979**	-
Depreciation	**3,631,416**	2,533,979
At December 31	**6,165,395**	2,533,979
Carrying Amount	**P125,620,765**	P125,959,870

Set out below is the carrying amount of the lease liabilities and the movements during the period:

	2020	2019
At January 1	**P128,416,683**	P128,493,849
Additions	**3,292,311**	-
Accretion of interest	**14,031,205**	13,863,201
Rent concession	**(3,474,244)**	-
Accrued rent	**(7,551,030)**	-
Payments	**(4,055,092)**	(13,940,367)
At December 31	**P130,659,833**	P128,416,683

The outstanding balance of the lease liabilities is presented in the consolidated statement of financial position as follows:

	2020	2019
Current portion	**P1,188,032**	P85,315
Noncurrent portion	**129,471,801**	128,331,368
Total	**P130,659,833**	P128,416,683

Future undiscounted rental payments are as follows:

	2020	2019
Less than one year	**P15,137,367**	P13,940,367
One to five years	**64,559,193**	55,761,468
More than five years	**601,769,333**	623,250,575
	P681,465,893	P692,952,410

Amounts Recognized in Profit or Loss

	2020	2019
Leases under PFRS 16		
Depreciation of right-of-use assets	**P3,631,416**	P2,533,979
Interest expense related to lease liabilities	**14,031,205**	13,863,201
Variable lease payments	**7,580,181**	24,245,365
Expenses relating to short-term leases including VAT on lease payments	**817,031**	2,305,300
Income due to rent concession	**(3,474,244)**	-

	2018
2018 - Operating leases under Philippine Accounting Standard (PAS) 17	
Rent expense	P38,396,115

Amount Recognized in the Statement of Cash Flows

	2020	2019	2018
Total cash outflow for leases	**P4,055,092**	P13,940,367	P -

The interest expense associated with the lease liabilities for the years ended December 31, 2020, 2019 and 2018 amounted to P14.03 million, P13.86 million and nil, respectively. Interest expense is derived using the Group's IBR of 10.79% as at January 1, 2019 for the Agreement with MCIAA and IBR of 7.09% as at January 1, 2020 for the lease agreement for the use of access road. Total lease payments made by the Group in 2020, 2019 and 2018 amounting to P4.06 million, P13.94 million and nil, respectively, is presented as "Payment of lease liabilities" in the consolidated statement of cash flows.

In 2020, the Group was granted rent discount as a result of the severe impact of the COVID-19 pandemic. The Group applied the practical expedient for COVID-19-related rent concessions consistently to eligible rent concessions.

In 2020, the Group recognized income from rent concession amounting to P3.47 million as part of "Other Revenues" in the consolidated statement of profit or loss and other comprehensive income (loss) to reflect the discount on lease payments arising from rent concessions to which the Group has applied the practical expedient for COVID-19-related rent concession.

Extension Options

Extension options are included in the Group's lease of its land. The contracts of lease state an automatic renewal of lease upon expiration of the initial contract period.

Total rent expense for the aforementioned leases amounted to P8.40 million, P26.55 million and P38.40 million in 2020, 2019 and 2018, respectively, in the consolidated statement of profit or loss and other comprehensive income (loss).

25. 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 the date of BOD's approval of the consolidated financial statements, 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.

   On September 2, 2020, the SC denied the BIR appeal and affirmed the CTA decision and CTA En Banc resolution that cancelled the 2006 VAT assessment.

   As at the date of the BOD's approval of the consolidated financial statements, the SC's decision is yet to become final and executory as the issuance by the Supreme Court of the Notice of Final Judgment and Writ of Execution by the CTA is still pending.

c. *APHC versus PAGCOR and Hon. Young, et al.*

   APHC versus PAGCOR, et al.
   The case involved a Petition for Prohibition and Mandamus (the 1st petition), 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 of VMC of a procurement project entitled "Lease Space for a Casino Gaming Facility in Manila for a Period of Fifteen (15) Years" under Invitation to Bid No. 09-16-2014 for being violative of the laws and rules on government procurement.

   PAGCOR and VMC filed their respective comments/answers to APHC's 1st petition. 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 RTC of Manila, Group 36, (the Court) likewise denied the Motion for Reconsideration filed by VMC in an order dated February 28, 2017.

   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.

In its order dated February 6, 2018, the Court terminated the JDR proceeding and forwarded the case to the Office of the Executive Judge for re-raffle. In its “Notice of Re-raffle” dated February 21, 2018, the Court informed the parties that the case was raffled to Group 20.

On April 16, 2018, APHC filed its “Amended Pre-Trial Brief” dated April 13, 2018. VMC and PAGCOR likewise filed their respective Amended Pre-trial Briefs. The pre-trial conference was terminated on June 1, 2018.

During the trial, APHC presented its witnesses. On July 23, 2018, APHC filed its “Formal Offer of Documentary Evidence” dated July 19, 2018. PAGCOR and VMC filed their respective comments on APHC’s “Formal Offer of Documentary Evidence”. The Court denied their objections and admitted APHC’s documentary evidence.

Meanwhile, PAGCOR filed its “Demurrer to Evidence” dated October 17, 2018, which the court denied in its Order dated November 8, 2018 for being fatally defective. VMC, on the other hand, presented its witnesses and thereafter, it rested its case. Thus, the Court ordered VMC to file its “Formal Offer of Exhibits”.

In its Orders dated January 28 and February 18, 2019, the court admitted Vanderwood's and PAGCOR's respective documentary evidence, despite APHC’s objections and comments. After the parties filed their respective memoranda, the case was submitted for decision.

In its decision dated June 28, 2019, the court dismissed the APHC's Petition. APHC filed its Motion for Reconsideration on August 12, 2019, which the court denied in its Resolution dated October 11, 2019.

APHC timely filed its Notice of Appeal with the court on October 21, 2019 and was given due course. As at the date of the BOD’s approval of the consolidated financial statements, there was no update on the progress of the case.

APHC versus Hon. Young, et al.
In connection with the APHC versus PAGCOR, et al. case, the Court, in a resolution dated June 18, 2015, denied APHC’s application for TRO. APHC thereafter filed a Motion for Reconsideration on July 6, 2015. The said motion for reconsideration was denied by the Court on August 1, 2016.

On October 21, 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.

In a resolution dated January 25, 2017, the CA denied 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.

In its decision dated February 27, 2018, the CA denied APHC's Petition for Certiorari. APHC moved for the reconsideration of said decision, which the CA denied in its resolution dated August 29, 2018. APHC opted not to appeal the decision any further. The said decision became final and executory on September 30, 2018. In view thereof, the trial in the above case, APHC versus PAGCOR, et al., ensued.

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.

26. Omnibus Loan and Security Agreement

On December 21, 2017, the Parent Company, WCCCHI, WMCHI, DIHCI, CRDC and PRC (collectively, the Borrowers) entered into the Agreement with 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) 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. To appoint PBCOM's nominees as Corporate Secretary in WCCCHI and DIHCI and nominate and elect such number of PBCOM's nominees as will comprise the majority of the Board of Directors in WCCCHI and DIHCI, provided however, that the exercise of the abovementioned proxy and/or voting rights granted to PBCOM shall be exercised solely for the purpose of protecting, preserving, and enforcing its rights and interests under the Agreement and shall not be used by the latter to effect any takeover of the day-to-day operations of said corporations.

4. 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.

As at December 31, 2020, WCCCHI did not meet the minimum debt service coverage ratio of 1.25:1 as described in Section 4.4 Debt Service Coverage Ratio of the Agreement. While there was such non-compliance, the Agreement provides a process including notifications between the Group and PBCOM prior to a declaration of default. In relation to this, the Group notified PBCOM of the said breach which was subsequently waived by the latter. Thus, the noted breach did not result in an event of default and did not have the effect of rendering the loans immediately due and demandable.

As at December 31, 2019, the Borrowers were in compliance with the above covenants.

All drawdowns were made by WCCCHI. The outstanding balances of the loans under the Loan Facilities are as follows:

2020

Loan Facility	**Current Portion**	**Noncurrent Portion**	**Outstanding Balance**
Facility 1	**P102,127,660**	**P518,085,106**	**P620,212,766**
Facility 2	**25,531,915**	**117,021,276**	**142,553,191**
Facility 3	**125,000,000**	**-**	**125,000,000**
	P252,659,575	**P635,106,382**	**P887,765,957**

2019

Loan Facility	Current Portion	Noncurrent Portion	Outstanding Balance
Facility 1	P100,000,000	P622,340,426	P722,340,426
Facility 2	25,000,000	143,085,106	168,085,106
Facility 3	150,000,000	125,000,000	275,000,000
	P275,000,000	P890,425,532	P1,165,425,532

The drawdowns and payments made under the Loan Facilities are presented below:

2020

Loan Facility	**Drawdown Date**	**Maturity Date**	**Payment Terms**	**Monthly Amortization**	**Principal**	**Principal Payments**	**Outstanding Balance**
Facility 1	3/13/2018	9/12/2022	54 months	P8,510,638	P850,000,000	P229,787,234	P620,212,766
Facility 2	3/20/2018	9/19/2022	54 months	2,127,660	200,000,000	57,446,809	142,553,191
Facility 3	4/10/2018	10/9/2021	42 months	12,500,000	450,000,000	325,000,000	125,000,000
					P1,500,000,000	**P612,234,043**	**P887,765,957**

2019

Loan Facility	Drawdown Date	Maturity Date	Payment Terms	Monthly Amortization	Principal	Principal Payments	Outstanding Balance
Facility 1	3/13/2018	9/12/2022	54 months	P8,333,333	P850,000,000	P127,659,574	P722,340,426
Facility 2	3/20/2018	9/19/2022	54 months	2,083,333	200,000,000	31,914,894	168,085,106
Facility 3	4/10/2018	10/9/2021	42 months	12,500,000	450,000,000	175,000,000	275,000,000
					P1,500,000,000	P334,574,468	P1,165,425,532

Total interest expense arising from the Loan Facilities recognized in the consolidated statement of profit or loss and other comprehensive income (loss) amounted to P87.27 million, P119.78 million and P101.48 million in 2020, 2019 and 2018, respectively.

27. Restatement of Balances

Adjustments were made to restate the comparative 2019 consolidated financial statements due to correction of errors, as follows:

a. Understated Rent Income from PAGCOR
   The Group restated the comparative 2019 consolidated financial statements to correct an error related to “Rent and related income” particularly, on the escalation of the rental rate provisions of the PAGCOR lease contract. This caused an understatement of the rental income recognized in 2019 in the consolidated statement of profit or loss and other comprehensive income (loss), by P57.28 million, and corresponding understatement of “Trade and other current receivables” by the same amount, “Deferred tax liabilities” and “Income tax expense” both by P17.18 million as at December 31, 2019.

b. Unrecorded Investments
   Adjustments were made to recognize investments in subsidiaries, WIHI, WPPHI and WCVI, that were not recorded by the Parent Company as at December 31, 2019 and thus, were not included in the consolidation. Also, the restatements included an investment in WMPD representing 10% of the total capital stock that was not recognized in “Equity securities - at FVOCI” amounting to P12.50 million as at December 31, 2019. The related accounts with corresponding amounts in the Group’s consolidated financial statements as at and for the year ended December 31, 2019, that were affected by the said adjustments are shown in the summary below.

Summary of Quantitative Impact
The following tables summarize the impact of the correction of errors on the Group’s consolidated financial statements as at and for the year ended December 31, 2019.

	Note	As Previously Reported	Effect of Restatements	As Restated
Statement of Financial Position				
Cash and cash equivalents	*27b*	P675,355,640	P1,401,654	P676,757,294
Receivables - net	*27a*	610,269,885	57,278,673	667,548,558
Due from related parties - current portion	*27b*	2,423,992,894	(114,282,842)	2,309,710,052
Equity securities - at FVOCI	*27b*	17,827,920	12,500,000	30,327,920
Property and equipment - net	*27b*	6,617,313,773	96,870,000	6,714,183,773
Deferred tax liabilities	*27a*	1,438,555,445	17,183,602	1,455,739,047
Retained earnings	*27a, 27b*	515,575,652	36,583,883	552,159,535

	Note	As Previously Reported	Effect of Restatements	As Restated
Statement of Profit or Loss and Other Comprehensive Income (Loss)				
Rent and related income	*27a*	P510,653,504	P57,278,673	P567,932,177
Other costs and expenses	*27b*	443,006,419	3,512,842	446,519,261
Interest income	*27b*	285,332,328	1,654	285,333,982
Income tax expense	*27a*	141,147,012	17,183,602	158,330,614

The above adjustments did not have any significant impact on the Group’s consolidated statement of cash flows and its compliance with the loan covenants.

28. Other Matter - Continuing Impact of COVID-19

The COVID-19 outbreak has spread across the globe causing disruptions to businesses and economic activities. On January 30, 2020, the World Health Organization announced COVID-19 as a global health emergency and, on March 11, 2020, declared it as a pandemic.

As at the date of the authorization for issue of the financial statements, Cebu City and Lapu-Lapu City have been placed under Modified General Community Quarantine (MGCQ) while Davao City and Metro Manila have been placed under General Community Quarantine (GCQ) but with Metro Manila under heightened restrictions.

Cebu City and Lapu-Lapu City
Under Section 5 of the Omnibus Guidelines on the Implementation of Community Quarantine in the Philippines, with amendments as of April 15, 2021, areas placed under MGCQ shall observe the following protocols:

- Gatherings shall be allowed up to 50% of the seating capacity or venue capacity. Provided, that participants shall strictly observe the minimum public health standards, and the establishments or venues where the gatherings will take place shall strictly comply with ventilation standards as provided for under relevant issuances of the Department of Labor and Employment.
- Only hotels or accommodation establishments with valid Department of Tourism (DOT) Accreditation shall be allowed to accommodate guests and clients for legitimate purposes under a state of public health emergency. The operations of such hotels and accommodation establishments, as well as ancillary establishments within their premises such as restaurants, cafés, gyms, spas, function halls, and the like, shall be subject to guidelines issued by the DOT and the Inter-Agency Task Force on Emerging Infectious Diseases (IATF).

PAGCOR operations resume to date with provisions of the Health and Safety Standards for Resumption of Operations of Gaming Sites, as follows:

1. The increase in the number of seating capacity for poker tables across PAGCOR licensed poker clubs shall be allowed, subject to the following conditions:

   i. Strict compliance with 1 meter distance between seats;
   ii. Installation of acrylic walls or barriers in between seats; and ,
   iii. Mandatory wearing of facemask and face shield by all persons inside the poker club.

2. Poker operators shall be allowed to refurbish, widen and/or customize their poker tables accordingly to further increase its seating capacity subject to the same conditions above, including assembling at maximum two (2) existing poker tables into one to form a larger a single poker tables into one to form a larger single poker table shall count as one active table.

Davao City
Under Executive Order (EO) No. 12-B, *An Order Providing For Updated COVID-19 Protocols in Davao City*, the following must be observed:

- A gathering of more than 25 individuals for a single event or activity in all public places is considered a mass gathering and shall not be allowed except those covered by Section 8 of EO No. 12-B. A gathering of less than 25 participants in all public places do not need to seek a permit from the City Mayor’s Office or pay fees, unless required by pertinent laws and ordinances. A letter with the event details by email or hard copy shall suffice for the purposes of inspection to the compliance of the Minimum Public Health Standards in Section 1 of EO No. 12-B.
- All meetings of government and private offices and establishments conducted inside their premises shall use online platforms. A face-to-face meeting of more than five (5) individuals shall be prohibited.

Under DTI Memorandum Circular No. 21-08, areas under GCQ shall observe below protocols for hotel operations:

- Hotel operations shall be limited to provision of basic accommodation services; accommodation establishments may prepare: (a) packed meals for distribution to guests; and (b) food orders for take-out and delivery; and
- Ancillary establishments such as bars, gyms, spas, and the like shall not be allowed to operate or to provide room service. For restaurants and cafes, they are allowed to operate at 30% seating capacity, provided that guests under quarantine shall not be permitted to dine in or enter.

Metro Manila
Under Section 4 of the Omnibus Guidelines on the Implementation of Community Quarantine in the Philippines, with amendments as of April 15, 2021, areas placed under GCQ shall observe below protocol for hotel operations:

- Only hotels or accommodation establishments with valid DOT Accreditation shall be allowed to accommodate guests and clients for legitimate purposes under a state of public health emergency. The operations of such hotels and accommodation establishments, as well as ancillary establishments within their premises such as restaurants, cafés, gyms, spas, function halls, and the like, shall be subject to guidelines issued by the DOT and IATF.
- Gatherings outside of residences shall be prohibited. Gatherings at residences with any person outside of one's immediate household, shall likewise be prohibited. However, gatherings that are essential for the provision of health services, government services, or humanitarian activities authorized by the appropriate government agency or instrumentality shall be allowed.

Further, all public and private construction projects shall be allowed, subject to strict compliance with the Revised Construction Safety Guidelines issued by the Department of Public Works and Highways for the implementation of infrastructure projects during the COVID-19 pandemic.

Forecast in Hotel Industry
Recovery in hotel industry is likely to take stages. Domestic leisure travel will fuel the first phase of recovery. The second phase of recovery is likely to occur in the second quarter of 2021, with small and medium events. The third phase of recovery is expected to resume in the third quarter of 2021, with group and business travel. Business travel revenue is unlikely to return to a 2019 level until 2024.

Status of Hotel Operations (Excluding APHC)
The Group opened its facilities and functions for special events and accommodated local guests through online bookings and walk-ins, government groups and corporate clients which include airline, telecommunication and utilities companies. The Group's average occupancy rate from January to April 2021 ranged between 4% to 37%. Despite the mitigating actions the Group has taken, such as significant reduction in the level of capital and operational expenditures in the short term, limiting the outflows to only required compliance with health and safety and pausing all nonessential spending, the reduction in operations and the continuing impact of the COVID-19 pandemic to the hotel industry will result in a continuously low level of revenue for the financial year ending December 31, 2021. Accordingly, the Group may sustain a low level of profit during that period.

As at the date of the authorization for issue of the financial statements, the Group operates at levels which are in accordance with the respective guidelines per quarantine classification in the respective locations where it operates. The Group operates in full compliance with government mandates on hygiene and with emphasis on the prevention of virus spread.

Status of APHC Operation
As at the date of the authorization for issue of the financial statements, APHC's reconstruction and restoration are still ongoing, but construction activities have been affected by the ongoing impact of COVID-19 pandemic (see Note 1).

Omnibus Security and Loan Agreement Covenants
As of December 31, 2020, WCCCHI's debt service coverage ratio has fallen below the agreed threshold, but the Group was able to obtain a waiver for the breach (see Note 26). As at the date of the authorization for issue of the financial statements, the Group is not in default and continues to pay the maturing interest and principal as they fall due.

Impairment of Nonfinancial Assets
Depending on the length of industry and operational limitations and in the absence of further economic improvements, the Group's response to the COVID-19 outbreak may result in indicators of impairment, potentially impacting the carrying values of property and equipment, right-of-use assets and other nonfinancial assets.

Financial Risk Management
The COVID-19 outbreak has resulted in changes of market interest rates which the Group is exposed to. Refer to Note 21 for the Group's approach to financial risk management and sensitivity analysis.

Financial Reporting Effect
The Group has assessed that COVID-19 will continue to have significant impact on its operations. The full impact on the Group will depend on the duration of this unique crisis and how it severely impacts the economy going forward, with a range of potential outcomes too large to provide a meaningful quantification at this point. The subsequent impact of this outbreak especially on the Group's estimates of provision on financial instruments and recoverability of nonfinancial assets will be determined, quantified and recognized in the Group's consolidated financial statements when these become estimable.

29. Subsequent Event

On March 26, 2021, the President of the Philippines has approved the Corporate Recovery and Tax Incentives for Enterprises or the CREATE Act, with nine (9) provisions vetoed by the President. Below are the salient features of the CREATE Act that are relevant to the Group.

a) Corporate income tax rate is reduced from 30% to 20% for domestic corporations with net taxable income not exceeding P5.00 million and with total assets not exceeding P100.00 million. All other domestic corporations and resident foreign corporations will be subject to 25% income tax. Said reductions are effective July 1, 2020.

b) MCIT rate is reduced from 2% to 1% effective July 1, 2020 to June 30, 2023.

On April 8, 2021, the BIR issued the following implementing RR that are effective immediately upon publication:

- BIR RR No. 2-2021, *Amending Certain Provisions of RR No. 2-98, As Amended, to Implement the Amendments Introduced by R.A. No. 11534, or the CREATE Act, to the National Internal Revenue Code (NIRC) of 1997, As Amended, Relative to the Final Tax on Certain Passive Income;*

- BIR RR No. 3-2021, *Rules and Regulations Implementing Section 3 of R.A. No. 11534, Otherwise Known as the CREATE Act, Amending Section 20 of the NIRC of 1997, As Amended;*

- BIR RR No. 4-2021, *Implementing the Provisions on VAT and Percentage Tax Under R.A. No. 11534, Otherwise Known as the CREATE Act, Which Further Amended the NIRC of 1997, As Amended, As Implemented by RR No. 16-2005 (Consolidated VAT Regulations of 2005), As Amended; and*

- BIR RR No. 5-2021*, Implementing the New Income Tax Rates on the Regular Income of Corporations, on Certain Passive Incomes, Including Additional Allowable Deductions from Gross Income of Persons Engaged in Business or Practice of Profession Pursuant to R.A. No. 11534 or the CREATE Act, Which Further Amended the National Internal Revenue Code of 1997, As Amended.*

The enactment of the CREATE Act is a non-adjusting subsequent event thus, the current and deferred income taxes as at December 31, 2020 are measured using the applicable income tax rates as of December 31, 2020.

Further, the BIR has issued its RR No. 5-2021 to promulgate the implementation of the new income tax rates on the regular income of corporations, on certain passive incomes and additional allowable deductions of persons engaged in business or practice of profession as provided for in CREATE Act. The corporate income tax of the subsidiaries will be lowered from 30% to either 25% or 20% on whichever they would qualify, effective July 1, 2021.

Presented below are the estimated effects of changes in tax rates under the CREATE Act.

	As at December 31, 2020	Effect of the Changes in Tax Rates	Amounts Based on the Reduced Tax Rates
Consolidated Statement of Profit or Loss and Other Comprehensive Income (Loss)			
Current tax expense	**P95,787,735**	**(P9,700,782)**	**P86,086,953**
Deferred tax expense (benefit)	**27,809,330**	**(164,225,604)**	**(136,416,274)**
Net income	**683,466,349**	**173,926,386**	**857,392,735**
Deferred tax effect on remeasurement gains on defined benefit plan, unrealized gains on equity securities - at FVOCI and appraisal increase on property and equipment	**(570,844,827)**	**94,992,881**	**(475,851,946)**
Total comprehensive income (loss)	**2,009,028,188**	**268,919,267**	**2,277,947,455**
Consolidated Statement of Financial Position			
Prepaid expenses and other current assets	**210,536,585**	**(317,244)**	**210,219,341**
Deferred tax assets	**167,667,132**	**12,161,000**	**179,828,132**
Income tax payable	**65,326,208**	**(9,383,538)**	**55,942,670**
Deferred tax liabilities	**1,982,765,286**	**(271,379,485)**	**1,711,385,801**
Consolidated Statement of Changes in Equity			
Revaluation surplus on property and equipment	**3,823,685,321**	**269,136,617**	**4,092,821,938**
Retirement benefits reserve	**126,222,421**	**1,211,281**	**127,433,702**
Retained earnings	**1,113,890,733**	**(1,428,631)**	**1,112,462,102**

30. Significant Accounting Policies

The accounting policies set out below have been applied consistently to all years presented in these consolidated financial statements, except for the adoption of amendments to standards as discussed below.

Adoption of Amendments to Standards and Framework

The Group has adopted the following amendments to standards and framework starting January 1, 2020 and accordingly, changed its accounting policies. Except as otherwise indicated, the adoption of these amendments to standards did not have any significant impact on the Group's consolidated financial statements.

- COVID-19-Related Rent Concessions (Amendment to PFRS 16). The amendments introduce an optional practical expedient that simplifies how a lessee accounts for rent concessions that are a direct consequence of COVID-19. A lessee that applies the practical expedient is not required to assess whether eligible rent concessions are lease modifications, and accounts for them in accordance with other applicable guidance. The practical expedient applies if:

  - the revised consideration is substantially the same or less than the original consideration;
  - the reduction in lease payments relates to payments due on or before June 30, 2021; and
  - no other substantive changes have been made to the terms of the lease.

  Lessees applying the practical expedient are required to disclose that fact, whether they have applied the practical expedient to all eligible rent concessions and, if not, the nature of the contracts to which they have applied the practical expedient; and the amount recognized in profit or loss for the reporting period arising from application of the practical expedient. No practical expedient is provided for lessors.

  The amendment is effective for annual reporting periods beginning on or after June 1, 2020. The Group has early adopted and applied the amendment retrospectively. The amendment has no impact on retained earnings at January 1, 2020. However, as a result of applying the amendment, the Group recognized an income in 2020 amounting to P3.47 million (see Note 24).

- Amendments to References to Conceptual Framework in PFRSs set out amendments to PFRSs, their accompanying documents and PFRS practice statements to reflect the issuance of the revised Conceptual Framework for Financial Reporting in 2018 (2018 Conceptual Framework). The 2018 Conceptual Framework includes:

  - a new chapter on measurement;
  - guidance on reporting financial performance;
  - improved definitions of an asset and a liability, and guidance supporting these definitions; and
  - clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

Some Standards, their accompanying documents and PFRS practice statements contain references to, or quotations from, the International Accounting Standards Committee's Framework for the Preparation and Presentation of Financial Statements adopted by the International Accounting Standards Board in 2001 or the Conceptual Framework for Financial Reporting issued in 2010. The amendments update some of those references and quotations so that they refer to the 2018 Conceptual Framework and makes other amendments to clarify which version of the Conceptual Framework is referred to in particular documents.

- Definition of Material (Amendments to Philippine Accounting Standards (PAS) 1, *Presentation of Financial Statements* and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors)*. The amendments refine the definition of material. The amended definition of material states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments clarify the definition of material and its application by:

  (a) raising the threshold at which information becomes material by replacing the term ‘could influence’ with ‘could reasonably be expected to influence’;
  (b) including the concept of ‘obscuring information’ alongside the concept of ‘omitting’ and ‘misstating’ information in the definition;
  (c) clarifying that the users to which the definition refers are the primary users of general-purpose financial statements referred to in the Conceptual Framework;
  (d) clarifying the explanatory paragraphs accompanying the definition; and
  (e) aligning the wording of the definition of material across PFRSs and other publications.

  The amendments are expected to help entities make better materiality judgements without substantively changing existing requirements.

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 Parent Company. The Parent Company controls an entity if and only if, the Parent Company 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 Parent Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the 3 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 equity security - at FVOCI 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.

<u>Segment Reporting</u>
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 operating businesses are organized and managed separately according to hotel property location, with each segment representing a strategic business unit.

<u>Revenue Recognition</u>
Revenue from Contracts with Customers
The Group's business is primarily engaged in offering hotel rooms and facilities such as restaurants, function halls, coffee shops and all adjuncts and accessories thereto.

The Group recognizes revenue when it transfers control over a product or service to a customer. Revenue is measured based on the consideration specified in a contract with a customer.

The following is a description of principal activities from which the Group generates its revenue. Revenue is disaggregated by major products/service lines as reflected in the consolidated statement of profit or loss and other comprehensive income.

Hotel Rooms and Function Halls
Revenue from hotel rooms and function halls is recognized at the point in time when control of the asset is transferred to a customer, generally on actual occupancy. The normal credit terms for lease of hotel rooms and function halls is 30 days, when payment is made on credit.

Food and Beverage
Revenue from food and beverage is recognized at the point in time when the goods have been delivered.

Rent and Related Income
Rental income on leased areas of the Group is accounted for on a straight-line basis over the term of the lease.

Other Operating Departments
Revenue from other operating departments is recognized at the point in time when the service has been rendered. This includes guest, laundry and valet, parking fees, among others.

Interest Income
Interest income is recognized on a time proportion basis on the principal outstanding and at the rate applicable.

Other Income
Other income is recognized at the point in time when the service has been rendered.

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 inventory risk before or after the customer order; and
- whether the Group has discretion in establishing prices.

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.

<u>Cost and Expense Recognition</u>
Costs and expenses are recognized in profit or loss upon utilization of the service or at the date they are incurred. Interest expense are reported on an accrual basis.

Financial Instruments
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Date of Recognition
Financial instruments are recognized in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument. The Group determines the classification of its financial assets on initial recognition and, where allowed and appropriate, re-evaluates these classifications at each reporting date.

All regular way purchases and sales of financial assets are recognized on the trade date, i.e. the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sale of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Measurement at Initial Recognition
Financial instruments are recognized initially at fair value of the consideration given (in case of an asset) or received (in case of a liability). Except for financial instruments at FVTPL, the initial measurement of financial instruments includes transaction costs.

Classification of Financial Assets
Financial Assets
On initial recognition, a financial asset is classified as measured at amortized cost, FVOCI or FVTPL, based on their contractual cash flow characteristics and the business model for managing the financial assets.

Debt Instruments
Financial Assets Measured at Amortized Cost
A financial asset that is a debt instrument, other than those that are designated at FVTPL, which meet both of the following conditions:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

Included in this category are the Group's cash and cash equivalents, receivables, notes receivable, due from related parties, short-term investments and other noncurrent assets.

Cash
Cash includes cash on hand and in banks which are stated at face value.

Receivables
Receivables are nonderivative financial assets with fixed or determinable payments and are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables. These are included in current assets if maturity is within 12 months from the reporting date. Otherwise, these are classified as noncurrent assets.

Short-term Investments
Short-term investments are certificates of deposit which are highly liquid with maturities of more than 3 months but less than 1 year from date of acquisition and are subject to an insignificant risk of change in value.

Refundable Deposits
Refundable deposits are payment made by the Group to its lessors at the inception of the respective lease agreements entered into by the Group.

FVOCI
A financial asset that is a debt instrument measured at FVOCI shall meet both of the following conditions and is not designated as FVTPL:

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

Included in this category is the Group's equity securities at FVOCI.

FVTPL
All other financial assets not measured at FVOCI or at amortized cost are classified as measured at FVTPL, except when the financial asset is part of a hedging relationship. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

There are no financial assets at FVTPL as at the date of initial application and as at December 31, 2020 and 2019.

Equity Instruments
Financial assets that are equity instruments shall be classified under any of the following categories:

- Financial assets measured at FVTPL which shall include financial assets held for trading; or
- Financial assets at FVOCI which shall consist of equity instruments that are irrevocably designated at FVOCI at initial recognition that are neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which PFRS 3, *Business Combinations,* applies. This election is made on an instrument-by-instrument basis.

As at December 31, 2020 and 2019, the Group has equity securities - at FVOCI as financial assets measured at FVOCI.

Business Model Assessment
Business model pertains to the manner by which a portfolio of financial assets will be managed to generate cash flows such as by collecting contractual cash flows or by both collecting contractual cash flows and selling the financial assets, among others.

The Group makes an assessment of the objective of the business model for the financial assets because this best reflects the way the financial assets are managed. The information considered includes:

- the stated policies and objectives for the financial assets and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, earning dividend income, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash outflows through the sale of assets;
- the risks that affect the performance of the business model and how those risks are managed;
- how managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
- the frequency, volume and timing of sales of financial assets in prior periods, the reason for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered for this purpose, consistent with the Group's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose financial performance is evaluated on a fair value basis are measured at FVTPL.

Assessment whether Contractual Cash Flows are SPPI
In assessing whether the contractual cash flows are SPPI, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. nonrecourse features).

Prepayment feature is consistent with the SPPI criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired for a discount or premium to its contractual face amount, a feature that permit or requires prepayment that an amount that substantially represents the contractual face amount plus accrued (but unpaid) contractual interest (which may include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Subsequent Measurement of Financial Assets
Financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Amounts recognized in OCI are not classified to profit or loss.

Financial assets at FVTPL are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

Classification and Measurement of Financial Liabilities

Financial Liabilities

Financial liabilities are initially recognized at fair value. Transaction costs are deducted from the initial measurement of the Group's financial liabilities except for debt instruments classified at FVTPL.

Financial liabilities are subsequently measured as follows:

- financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies;
- financial guarantee contracts;
- commitments to provide a loan at a below-market interest rate; and
- contingent consideration recognized by an acquirer in a business combination.

As at December 31, 2020 and 2019, other financial liabilities at amortized cost include accounts payable and accrued expenses (excluding local taxes, output VAT and withholding taxes), loans payable, due to a related party, lease liabilities, other current liabilities (excluding deferred income), concessionaires' deposits and retention payables (see Notes 8, 11, 12, 13, 14, 24 and 26). There are no financial liabilities measured at FVTPL.

Other Financial Liabilities at Amortized Cost

Issued financial instruments or their components which are not classified as financial liabilities at FVTPL are classified as other financial liabilities at amortized cost, where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder or lender, or to satisfy the obligation other than by the exchange of a fixed amount of cash. After initial measurement, other financial liabilities are subsequently measured at amortized cost using the effective interest method.

Derecognition of Financial Instruments

Financial Asset

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- The rights to receive cash flows from the asset have expired;
- 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 right to receive cash flows from the asset and either has: (a) transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its right to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to pay.

Financial Liabilities
A financial liability is derecognized when the obligation under the liability is discharged or 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, with the difference in the respective carrying amounts recognized in consolidated statement of profit or loss and other comprehensive income.

Offsetting of Financial Instruments
Financial assets and financial 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 an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is generally not the case with master netting agreements, thus, the related assets and liabilities are presented at gross amounts in the consolidated statement of financial position.

As at December 31, 2020 and 2019, only due to/from related party transactions were offset in the consolidated financial statements. The said accounts were being set-off because the management intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Determination and Measurement of Fair Value
The Group measures financial instruments at fair value at each consolidated statement of financial position date. Fair value 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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to market participant that would use the asset in its highest and best use.

The Group uses valuation technique that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the consolidated statement of financial position on a recurring basis, the Group determines whether transfer have occurred between Levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

"Day 1" Difference
Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a "Day 1" Difference) in the consolidated statement of profit or loss and other comprehensive income in the period when the asset is acquired or the liability is incurred. In cases where the transaction price used is based on inputs which are not observable, the difference between the transaction price and model value is only recognized in the profit or loss in the period when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the "Day 1" Difference.

Impairment of Financial Assets
Impairment of Financial Instruments
At the date of initial application of PFRS 9, the Group uses reasonable and supportable information that is available without undue cost or effort to determine the credit risk at the date that a financial instrument was initially recognized and compared that to the credit risk at the date of initial application.

Lifetime ECLs result from all possible default events over the expected life of a financial instruments while 12-month ECLs are the portion of ECLs that result from default events that are possible within 12 months after the reporting date (or a shorter period of the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Movement of ECLs
ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

ECLs are discounted at the EIR of the financial assets.

Credit-impaired Financial Assets
At each reporting date, the Group assesses whether financial assets carried at amortized cost are credit-impaired. The financial asset is ‘credit impaired’ when one or more events that have a detrimental impact on the estimated future cash flows of the financial assets have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as default or being more than the normal credit terms of the Group;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

<u>Current and Noncurrent Classification</u>
The Group presents assets and liabilities in the consolidated statement of financial position based on current/noncurrent classification. An asset is current when:

- It is expected to be realised or intended to be sold or consumed in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is expected to be realized within 12 months after the reporting period; or
- It is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

All other assets are classified as noncurrent.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within 12 months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period

The Group classifies all other liabilities as noncurrent.

Deferred tax assets and liabilities are classified as noncurrent assets and liabilities.

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 "Retained earnings" 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 "Retained earnings" account, net of deferred tax effect.

All costs, including borrowing costs, which were directly and clearly associated with the construction of the Groups, 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, 2020 and 2019 is based on Level 3. Further information about the assumption made in measuring fair value of property and equipment is included in Note 9 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:

	Number of Years
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 impairment 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.

A reversal of an impairment loss on a revalued asset is recognized in the consolidated statement of changes in equity and increases the revaluation surplus. However, to the extent that an impairment loss on the same revalued asset was previously recognized in the profit or loss, a reversal of that impairment loss is also recognized in the profit or loss.

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.

<u>Related Party Relationship</u>
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.

<u>Leases</u>
At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in PFRS 16.

The Group as Lessee
At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's IBR. Generally, the Group uses its IBR as the discount rate.

The Group determines its IBR by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets - net that do not meet the definition of investment property and lease liabilities as a separate line item in the consolidated statement of financial position.

Short-term Leases
The Group has elected not to recognize right-of-use assets - net and lease liabilities for short-term leases. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The Group as Lessor
At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative standalone prices.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, then the Group applies PFRS 15, *Revenue from Contracts with Customers*, to allocate the consideration in the contract.

The Group applies the derecognition and impairment requirements in PFRS 9 to the net investment in the lease. The Group further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

The Group recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other revenue'.

COVID-19-Related Rent Concessions

The Group has applied COVID-19-Related Rent Concessions (Amendments to PFRS 16). The Group applies the practical expedient allowing it not to assess whether eligible rent concessions that are direct consequence of the COVID-19 pandemic are lease modifications. The Group applies the practical expedient consistently with similar characteristics and in similar circumstances. For rent concessions in leases to which the Group chooses not to apply the practical expedient, or that do not qualify for the practical expedient, the Group assesses whether there is a lease modification.

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" 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 consolidated 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 comprises current and deferred tax. Current and deferred tax are recognized in profit or loss except to the extent that they relate to items recognized in OCI or directly in equity, in which case they are recognized respectively therein.

The Group has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted for them under PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*.

Current Tax

Current tax assets and liabilities for the current periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted at the end of each reporting period.

Current tax relating to items recognized directly in equity is recognized in equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred Tax

Deferred tax is provided, using the liability method, on all temporary differences at the financial reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax, however, is not recognized when it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit or loss nor taxable profit or loss.

Deferred tax liabilities are not provided on nontaxable temporary differences associated with investments in domestic subsidiaries, associates and interest in joint ventures. With respect to investments in other subsidiaries, associates and interests in joint ventures, deferred tax liabilities are recognized except when the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that sufficient future taxable profits will allow the deferred tax asset to be recovered. It is probable that sufficient future taxable profits will be available against which a deductible temporary difference can be utilized when there are sufficient taxable temporary difference relating to the same taxation authority and the same taxable entity which are expected to reverse in the same period as the expected reversal of the deductible temporary difference. In such circumstances, the deferred tax asset is recognized in the period in which the deductible temporary difference arises.

Deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rate and tax laws that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax relating to items recognized in OCI or directly in equity is recognized in the consolidated statement of other comprehensive income and consolidated statement of changes in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset, if there is a legally enforceable right to offset current income tax assets against current income tax liabilities and they relate to income taxes levied by the same tax authority and the Group intends to settle its current income tax assets and liabilities on a net basis.

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.

Retained earnings includes accumulated results of operations as reported in the consolidated statement of profit or loss and other comprehensive income, net of any dividend distribution.

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-yearend 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-yearend events that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

Amendments to Standards Issued but Not Yet Adopted

A number of amendments to standards are effective for annual periods beginning after January 1, 2020. However, the Group has not early adopted the following amendments to standards in preparing these consolidated financial statements. The Group is assessing and has yet to reasonably estimate the impact of these, if any, on its consolidated financial statements.

To be Adopted January 1, 2022

- Property, Plant and Equipment - Proceeds before Intended Use (Amendments to PAS 16, *Property, Plant and Equipment*). The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment the proceeds from selling items produced before that asset is available for use. The proceeds before intended use should be recognized in profit or loss, together with the costs of producing those items which are identified and measured in accordance with PAS 2, *Inventories*.

The amendments also clarify that testing whether an item of property, plant and equipment is functioning properly means assessing its technical and physical performance rather than assessing its financial performance.

For the sale of items that are not part of a company's ordinary activities, the amendments require the company to disclose separately the sales proceeds and related production cost recognized in profit or loss and specify the line items in which such proceeds and costs are included in the consolidated statement of comprehensive income. This disclosure is not required if such proceeds and cost are presented separately in the consolidated statement of comprehensive income.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022. Earlier application is permitted. The amendments apply retrospectively, but only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the consolidated financial statements in which the company first applies the amendments.

- Onerous Contracts - Cost of Fulfilling a Contract (Amendment to PAS 37). The amendments clarify that the cost of fulfilling a contract when assessing whether a contract is onerous includes all costs that relate directly to a contract - i.e. it comprises both incremental costs and an allocation of other direct costs.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2022 to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments is recognized as an opening balance adjustment to retained earnings or other component of equity, as appropriate. The comparatives are not restated. Earlier application is permitted.

- Annual Improvements to PFRSs 2018-2020. This cycle of improvements contains amendments to four standards. The following are applicable to the Group:

  - Fees in the '10 per cent' Test for Derecognition of Financial Liabilities (Amendment to PFRS 9, *Financial Instruments*). The amendment clarifies that for the purpose of performing the '10 per cent' test for derecognition of financial liabilities, the fees paid net of fees received included in the discounted cash flows include only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

  - Lease Incentives (Amendment to Illustrative Examples accompanying PFRS 16). The amendment deletes from the Illustrative Example 13 the reimbursement relating to leasehold improvements to remove the potential for confusion because the example had not explained clearly enough the conclusion as to whether the reimbursement would meet the definition of a lease incentive in PFRS 16.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2022. Earlier application is permitted.

To be Adopted January 1, 2023

- Classification of Liabilities as Current or Non-current (Amendments to PAS 1*)*. To promote consistency in application and clarify the requirements on determining whether a liability is current or non-current, the amendments:

  - removed the requirement for a right to defer settlement of a liability for at least 12 months after the reporting period to be unconditional and instead requires that the right must have substance and exist at the end of the reporting period;

  - clarified that a right to defer settlement exists only if the company complies with conditions specified in the loan agreement at the end of the reporting period, even if the lender does not test compliance until a later date; and

  - clarified that settlement of a liability includes transferring a company's own equity instruments to the counterparty, but conversion options that are classified as equity do not affect classification of the liability as current or non-current.

  The amendments apply retrospectively for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted.

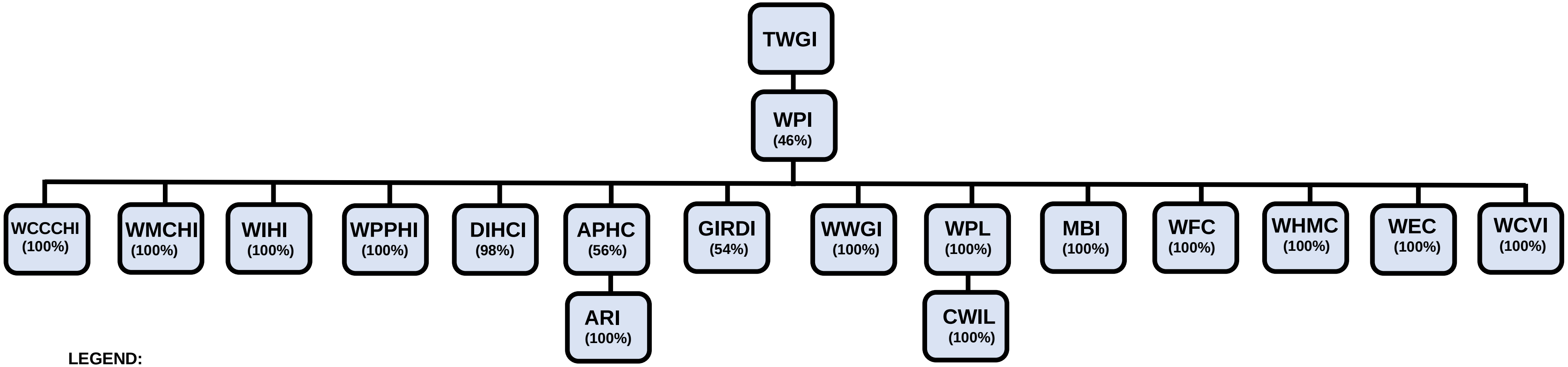
WATERFRONT PHILIPPINES, INCORPORATED AND SUBSIDIARIES

As of December 31, 2020

Ratio	Formula	**2020**	2019
Current ratio	Total Current Assets divided by Total Current Liabilities Total Current Assets P4,423,715,641 Divided by: Total Current Liabilities 2,674,648,755 Current ratio **1.65**	1.65	1.43
Acid test ratio	Quick assets (Total Current Assets less Inventories and Other Current Assets) divided by Total Current Liabilities Total Current Assets P4,423,715,641 Less: Inventories 22,701,161 Other current assets 2,468,837,399 Quick assets P1,932,177,081 Divided by: Total Current Liabilities 2,674,648,755 Acid test ratio **0.72**	0.72	0.55
Solvency ratio	Net Income After Tax plus Non-cash Expenses divided by Total Liabilities Net Income After Tax P683,466,349 Add: Non-Cash Expenses 429,324,162 After-tax Net Operating Income P1,112,790,511 Divided by: Total Liabilities 5,840,935,650 Solvency ratio **0.19**	0.19	0.15
Debt-to-equity ratio	Total Liabilities divided by Shareholder's Equity Total Liabilities P5,840,935,650 Divided by Shareholder's Equity 8,319,536,202 Debt-to-equity ratio **0.70**	0.70	0.86
Asset-to-equity ratio	Total assets divided by Shareholder's Equity Total assets P15,243,298,917 Divided by: Shareholder's Equity 8,319,536,202 Asset-to-equity ratio **1.83**	1.83	1.98
Interest rate coverage ratio	Net Income divided by Interest Expense Net Income P683,466,349 Divided by: Interest Expense 169,380,068 Interest rate coverage ratio **4.04**	4.04	2.34
Return on equity	Net Income divided by Shareholder's Equity Net Income P683,466,349 Divided by: Shareholder's Equity 8,319,536,202 Return on Equity **8.22%**	8.22%	7.11%
Return on assets	Net Income divided by Average Total Assets Net Income P683,466,349 Divided by: Average Total Asset Beginning Balance, asset P13,105,062,991 Add: Ending Balance, asset P15,243,298,917 P28,348,361,908 Divided by: 2 14,174,180,954 Return on asset **4.82%**	4.82%	3.96%
Net profit margin	Net Income divided by Sales Revenue Net Income P683,466,349 Divided by: Sales Revenue 1,054,632,300 Net profit margin **64.81%**	64.81%	23.58%

ANNEX B

WATERFRONT PHILIPPINES, INCORPORATED AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE REQUIRED UNDER THE REVISED SRC RULE 68
Map of Conglomerate
December 31, 2020



LEGEND:

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

WATERFRONT PHILIPPINES, INCORPORATED AND SUBSIDIARIES

Table of Contents

Supplementary Schedules of Annex 68-J
Required Under the Revised SRC Rule 68
December 31, 2020

WATERFRONT PHILIPPINES, INCORPORATED AND SUBSIDIARIES
SCHEDULE A - FINANCIAL ASSETS
DECEMBER 31, 2020
(Amounts in thousands)

Name of Issuing Entity and Association of Each Issue	Number of shares or Principal Amount of Bonds and Notes	Amount Shown in the Statements of Financial Position	Value Based on Market Quotations at End of Reporting Period	Income Received and Accrued
Cash and cash equivalents *	P -	P1,175,381	P1,175,381	P7,648
Receivables	-	530,644	530,644	-
Notes receivable	-	223,366	223,366	8,925
Short-term investments	-	12,858	12,858	-
Due from related parties	-	3,256,946	3,256,946	113,716
Equity securities - at FVOCI	136,710	69,736	69,736	-
Other noncurrent assets **	-	38,924	38,924	-
	P136,710	P5,307,855	P5,307,855	P130,289

*Excluding cash on hand

**Excluding advances to contractors

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, 2020
(Amounts in thousands)

Name and Designation of Debtor	Balance at Beginning of Period	Additions	Amounts Collected	Amounts Written Off	Current	Noncurrent	Balance at End of Period
The Wellex Group, Inc.	P1,099,420	P -	P116,087	P -	P983,333	P -	P983,333
Pacific Rehouse Corporation	563,268	10,651	-	-	573,919	-	573,919
Crisanta Realty Development Corporation	395,196	17,174	-	-	-	412,370	412,370
Westland Pacific Properties Corporation	563,875	22,400	-	-	-	586,275	586,275
Rexlon Realty Group, Inc.	566,500	42,000	-	-	608,500	-	608,500
Pacific Wide Realty Development Corp.	160,000	-	160,000	-	-	-	-
Philippine Estates Corporation	92,054	-	-	-	92,054	-	92,054
Others							
Forum Holdings Corporation	56,856	1,712	-	-	58,568	-	58,568
Plastic City Industrial Corporation	1,546	-	-	-	1,546	-	1,546
East Asia Oil & Mining Company, Inc.	403	-	403	-	-	-	-
Acesite Leisure and Entertainment Corporation	235,729	-	12,363	-	223,366	-	223,366

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, 2020
(Amounts in thousands)

Name and Designation of Debtor	Balance at Beginning of period	Additions	Amounts Collected	Amounts Written Off	Current	Noncurrent	Balance at End of Period
Acesite (Phils.) Hotel Corp.	P189,839	P -	P4,149	P -	P185,690	P -	P185,690
Waterfront Hotel Management Corp.	87,437	11,503	-	-	98,940	-	98,940
Mayo Bonanza, Inc.	4,746	-	-	-	4,746	-	4,746
Waterfront Wellness Group, Inc.	1,726	335	-	-	2,061	-	2,061
Waterfront Food Concepts, Inc.	1,328	612	-	-	1,940	-	1,940
Waterfront Iloilo Hotel Inc.	-	322	-	-	322	-	322
Waterfront Puerto Princesa Hotel, Inc.	-	50	-	-	50	-	50

See Note 8 to the Consolidated Financial Statements.

WATERFRONT PHILIPPINES, INCORPORATED AND SUBSIDIARIES
SCHEDULE D - LONG-TERM DEBT
DECEMBER 31, 2020

Title of Issue and Type of Obligation	Amount Authorized by Indenture	Amount Shown Under Caption "Current Portion of Long-term Debt" in Related Statement of Financial Position	Amount Shown Under Caption "Long-Term Debt" in Related Statement of Financial Position
Social Security System Loans Payable	P375,000,000	P375,000,000	P -
Philippine Bank of Communications	1,500,000,000	252,659,575	635,106,382

See Notes 13 and 26 to the Consolidated Financial Statements.

WATERFRONT PHILIPPINES, INCORPORATED AND SUBSIDIARIES
SCHEDULE E - INDEBTEDNESS TO RELATED PARTIES
DECEMBER 31, 2020

Name of Related Party	Balance at Beginning of Period	Balance at End of Period
Acesite Leisure and Entertainment Corporation	P3,119,367	P3,119,367

See Note 8 to the Consolidated Financial Statements.

WATERFRONT PHILIPPINES, INCORPORATED AND SUBSIDIARIES
SCHEDULE F - GUARANTEES OF SECURITIES OF OTHER ISSUERS
DECEMBER 31, 2020

Name of Issuing Entity of Securities of Securities Guaranteed by the Company for which this Statement is Filed	Title of Issue of each Class of Securities Guaranteed	Total Amount Guaranteed and Outstanding	Amount Owned by Person for which Statement is Filed	Nature of Guarantee

Nothing to report

WATERFRONT PHILIPPINES, INCORPORATED AND SUBSIDIARIES
SCHEDULE G - CAPITAL STOCK
DECEMBER 31, 2020

Description	Number of Shares authorized	Number of Shares Issued and Outstanding Shown Under Related Statement of Financial Position Caption	Treasury Shares	Number of Shares Held by Related Parties	Directors, Officers and Employees	Others
Common shares	5,000,000,000	2,498,991,753	-	1,128,466,800	40,351,630	1,330,173,323

See Note 16 to the Consolidated Financial Statements.

Gmail

WPI EAFS <wpieafs20@gmail.com>

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1 message

eafs@bir.gov.ph <eafs@bir.gov.ph> Mon, May 31, 2021 at 5:50 PM
To: WPIEAFS20@gmail.com
Cc: WPIEAFS20@gmail.com

Hi WATERFRONT PHILIPPINES, INC.,

Valid files

- EAFS003978254ITRTY122020.pdf
- EAFS003978254AFSTY122020.pdf
- EAFS003978254RPTTY122020.pdf

Invalid file

- <None>

Transaction Code: **AFS-0-VNXV3W03Z3NVW2WPQNMMS1P0C78J9B86**
Submission Date/Time: **May 31, 2021 05:50 PM**
Company TIN: **003-978-254**

Please be reminded that you accepted the terms and conditions for the use of this portal and expressly agree, warrant and certify that:

- The submitted forms, documents and attachments are complete, truthful and correct based on the personal knowledge and the same are from authentic records;
- The submission is without prejudice to the right of the BIR to require additional document, if any, for completion and verification purposes;
- The hard copies of the documents submitted through this facility shall be submitted when required by the BIR in the event of audit/investigation and/or for any other legal purpose.

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May 31, 2021 05:50 PM

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WATERFRONT
PHILIPPINES, INC.

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, 2019**. 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, 2019** 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:

Sergio Ortiz-Luis, Jr.
Chairman of the Board

Kenneth T. Gatchalian
President

Precilla O. Toriano
Corporate Finance Director

Elvira A. Ting
Treasurer

Signed this __th day of JUN 29 2020 20__

Subscribed & Sworn to:

ROLL No 56453 NOTARY PUBLIC
AARON L. TAMPON
CEBU CITY PHILIPPINES

AARON L. TAMPON
NOTARY PUBLIC FOR CEBU CITY
NOTARIAL COMMISSION NO. 33-15; UNTIL DEC. 31, 2020
LOWER LEVEL, WATERFRONT CEBU CITY HOTEL
ONE SALINAS DRIVE, LAHUG, CEBU CITY
ROLL OF ATTORNEYS NO. 56453
PTR NO. 1525973/CEBU CITY/1/8/20
IBP AR NO. 11077309/CEBU PROV./1/8/20

Doc. No. 58
Page No. 13
Book No. 25
Series of 2020

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REPORT OF INDEPENDENT AUDITORS
TO ACCOMPANY SEPARATE FINANCIAL STATEMENTS
FOR FILING WITH THE BUREAU OF INTERNAL REVENUE

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

We have audited the accompanying separate financial statements of Waterfront Philippines, Incorporated (the Company) as at and for the year ended December 31, 2019, on which we have rendered our report dated June 29, 2020.

In compliance with Revenue Regulations V-20, we are stating that no partner of our Firm is related by consanguinity or affinity to the president, manager, members of the Board of Directors or principal stockholders of the Company.

R.G. MANABAT & CO.

TIRESO RANDY F. LAPIDEZ
Partner
CPA License No. 0092183
SEC Accreditation No. 1472-AR-1, Group A, valid until July 2, 2021
Tax Identification No. 162-411-175
BIR Accreditation No. 08-001987-34-2017
Issued September 4, 2017; valid until September 3, 2020
PTR No. MKT 8116769
Issued January 2, 2020 at Makati City

June 29, 2020
Makati City, Metro Manila

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REPORT OF INDEPENDENT AUDITORS

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

Report on the Audit of the Separate Financial Statements

Opinion

We have audited the separate financial statements of Waterfront Philippines, Incorporated (the Company), which comprise the separate statements of financial position as at December 31, 2019 and 2018, and the separate statements of comprehensive loss, changes in equity and cash flows for each of the three years in the period ended December 31, 2019, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the unconsolidated financial position of the Company as at December 31, 2019 and 2018, and its unconsolidated financial performance and its unconsolidated cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

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 Separate Financial Statements* section of our report. We are independent of the Company 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 separate 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.

Responsibilities of Management and Those Charged with Governance for the Separate Financial Statements

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

In preparing the separate 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.

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

Auditors' Responsibilities for the Audit of the Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate 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 separate 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 separate 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 Company'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 Company'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 separate 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 Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

Report on the Supplementary Information Required Under Revenue Regulations No. 15-2010 of the Bureau of Internal Revenue

Our audit was conducted for the purpose of forming an opinion on the basic separate financial statements taken as a whole. The supplementary information in Note 18 to the basic separate financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic separate financial statements. Such supplementary information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in our audit of the basic separate financial statements. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic separate financial statements taken as a whole.

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

TIRESO RANDY F. LAPIDEZ
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Issued September 4, 2017; valid until September 3, 2020
PTR No. MKT 8116769
Issued January 2, 2020 at Makati City

June 29, 2020
Makati City, Metro Manila

WATERFRONT PHILIPPINES, INCORPORATED

SEPARATE FINANCIAL STATEMENTS
December 31, 2019 and 2018

With Independent Auditors' Report

WATERFRONT PHILIPPINES, INCORPORATED
SEPARATE STATEMENTS OF FINANCIAL POSITION

		December 31	
	Note	**2019**	2018
ASSETS			
Current Assets			
Cash in bank	*13*	**P73,057**	P88,118
Due from related parties - current portion	*5, 13*	**2,136,098,926**	1,800,739,522
Total Current Assets		**2,136,171,983**	1,800,827,640
Noncurrent Assets			
Investments and advances to subsidiaries	*4, 13*	**2,286,888,118**	2,281,222,783
Due from related parties - noncurrent portion	*5, 13*	**563,875,000**	911,705,248
Deferred tax asset	*10*	**53,977,137**	36,000,000
Property and equipment - net	*6*	**390,241**	596,491
Other noncurrent assets		**8,865,465**	2,539,000
Total Noncurrent Assets		**2,913,995,961**	3,232,063,522
		P5,050,167,944	P5,032,891,162
LIABILITIES AND EQUITY			
Current Liabilities			
Accrued expenses and other payables	*7, 13*	**P1,059,966,475**	P987,466,908
Due to related parties - current portion	*5, 13*	**690,290,680**	798,903,671
Loan payable	*8, 13*	**375,000,000**	375,000,000
Income tax payable		**10,839,467**	7,789,104
Total Current Liabilities		**2,136,096,622**	2,169,159,683
Noncurrent Liability			
Due to related parties - noncurrent portion	*5, 13*	**777,192,092**	719,303,255
		2,913,288,714	2,888,462,938
Equity			
Capital stock	*12*	**2,498,991,753**	2,498,991,753
Additional paid-in capital		**706,364,357**	706,364,357
Accumulated deficit		**(1,068,476,880)**	(1,060,927,886)
Net Equity		**2,136,879,230**	2,144,428,224
		P5,050,167,944	P5,032,891,162

See Notes to the Separate Financial Statements.

WATERFRONT PHILIPPINES, INCORPORATED
SEPARATE STATEMENTS OF COMPREHENSIVE LOSS

		Years Ended December 31		
	Note	**2019**	2018	2017
REVENUE				
Interest income	*5*	**P98,642,185**	P53,395,436	P31,076,335
GENERAL AND ADMINISTRATIVE EXPENSES				
Taxes and licenses		**6,652,598**	341,302	502,215
Impairment losses	*4, 5*	**1,453,561**	437,685	747,412
Professional fees		**1,324,800**	1,671,264	2,005,532
Representation and entertainment		**750,000**	3,498,550	3,681,742
Annual meeting expenses		**27,500**	60,372	1,923,483
Supplies		**507**	3,855,049	8,357,566
Data processing expenses		**-**	13,125	656,731
Others	*9*	**5,861,860**	3,336,196	2,322,636
		16,070,826	13,213,543	20,197,317
INCOME BEFORE OTHER EXPENSES (INCOME) AND INCOME TAX		**82,571,359**	40,181,893	10,879,018
OTHER EXPENSES (INCOME)				
Interest expense	*5, 8*	**111,610,252**	90,150,436	60,000,000
Accretion income	*5*	**(8,436,540)**	(8,075,817)	(7,730,518)
Miscellaneous income		**(6,825,371)**	(2,741,203)	-
		96,348,341	79,333,416	52,269,482
LOSS BEFORE INCOME TAX BENEFIT		**(13,776,982)**	(39,151,523)	(41,390,464)
INCOME TAX BENEFIT	*10*	**(6,227,988)**	(10,210,896)	(13,500,777)
NET LOSS/TOTAL COMPREHENSIVE LOSS		**(P7,548,994)**	(P28,940,627)	(P27,889,687)

See Notes to the Separate Financial Statements.

WATERFRONT PHILIPPINES, INCORPORATED
SEPARATE STATEMENTS OF CHANGES IN EQUITY

		Years Ended December 31		
	Note	**2019**	2018	2017
CAPITAL STOCK	*12*	**P2,498,991,753**	P2,498,991,753	P2,498,991,753
ADDITIONAL PAID-IN CAPITAL		**706,364,357**	706,364,357	706,364,357
ACCUMULATED DEFICIT				
Balance at beginning of year		**(1,060,927,886)**	(1,031,987,259)	(1,004,097,572)
Net loss for the year		**(7,548,994)**	(28,940,627)	(27,889,687)
Balance at end of year		**(1,068,476,880)**	(1,060,927,886)	(1,031,987,259)
		P2,136,879,230	P2,144,428,224	P2,173,368,851

See Notes to the Separate Financial Statements.

WATERFRONT PHILIPPINES, INCORPORATED
SEPARATE STATEMENTS OF CASH FLOWS

		Years Ended December 31		
	Note	**2019**	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss before income tax benefit		**(P13,776,982)**	(P39,151,523)	(P41,390,464)
Adjustments for:				
Interest expense	*5, 8*	**111,610,252**	90,150,436	60,000,000
Impairment losses	*4, 5*	**1,453,561**	437,685	747,412
Depreciation and amortization	*6*	**206,250**	206,250	229,107
Accretion income	*5*	**(8,436,540)**	(8,075,817)	(7,730,518)
Interest income	*5*	**(98,642,185)**	(53,395,436)	(31,076,335)
		(7,585,644)	(9,828,405)	(19,220,798)
Changes in accrued expenses and other payables		**12,143,546**	(30,233,972)	(131,719)
		4,557,902	(40,062,377)	(19,352,517)
Income taxes paid		**(7,789,104)**	(4,499,223)	(4,172,068)
Net cash used in operating activities		**(3,231,202)**	(44,561,600)	(23,524,585)
CASH FLOWS FROM AN INVESTING ACTIVITY				
Increase in other noncurrent assets		**(6,803,916)**	-	-
CASH FLOWS FROM A FINANCING ACTIVITY				
Net advances from related parties	*4, 5*	**10,020,057**	44,367,212	23,134,727
NET DECREASE IN CASH IN BANK		**(15,061)**	(194,388)	(389,858)
CASH IN BANK AT BEGINNING OF YEAR		**88,118**	282,506	672,364
CASH IN BANK AT END OF YEAR	*13*	**P73,057**	P88,118	P282,506

See Notes to the Separate Financial Statements.

1. Reporting Entity

Waterfront Philippines, Incorporated (the Company) was incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on September 23, 1994. The Company is listed on 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 Company in its subsidiaries as at December 31, 2019 and 2018 are as follows:

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

The Company and all of the above subsidiaries (collectively referred to as the Group) were incorporated in the Philippines, except for WPL and CWIL, which were registered in the Cayman Islands.

The Company's percentages of ownership for the above subsidiaries are the same in 2019, 2018 and 2017.

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

Status of APHC Operation
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 APHC's hotel property that resulted 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 incurred casualty losses due to damages on its inventories and hotel property. APHC has filed for property damage and business insurance claims amounting to P1.93 billion from its insurance company and, as at the auditors' report date, received reimbursements totaling to P785.01 million. Further, in 2018, APHC has started the reconstruction and restoration of the main hotel and podium buildings.

As at December 31, 2019 and 2018, APHC recognized gains on insurance claims amounting to P234.09 million and P629.07 million, respectively, of which P431.25 million and P300.00 million were received in 2019 and 2018, respectively, and the remainder relates to the portion of the claims already confirmed by the insurance company. In accordance with Philippine Financial Reporting Standards (PFRSs), APHC has not recognized the remaining claim amounting to P1.07 billion that is still for confirmation by the insurance company.

2. Basis of Preparation

Basis of Accounting
These separate financial statements have been prepared in compliance with PFRSs. They were approved and authorized for issue by the Company's Board of Directors (BOD) on June 29, 2020.

In full compliance with Philippine Accounting Standard (PAS) 27, *Consolidated and Separate Financial Statements*, the Company has prepared consolidated financial statements for the same periods in which it consolidates all investments in subsidiaries in accordance with the said standard. Such consolidated financial statements provide information about the economic activities of the Group of which the Company is the parent. Details of the Company's significant accounting policies are included in Note 17.

Users of these separate financial statements should read them together with the consolidated financial statements as at and for the year ended December 31, 2019 in order to obtain full information on the consolidated financial position, consolidated comprehensive loss and consolidated cash flows of the Company and its subsidiaries as a whole. The consolidated financial statements can be obtained from the SEC and from the website of the PSE (www.pse.com.ph).

This is the first set of the Company's separate financial statements in which PFRS 16, *Leases*, has been applied. Changes to significant accounting policies are disclosed in Note 17.

Basis of Measurement
The separate financial statements have been prepared on the historical cost basis of accounting.

Functional and Presentation Currency
The separate financial statements are presented in Philippine peso, which is the Company's functional currency. All financial information is rounded off to the nearest peso, unless otherwise stated.

3. Use of Judgment and Estimates

In preparing these separate financial statements, management has made judgment, estimates and assumptions that affect the application of the Company'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 accounting estimates are recognized prospectively.

Judgment

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

Provisions and Contingencies

The Company is currently involved in certain cases. The estimate of the probable costs for the resolution of these claims has been developed in consultation with outside counsels handling the Company's defense in these matters and is based upon an analysis of potential results. The Company currently does not believe that these proceedings will have a material adverse effect on its financial position. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings.

Further details on provisions and contingencies are disclosed in Note 14.

Classifying Financial Instruments

The Company 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 separate statement of financial position.

Assumptions and Estimation Uncertainties

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

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.

Further details on the carrying amount of financial instruments are disclosed in Note 13.

Allowance for Impairment Losses on Financial Instruments
The Company uses the expected credit losses (ECL) model in estimating the level of allowance which includes forecasts of future events and conditions. A credit loss is the difference between the cash flows that are expected to be received discounted at the original effective interest rate (EIR). PFRS 9, *Financial Instruments*, requires the Company to record ECL on all of its financial instruments, either on a 12-month or lifetime basis. The Company applied the simplified approach to receivables from third parties and its related parties and recorded the lifetime ECL. The model represents a probability-weighted estimate of the difference over the remaining life of the receivables. Lifetime ECL is calculated by multiplying the lifetime Probability of Default by Loss Given Default (LGD) and Exposure at Default (EAD). LGD is the magnitude of the likely loss if there is a default. The Company estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. EAD represents the expected exposure in the event of a default. The Company derives the EAD from the current exposure to the counterparty. The EAD of a financial asset is its gross carrying amount at the time of default. In addition, management assessed the credit risk of the receivables as at the reporting date as low, therefore the Company did not have to assess whether a significant increase in credit risk has occurred.

Further details on impairment losses on advances to subsidiaries and due from related parties are disclosed in Notes 4 and 5, respectively.

Useful Lives of Property and Equipment
The Company 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.

Further details on the carrying amount of property and equipment are disclosed in Note 6.

Impairment of Nonfinancial Assets
The Company’s policy on estimating the impairment of nonfinancial assets is discussed in Note 17. The Company assesses at each reporting date whether there is an indication that the carrying amount of nonfinancial assets may be impaired or that the previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated.

The factors that the Company considers important which could trigger an impairment review include the following:

- significant underperformance relative to the expected historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- significant negative industry or economic trends.

As at December 31, 2019 and 2018, no indication of impairment exists for the Company’s nonfinancial assets.

Deferred Tax Asset
Deferred tax asset is recognized for separate financial statements and tax differences to the extent that it is probable that taxable profit will be available against which the difference can be utilized. Significant management judgment is required to determine the amount of deferred tax asset 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 tax asset is disclosed in Note 10.

4. Investments and Advances to Subsidiaries

Investments and advances to subsidiaries consists of the following (amounts in thousands):

	December 31, 2019										
	WCCCHI	**WMCHI**	**DIHCI**	**APHC**	**GIRDI**	**WWGI**	**MBI**	**WFC**	**WHMC**	**WEC**	**Total**
Investment cost	**P1,013,800**	**P13,800**	**P584,363**	**P479,228**	**P253,667**	**P625**	**P25**	**P125**	**P125**	**P125**	**P2,345,883**
Advances	**-**	**-**	**-**	**195,572**	**-**	**1,726**	**4,746**	**1,328**	**87,437**	**-**	**290,809**
Deposit for stock subscription	**-**	**-**	**-**	**-**	**-**	**13,000**	**35,000**	**6,000**	**-**	**-**	**54,000**
Total	**1,013,800**	**13,800**	**584,363**	**674,800**	**253,667**	**15,351**	**39,771**	**7,453**	**87,562**	**125**	**2,690,692**
Allowance for impairment losses	**-**	**-**	**-**	**-**	**(253,667)**	**(15,351)**	**(39,771)**	**(7,453)**	**(87,562)**	**-**	**(403,804)**
	P1,013,800	**P13,800**	**P584,363**	**P674,800**	**P -**	**P -**	**P -**	**P -**	**P -**	**P125**	**P2,286,888**

	December 31, 2018										
	WCCCHI	WMCHI	DIHCI	APHC	GIRDI	WWGI	MBI	WFC	WHMC	WEC	Total
Investment cost	P13,800	P13,800	P584,363	P479,228	P253,667	P625	P25	P125	P125	P125	P1,345,883
Advances	-	-	-	189,907	-	999	4,746	601	87,437	-	283,690
Deposit for stock subscription	1,000,000	-	-	-	-	13,000	35,000	6,000	-	-	1,054,000
Total	1,013,800	13,800	584,363	669,135	253,667	14,624	39,771	6,726	87,562	125	2,683,573
Allowance for impairment losses	-	-	-	-	(253,667)	(14,624)	(39,771)	(6,726)	(87,562)	-	(402,350)
	P1,013,800	P13,800	P584,363	P669,135	P -	P -	P -	P -	P -	P125	P2,281,223

Deposits to Subsidiaries
As part of the Company's continuing commitment and guarantee for the subsidiaries to continue as going concern entities, the Company and its subsidiaries agreed to set aside a portion of the Company's outstanding advances to the subsidiaries as deposits for future stock subscriptions. The amounts set aside will be used as subscription payments by the Company once the planned increase in the authorized capital stock of the subsidiaries will materialize.

In 2013, the Company and WCCCHI agreed to set aside portion of the subsidiary's outstanding payable to the former amounting to P1,000.00 million as deposits for future stock subscription which will be ultimately used as subscription payments once the planned increase in the authorized capital stock of the subsidiary has materialized. On December 27, 2019, the deposits for future subscription was used to subscribe 1 billion shares of common stock with the subsidiary with a par value of P1 per share.

Advances to Subsidiaries
Advances to subsidiaries mainly represent funds provided to primarily support the subsidiaries' daily operations.

The advances to subsidiaries are annually renegotiated and repriced based on the agreement entered by the Company and subsidiaries.

Discussed below are the descriptions and the financial information of each subsidiary.

WCCCHI
WCCCHI was incorporated and registered with the SEC on September 23, 1994, primarily to own and operate hotels and other related businesses. The facilities of WCCCHI include an international convention center, an international casino building and a 561-room deluxe hotel at the former Lahug Airport, Cebu City. WCCCHI started operations in 1998.

The significant information on the financial statements of WCCCHI is as follows (in thousands):

	2019	2018
Total current assets	**P825,147**	P675,406
Total assets	**5,730,276**	4,653,279
Total current liabilities	**616,121**	667,420
Total liabilities	**2,440,360**	3,241,432
Revenue	**1,234,109**	1,119,779
Net income	**229,767**	152,817

WMCHI
WMCHI was incorporated and registered with the SEC on September 23, 1994, primarily to own and operate hotels and other related businesses. The facilities of WMCHI include an international casino and a 167-room deluxe hotel (Airport Hotel Project) at the Mactan Cebu International Airport. WMCHI started commercial operations in 1996.

The significant information on the financial statements of WMCHI is as follows (in thousands):

	2019	2018
Total current assets	**P922,858**	P640,270
Total assets	**1,992,112**	1,545,953
Total current liabilities	**165,035**	164,761
Total liabilities	**554,190**	350,321
Revenue	**445,979**	424,034
Net income	**140,788**	100,607

DIHCI

DIHCI was incorporated and registered with the SEC in the Philippines on July 3, 1959 to engage primarily in the operation of hotel and hotel-related businesses.

The registered office and principal place of business of DIHCI is at Waterfront Insular Hotel Davao, Km. 8000 Lanang, Davao City.

The significant information on the financial statements of DIHCI is as follows (in thousands):

	2019	2018
Total current assets	**P228,601**	P172,981
Total assets	**1,119,261**	750,406
Total current liabilities	**84,574**	57,554
Total liabilities	**341,160**	217,859
Revenue	**253,808**	240,876
Net income	**19,726**	17,328

APHC

APHC was incorporated and registered with the SEC on October 10, 1952 primarily to engage in the business of operating a hotel, or other accommodations, for the general public and to construct such facilities as may be reasonably necessary or useful in connection with the same.

APHC is the owner and operator of Manila Pavilion Hotel. The corporate life of APHC has been extended up to 2052. APHC's shares have been listed in the PSE since December 5, 1986.

The registered office and principal place of business of APHC is at 7th Floor, Manila Pavilion Hotel, United Nations Avenue, Ermita, Manila.

The significant information on the consolidated financial statements of APHC is as follows (in thousands):

	2019	2018
Total current assets	**P433,978**	P656,380
Total assets	**2,381,211**	1,787,276
Total current liabilities	**904,245**	329,362
Total liabilities	**1,069,789**	545,446
Revenue	**-**	62,731
Net income (loss)	**67,595**	(348,389)

GIRDI

GIRDI was incorporated and registered with the SEC on December 18, 1990 to engage in the hotel and resort business. Its registered office is located at No. 37 Calayab, Laoag City, Ilocos Norte.

In 2000, management decided to temporarily stop the commercial operations of GIRDI. The Company has provided an allowance for impairment losses on its investment to GIRDI. The allowance for impairment losses on investment amounted to P253.67 million as at December 31, 2019 and 2018.

The significant information on the financial statements of GIRDI is as follows (in thousands):

	2019	2018
Total assets	**P469,656**	P470,322
Total liabilities	**37,711**	38,258
Revenue	**1,662**	1,613
Net (loss) income	**(120)**	90

WWGI

WWGI, formerly known as W Citigyms & Wellness, Inc., was incorporated and registered with the SEC on January 26, 2006, to engage in, conduct and carry on the general business of sporting and other recreational activities. The facilities of WWGI, which commenced commercial operations on May 1, 2006, include a fitness gym with top-of-the line equipment and amenities. WWGI also offers in-house massage for guests staying in WCCCHI, a fellow subsidiary.

Due to accumulated losses which resulted to a capital deficiency of P43.18 million, the Company has provided an allowance for impairment losses on its investment in and advances to WWGI. The allowance for impairment losses on its investment and advances amounted to P0.63 million, P14.73 million as at December 31, 2019, respectively and P0.63 million, P14.00 million as at December 31, 2018, respectively.

The significant information on the financial statements of WWGI is as follows (in thousands):

	2019	2018
Total current assets	**P17,560**	P18,056
Total assets	**20,506**	21,536
Total current liabilities	**50,253**	49,366
Total liabilities	**63,686**	64,225
Revenue	**13,301**	11,422
Net loss	**(1,085)**	(7,618)

WPL and CWIL

WPL and its wholly-owned subsidiary, CWIL, were incorporated in the Cayman Islands on March 6, 1995 and June 11, 1996, respectively.

WPL and CWIL's primary business purpose is to invite and organize groups of foreign casino players to play in Philippine casinos pursuant to certain agreements entered into with the Philippine Amusement and Gaming Corporation (PAGCOR) under the latter's Foreign High-Roller Marketing Program (the Program). WPL and its subsidiary's participation with PAGCOR's Program, however, has been terminated in 2003 due to unfavorable economic conditions.

To support the Program, WPL and CWIL entered into several agreements with various junket operators to market and promote the Philippine casinos to foreign casino players. In consideration for marketing and promoting of the Philippine casinos, these operators receive certain incentives such as free hotel accommodations, free airfares, and rolling commissions from the Group. Due to the termination of the WPL and CWIL's participation with PAGCOR's Program, agreements with the junket operators were also terminated.

The significant information on the consolidated financial statements of WPL is as follows (in thousands):

	2019	2018
Total assets	**$4,325**	$4,364
Total liabilities	**1,362**	1,214
Net income	**(187)**	47

<u>MBI</u>
MBI was incorporated and registered with the SEC on November 24, 1995. Its primary purpose is to establish, operate, and manage the business of amusement, entertainment, and recreation facilities for the use of the paying public. MBI entered into an agreement with the PAGCOR whereby the latter shall operate the former's slot machines outside of casinos in line with PAGCOR's slot machine arcade project.

Due to accumulated losses which resulted to a capital deficiency of P43.86 million, the Company have provided an allowance for impairment losses on its investment in and advances to MBI. The allowance for impairment losses on its investment and advances amounted to P0.02 million, P39.75 million as at December 31, 2019 and 2018.

The significant information on the financial statements of MBI is as follows (in thousands):

	2019	2018
Total current assets	**P328**	P2,213
Total assets	**328**	3,001
Total current liabilities	**9,191**	9,133
Total liabilities	**44,191**	44,133
Net loss	**(2,730)**	(56)

<u>WFC</u>
WFC was incorporated and registered with the SEC on January 26, 2004 to engage in the operation of restaurants and food outlets and to manufacture baked and unbaked desserts, breads and pastries supplied to in-store bakeries, coffee shops and food service channels.

Due to accumulated losses which resulted to a capital deficiency of P50.92 million, the Company has provided an allowance for impairment losses on its investment in and advances to WFC. The allowance for impairment losses on its investment and advances amounted to P0.13 million, P7.33 million at December 31, 2019, respectively and P0.13 million, P6.60 million as at December 31, 2018, respectively.

The significant information on the financial statements of WFC is as follows (in thousands):

	2019	2018
Total current assets	**P6,319**	P5,870
Total assets	**6,543**	5,926
Total current liabilities	**51,461**	46,730
Total liabilities	**57,461**	52,949
Revenue	**2,212**	2,188
Net loss	**(3,896)**	(2,321)

WHMC

WHMC was incorporated and registered with the SEC on March 31, 2003, to engage in the management and operation of hotels, except management of funds, portfolios, securities and other similar assets of the managed entities.

In 2014, management decided to temporarily stop the commercial operations of WHMC.

Due to accumulated losses which resulted to a capital deficiency of P121.18 million, the Company has provided an allowance for impairment losses on its investment in and advances to WHMC. The allowance for impairment losses on its investment and advances amounted to P0.13 million and P87.44 million as at December 31, 2019 and 2018.

The significant information on the financial statements of WHMC is as follows (in thousands):

	2019	2018
Total current assets	**P828**	P101
Total assets	**828**	101
Total current liabilities	**122,006**	118,709
Total liabilities	**122,006**	118,709
Net loss	**(2,570)**	(58)

WEC

WEC was incorporated and registered with the SEC on August 13, 2003 to engage in the business of producing and co-producing concerts and shows.

The significant information on the financial statements of WEC is as follows (in thousands):

	2019	2018
Total current assets	**P16,951**	P13,376
Total assets	**18,562**	13,642
Total current liabilities	**9,874**	6,919
Total liabilities	**11,349**	7,392
Revenue	**11,477**	11,477
Net income	**1,463**	2,110

5. Related Party Transactions

The Company's related party transactions are composed of its subsidiaries enumerated in Notes 1 and 4, its key management personnel (KMP) and related parties enumerated in the table below:

Related Parties	Relationship with the Company
TWGI	Parent
Pacific Rehouse Corp. (PRC)	Stockholder
Crisanta Realty Development Corp. (CRDC)	Stockholder
Westland Pacific Properties Corporation (WPPC)	Stockholder
Pacific Wide Realty Development Corp. (PWRDC)	Stockholder
Philippine Estates Corporation (PHES)	Stockholder
Forum Holdings Corporation (FHC)	Stockholder
Plastic City Industrial Corporation (PCIC)	Under common control
Acesite Leisure Entertainment Corporation (ALEC)	Under common control*
East Asia Oil & Mining Company, Inc. (East Asia)	Stockholder

**ALEC was an unconsolidated pre-operating subsidiary incorporated in 2017 that was immaterial to the Group's consolidated financial statements as at December 31, 2018. In 2019, ALEC no longer qualified as a subsidiary of the Group.*

Significant Transactions with Related Parties

The Company's transactions with related parties consist of (in thousands):

Category/ Transaction	Year	*Note*	Amount of the Transaction	Due from Related Parties		Due to Related Parties		Investment and Advances to Subsidiaries	Terms and Conditions
				Current	Noncurrent	Current	Noncurrent		
Parent									
▪ TWGI									Secured; interest-
- Advances,	**2019**	*5a*	**(P48,365)**	**P970,479**	**P -**	**P -**	**P -**	**P -**	bearing; due in one
interest and	2018	*5a*	296,831	1,018,844	-	-	-	-	year subject to
settlement	2017	*5a*	22,204	722,013	-	-	-	-	renewal; net of allowance for impairment
Stockholders									
▪ PRC									Secured; interest-
- Advances,	**2019**	*5a*	**10,651**	**563,268**	**-**	**-**	**-**	**-**	bearing; due in one
interest and	2018	*5a*	10,836	552,617	-	-	-	-	year subject to
settlement	2017	*5a*	10,623	541,781	-	-	-	-	renewal; not impaired
▪ CRDC									
- Advances	**2019**	*5a*	**16,798**	**395,196**	**-**	**-**	**-**	**-**	Unsecured; interest-
	2018	*5a*	15,540	22,395	356,003	-	-	-	bearing; due in five
	2017	*5a*	15,196	14,930	347,928	-	-	-	years; not impaired
▪ WPPC									
- Advances	**2019**	*5a*	**8,173**	**-**	**563,875**	**-**	**-**	**-**	Unsecured; interest-
	2018	*5a*	555,702	-	555,702	-	-	-	bearing; due in three
-		*5a*	-	-	-	-	-	-	years; not impaired
▪ PWRDC									
- Advances	**2019**	*5b*	**-**	**160,000**	**-**	**-**	**-**	**-**	Unsecured;
	2018	*5b*	160,000	160,000	-	-	-	-	noninterest-bearing;
	2018	*5b*	-	-	-	-	-	-	due on demand; not impaired
▪ Other									
- Advances	**2019**	*5b*	**(1,294)**	**106,775**	**-**	**-**	**-**	**-**	Unsecured;
and interest	2018	*5b*	-	108,069	-	-	-	-	noninterest-bearing;
	2017	*5b*	12,500	108,069	-	-	-	-	due on demand; not impaired
Subsidiaries									
▪ WCCCHI									
- Advances	**2019**	*4, 5c*	**55,206**	**-**	**-**	**22,283**	**777,192**	**-**	Unsecured; interest-
and	2018	*4, 5c*	(1,165,528)	-	-	135,378	719,303	-	bearing; due in three
settlement	2017	*4, 5e*	(199,974)	-	-	-	-	310,847	years
- Deposit	**2019**	*4, 5f*	**(1,000,000)**	**-**	**-**	**-**	**-**	**-**	Unsecured;
	2018	*4, 5f*	-	-	-	-	-	1,000,000	noninterest-bearing;
	2017	*4, 5f*	-	-	-	-	-	1,000,000	not impaired
▪ WMCHI									
- Advances	**2019**	*4, 5d*	**537**	**-**	**-**	**259,160**	**-**	**-**	Unsecured;
and	2018	*4, 5d*	43,093	-	-	258,623	-	-	noninterest-bearing;
settlement	2017	*4, 5d*	25,995	-	-	215,530	-	-	due on demand
▪ DIHCI									
- Advances	**2019**	*4, 5d*	**-**	**-**	**-**	**3,874**	**-**	**-**	Unsecured;
and	2018	*4, 5d*	(5,620)	-	-	3,874	-	-	noninterest-bearing;
settlement	2017	*4, 5d*	7,171	-	-	-	-	1,746	due on demand
▪ APHC									
- Advances	**2019**	*4, 5d*	**5,665**	**-**	**-**	**-**	**-**	**195,572**	Unsecured;
and	2018	*4, 5e*	189,784	-	-	-	-	189,907	noninterest-bearing;
settlement	2017	*4, 5e*	173,570	-	-	-	-	123	due on demand; not impaired
▪ ALEC									
- Advances	**2019**	*4, 5d*	**4,465**	**-**	**-**	**4,465**	**-**	**-**	Unsecured;
and settlement	2018	*4, 5d*	-	-	-	-	-	-	noninterest-bearing;
	2017	*4, 5d*	-	-	-	-	-	-	due on demand

Forward

Category/ Transaction	Year	*Note*	Amount of the Transaction	Due from Related Parties Current	Due from Related Parties Noncurrent	Due to Related Parties Current	Due to Related Parties Noncurrent	Investment and Advances to Subsidiaries	Terms and Conditions
▪ GIRDI									
- Advances and settlement	**2019**	*4, 5d*	**(P2,274)**	**P -**	**P -**	**P201,620**	**P -**	**P -**	Unsecured;
	2018	*4, 5d*	(2,002)	-	-	203,894	-	-	noninterest-bearing;
	2017	*4, 5d*	(1,942)	-	-	205,896	-	-	due on demand; fully impaired
▪ WWGI									
- Advances and settlement	**2019**	*4, 5e*	**727**	**-**	**-**	**-**	**-**	**1,726**	Unsecured;
	2018	*4, 5e*	187	-	-	-	-	999	noninterest-bearing;
	2017	*4, 5e*	165	-	-	-	-	812	due on demand; fully impaired
- Deposit	**2019**	*4, 5f*	**-**	**-**	**-**	**-**	**-**	**13,000**	Unsecured;
	2018	*4, 5f*	-	-	-	-	-	13,000	noninterest-bearing
	2017	*4, 5f*	-	-	-	-	-	13,000	
▪ MBI									
- Advances and settlement	**2019**	*4, 5e*	**-**	**-**	**-**	**-**	**-**	**4,746**	Unsecured;
	2018	*4, 5e*	(2,742)	-	-	-	-	4,746	noninterest-bearing;
	2017	*4, 5e*	344	-	-	-	-	7,488	due on demand; fully impaired
- Deposit	**2019**	*4, 5f*	**-**	**-**	**-**	**-**	**-**	**35,000**	Unsecured;
	2018	*4, 5f*	-	-	-	-	-	35,000	noninterest-bearing
	2017	*4, 5f*	-	-	-	-	-	35,000	
▪ WFC									
- Advances and settlement	**2019**	*4, 5e*	**727**	**-**	**-**	**-**	**-**	**1,328**	Unsecured;
	2018	*4, 5e*	194	-	-	-	-	601	noninterest-bearing;
	2017	*4, 5e*	166	-	-	-	-	407	due on demand; fully impaired
- Deposit	**2019**	*4, 5f*	**-**	**-**	**-**	**-**	**-**	**6,000**	Unsecured;
	2018	*4, 5f*	-	-	-	-	-	6,000	noninterest-bearing
	2017	*4, 5f*	-	-	-	-	-	6,000	
▪ WHMC									
- Advances and settlement	**2019**	*4, 5e*	**-**	**-**	**-**	**-**	**-**	**87,437**	Unsecured;
	2018	*4, 5e*	57	-	-	-	-	87,437	noninterest-bearing;
	2017	*4, 5e*	72	-	-	-	-	87,380	due on demand; fully impaired
▪ WEC									
- Advances and settlement	**2019**	*4, 5d*	**1,754**	**-**	**-**	**4,005**	**-**	**-**	Unsecured;
	2018	*4, 5d*	(97)	-	-	2,251	-	-	noninterest-bearing;
	2017	*4, 5d*	2,439	-	-	2,348	-	-	due on demand
▪ WPL									
- Advances and settlement	**2019**	*4, 5d*	**-**	**-**	**-**	**194,884**	**-**	**-**	Unsecured;
	2018	*4, 5d*	(115)	-	-	194,884	-	-	noninterest-bearing;
	2017	*4, 5d*	(127)	-	-	194,999	-	-	due on demand
Allowance for impairment losses	**2019**	*5h*		**(59,619)**	**-**	**-**	**-**	**(149,237)**	
	2018	*5h*		(61,185)	-	-	-	(147,783)	
	2017	*5h*		(61,185)	-	-	-	(150,087)	
TOTAL	**2019**			**P2,136,099**	**P563,875**	**P690,291**	**P777,192**	**P195,572**	
TOTAL	2018			P1,800,740	P911,705	P798,904	P719,303	P1,189,907	

a. Interest-bearing Advances to Related Parties

The Company granted interest-bearing advances to TWGI, PRC, CRDC and WPPC.

TWGI and PRC

The advances granted to TWGI and PRC were substantially used to finance the acquisition or development of real properties for the Company. These advances are due in one year subject to renewal and charge interest at 2% per annum. TWGI paid P97.83 million and P10.11 million in 2019 and 2018, respectively, while PRC had no payments in 2019 and 2018.

In a Resolution dated February 5, 2015, the Company, TWGI and PRC entered into a Memorandum of Understanding (MOU) whereby the parties agreed that the outstanding balance of the advances from TWGI and PRC will be settled using parcels of land owned by PRC.

On April 3, 2019, the Company, TWGI and PRC made amendments to the previously issued MOU for the inclusion of the new outstanding liabilities of PWRDC to the Company. The amended MOU stated that PWRDC shall be a party to the said MOU, and all references to any obligation or rights that PWRDC shall have under the said MOU shall be in force. All other terms and conditions shall remain unchanged.

As at December 31, 2019, 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 P7.76 billion.

On April 11, 2018, TWGI initiated the transfer of certain parcels of land totaling to P96.87 million located in Puerto Princesa, Palawan as partial settlement of the advances. On April 11, 2019, the deed of absolute sale for the transfer of certain parcels of land was signed.

On December 9, 2019, PRC initiated the transfer of certain parcels of land located in Jaro, Iloilo as partial settlement of the advances.

Interest receivable from TWGI amounted to P200.54 million and P151.07 million as at December 31, 2019 and 2018, respectively, while interest receivable from PRC amounted to P87.75 million and P77.10 million as at December 31, 2019 and 2018, respectively. Allowance for impairment losses on receivables from TWGI amounted to P59.62 million as at December 31, 2019 and 2018.

CRDC
On December 21, 2015, the Company granted advances to CRDC with an interest of 2% per annum and maturity on December 21, 2020. Interest receivable from CRDC amounted to P30.76 million and P22.40 million as at December 31, 2019 and 2018, 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 P8.44 million, P8.08 million and P7.73 million was recognized in 2019, 2018 and 2017, respectively.

WPPC
On June 1, 2018, the Company granted advances to WPPC amounting to P500.00 million for general corporate purposes. The advances bear interest at 7.5% per annum and repayable in lump-sum at maturity on June 1, 2021. Interest receivable from WPPC amounted to P63.88 and P21.88 million as at December 31, 2019 and 2018, respectively.

On December 31, 2018, the Company granted additional advances to WPPC amounting to P33.83 million for general corporate purposes which was also paid in 2019. The advances bear interest at 7.5% per annum and repayable in lump-sum at maturity. WPPC paid P33.83 million in 2019.

b. Noninterest-bearing Advances to Related Parties

The Company granted noninterest-bearing advances to PWRDC, PHES, FHC, PCIC, and East Asia. The said advances are due and demandable at anytime.

PWRDC
On July 5, 2018, the Company granted noninterest-bearing, collateral-free advances to PWRDC which are due on demand (see Note 5a).

PHES, FHC, PCIC and East Asia
The Company has noninterest-bearing, collateral-free advances to PHES, FHC, PCIC and East Asia with no fixed term of repayment. The said advances are due on demand.

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

c. Interest-bearing Advances from a Related Party

On June 1, 2018, the Company received advances from WCCCHI with an interest of 7.5% per annum and maturity on June 1, 2021. Interest expense related to the advances recognized in the separate statements of profit or loss and other comprehensive loss amounted to P51.69 million and P30.15 million in 2019 and 2018, respectively. Accrued interest payable to WCCCHI amounted to P88.04 million and P30.15 million as at December 31, 2019 and 2018, respectively.

d. Noninterest-bearing Advances from Related Parties

In the ordinary course of business, the 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.

e. Advances to Subsidiaries

These mainly represent funds provided to support subsidiaries' daily operations (see Note 4). These include interest charges on loans (see Note 8).

f. Deposits to Subsidiaries

These represent amounts set aside that will be used as subscription payments by the Company once the planned increase in the authorized capital stock of the subsidiaries will materialize (see Note 4).

g. KMP

Currently, the Company is being managed by the Hotels' KMP. Hence, there is no key management compensation and benefits being recorded by the Company.

h. Details of the allowance for impairment losses related to due from and advances to related parties are as follows:

	2019	2018
WHMC	**P87,437,170**	P87,437,170
TWGI	**59,619,429**	59,619,429
MBI	**39,746,418**	39,746,418
WWGI	**14,725,735**	13,998,954
WFC	**7,327,529**	6,600,749
Others	**-**	1,565,779
	P208,856,281	P208,968,499

All related party balances, other than those included in the MOU in Note 5a, are expected to be settled in cash.

Total interest income on the abovementioned advances amounted to P98.64 million, P53.40 million and P31.08 million in 2019, 2018 and 2017, respectively.

6. Property and Equipment

Movements in this account are as follows:

	For the Year Ended December 31, 2019		
	Leasehold Improvements	**Furniture, Fixtures and Equipment**	**Total**
Cost	**P4,815,980**	**P1,767,795**	**P6,583,775**
Accumulated Depreciation and Amortization			
Beginning balance	**4,219,489**	**1,767,795**	**5,987,284**
Depreciation and Amortization	**206,250**	**-**	**206,250**
Ending balance	**4,425,739**	**1,767,795**	**6,193,534**
Carrying Amount	**P390,241**	**P -**	**P390,241**

	For the Year Ended December 31, 2018		
	Leasehold Improvements	Furniture, Fixtures and Equipment	Total
Cost	P4,815,980	P1,767,795	P6,583,775
Accumulated Depreciation and Amortization			
Beginning balance	4,013,239	1,767,795	5,781,034
Depreciation and Amortization	206,250	-	206,250
Ending balance	4,219,489	1,767,795	5,987,284
Carrying Amount	P596,491	P -	P596,491

7. Accrued Expenses and Other Payables

This account consists of:

	Note	**2019**	2018
Accrued interest and penalties	*8*	**P1,046,279,481**	P986,355,691
Others		**13,686,994**	1,111,217
	13	**P1,059,966,475**	P987,466,908

8. Loan Payable

Social Security System (SSS) Loan

On October 28, 1999, the 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 Wellex Industries, Inc. (WII), a related party and by the assignment of 200 million common shares of the 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 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 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 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 Company recognized the proceeds of the foreclosure sale as its liability to WII and TWGI. The Company, however, agreed with TWGI to offset this directly against its receivable from the latter. In August 2004, the redemption period for the Company, WII and TWGI expired.

The remaining balance of the SSS loan is secured by the shares of stock of the 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 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 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 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 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 30 days within which to post the said property bond. On March 7, 2005, the Company filed its opposition to the said Motion.

On July 18, 2005, the RTC of Quezon City issued its third order denying the Company's petition and granted SSS the 30 days extension to post the said attachment bond. Accordingly, on August 25, 2005, the 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 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 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 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 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 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 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 filed an appeal with the CA assailing the RTC of Quezon City decision in favor of the Company, et al. SSS filed its Appellant's Brief and the Company filed a Motion for Extension of Time to file Appellee's Brief until May 16, 2016.

On May 16, 2016, the 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 Company from the CA. However, on February 7, 2017 a Notice to Appear dated December 7, 2016 was received by the Company from the Philippine Mediation Center Unit - Court of Appeals (PMCU-CA) directing the 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 Company only on February 27, 2017 after the specified time of the meeting. The Company failed to appear.

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

On August 30, 2019, the Court of Appeals rendered its Decision reversing and setting aside the Decision dated January 13, 2015 and Order dated May 11, 2015 rendered by the RTC of Quezon City.

On November 4, 2019, the counsel for the Company, WII and TWGI filed a Petition for Review with the SC. As at the date of the BOD's approval of the separate financial statements, the Company is still awaiting Notice/Resolution from the SC on the Petition for Review.

Outstanding principal balance of the loan amounted to P375.00 million as at December 31, 2019 and 2018. Starting 2017, WCCCHI was not anymore charged with the interest on SSS loan because the Company assessed that WCCCHI has already fulfilled its obligations related to its use of proceeds from such loan. Interest expense related to the SSS loan recognized in the separate statements of profit or loss and other comprehensive loss amounted to P59.92 million in 2019 and P60.00 million in both 2018 and 2017. Accrued interest and penalties, presented as "Accrued interest and penalties" under "Accrued expenses and other payables" account in the separate statement of financial position, amounted to P1.05 billion and P986.36 million as at December 31, 2019 and 2018, respectively (see Note 7).

9. Other General and Administrative Expenses

This account is consists of:

	Note	**2019**	2018	2017
Depreciation	*6*	**P206,250**	P206,250	P229,107
Directors' fees		**175,483**	189,000	200,000
Utilities		**-**	1,519,464	1,196,429
Others		**5,480,127**	1,421,482	697,100
		P5,861,860	P3,336,196	P2,322,636

Others include expenses on employees' allowances, postal services and other miscellaneous expenses.

10. Income Taxes

The Company's current income tax expense in 2019, 2018 and 2017 represents regular corporate income tax being the higher amount compared to minimum corporate income tax (MCIT). The MCIT is computed at 2% of gross taxable income as defined under the income tax regulations.

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

	2019	2018	2017
Recognized in Profit or Loss			
Current tax expense	**P11,749,149**	P7,789,104	P4,499,223
Deferred tax benefit	**(17,977,137)**	(18,000,000)	(18,000,000)
	(P6,227,988)	(P10,210,896)	(P13,500,777)

The reconciliation of the income tax benefit computed at the statutory tax rate to the actual income tax expense shown in the separate statement of comprehensive loss is as follows:

	2019	2018	2017
Loss before income tax	**(P13,776,982)**	(P39,151,523)	(P41,390,464)
Income tax benefit at 30%	**(P4,133,095)**	(P11,745,457)	(P12,417,139)
Tax effects of:			
Nondeductible expenses	**436,070**	4,779,667	1,235,518
Income not subjected to income tax	**(2,530,963)**	(3,245,106)	(2,319,156)
	(P6,227,988)	(P10,210,896)	(P13,500,777)

The deferred tax asset recognized as at December 31, 2019 and 2018 amounting to P53.98 million and P36.00 million, respectively, pertains to the tax effect on the accrued interest expense (see Note 7 and 8).

11. Right to Provide Venue for Land-based Casinos

PAGCOR has granted the Company the right to provide venue for land-based casinos. By virtue of this right, the Company's subsidiaries, namely WCCCHI, WMCHI and APHC, have existing 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. On May 29, 2019 the lease was further renewed until the year 2032.

For APHC, the lease agreement with PAGCOR covered 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 the Hotel. The month-to-month lease of PAGCOR effectively ended on March 18, 2018 due to the fire incident (see Note 1).

12. Equity

Capital Stock

Details of capital stock as at December 31, 2019 and 2018 are as follows:

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

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

Date of Registration/Listing	Securities
March 17, 1995	112.50 million shares
(Initial Public Offering)	On October 7, 1994, the SEC approved the increase in the authorized capital stock of the 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 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.

Date of Registration/Listing	Securities
December 15, 1999	888.47 million shares
	On August 7, 1999, the BOD resolved to increase the authorized capital stock of the 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 Company with an offer price of P2.03 per share.

The Company has not sold any unregistered securities for the past 3 years. As at December 31, 2019, 1.95 billion shares of the Company are listed in the PSE and has a total of 436 shareholders.

On July 20, 2007, the BOD resolved to increase the authorized capital stock of the Company to P10.00 billion with 10 billion shares at par value of P1 per share. This resolution was ratified by the 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 Company. As at December 31, 2019, the Company has no updated plans to increase its authorized capital stock, or to modify any issued shares or to exchange them to another class.

Capital Management

The primary objective of the Company'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 Company's overall strategy remains unchanged from 2019 and 2018.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to its shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes in 2019 and 2018.

For purposes of the Company's capital management, capital includes all equity items that are presented in the separate statement of changes in equity.

The Company's capital management, among other things, aims to ensure that it meets financial covenants attached to the Omnibus Loan and Security Agreement (the Agreement) (see Note 15). Breaches in meeting the financial covenants would permit the bank to immediately call the loans. There have been no breaches of the financial covenants in the current period (see Note 15).

13. Financial Instruments - Fair Values and Risk Management

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 Company. 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 Company'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 Company's risks in line with the policies and limits set by the BOD.

Financial Risk Management Objectives and Policies
The Company's principal financial instruments comprise of cash in bank, advances to subsidiaries, due from related parties, accrued expenses and other payables, loan payable and due to related parties. These financial instruments arise directly from operations.

The main risks arising from the financial instruments of the Company are credit risk and liquidity risk. There has been no change to the Company's exposure to risks or the manner in which it manages and measures the risks in prior financial year. The Company'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 Company if a counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from related parties. There has been no change to the Company's exposure to credit risks or the manner in which it manages and measures the risk since prior financial year.

Generally, the maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown on the face of the separate statement of financial position (or in the detailed analysis provided in the notes to the separate financial statements), as summarized below:

	Note	**2019**	2018
Cash in bank		**P73,057**	P88,118
Advances and deposits to subsidiaries	*4*	**344,809,526**	1,337,690,630
Due from related parties	*5*	**2,759,593,355**	2,773,629,977
		P3,104,475,938	P4,111,408,725

Except for the impaired advances to subsidiaries amounting to P149.24 million and due from related parties amounting to P59.62 million, management believes that all its financial assets are of standard grade and of good credit quality. Standard grade financial assets are those past due but not impaired receivables and with fair collection status. This category includes credit grades 4-5. The standard grade category includes those for which collections are probable due to the reputation and the financial ability to pay of the counterparty but have been outstanding for a considerable length of time.

The following table summarized the aging and credit quality of the Company's financial assets as at December 31 (in thousands):

		Neither Past Due	**Past Due but not Impaired**				
2019	**Total**	**nor Impaired**	**<30 Days**	**31-60 Days**	**61-90 Days**	**>90 Days**	**Impaired**
Cash in bank	**P73**	**P73**	**P -**	**P -**	**P -**	**P -**	**P -**
Advances to subsidiaries	**344,810**	**195,573**	**-**	**-**	**-**	**-**	**149,237**
Due from related parties	**2,759,593**	**899,234**	**-**	**-**	**-**	**1,800,740**	**59,619**
	P3,104,476	**P899,234**	**P -**	**P -**	**P -**	**P1,800,740**	**P208,856**

2018	Total	Neither Past Due nor Impaired	Past Due but not Impaired <30 Days	31-60 Days	61-90 Days	>90 Days	Impaired
Cash in bank	P88	P88	P -	P -	P -	P -	P -
Advances to subsidiaries	1,337,691	1,189,908	-	-	-	-	147,783
Due from related parties	2,773,630	911,705	-	-	-	1,800,740	61,185
	P4,111,409	P2,101,701	P -	P -	P -	P1,800,740	P208,968

Allowance for impairment losses of P403.80 million and P402.35 million on its investments, advances and deposits was recognized by the Company as at December 31, 2019 and 2018 (see Note 4).

The table below shows the credit quality of the Company's financial assets based on their historical experience with the corresponding debtors and subsidiaries (in thousands).

	As at December 31, 2019			
	Grade A	**Grade B**	**Grade C**	**Total**
Cash in bank	**P73**	**P -**	**P -**	**P73**
Advances to subsidiaries	**195,573**	**-**	**149,237**	**344,810**
Due from related parties	**899,234**	**1,800,740**	**59,619**	**2,759,593**
	P1,094,880	**P1,800,740**	**P208,856**	**P3,104,476**

	As at December 31, 2018			
	Grade A	Grade B	Grade C	Total
Cash in bank	P88	P -	P -	P88
Advances to subsidiaries	1,189,908	-	147,783	1,337,691
Due from related parties	911,705	1,800,740	61,185	2,773,630
	P2,101,701	P1,800,740	P208,968	P4,111,409

Grade A receivables pertain to receivables that are neither past due nor impaired which have good collection status. These receivables are those which have high probability of collection, as evidenced by counterparties having ability to satisfy their obligations. Grade B receivables are those past due but not impaired receivables and with fair collection status. These receivables include those for which collections are probable due to the reputation and the financial ability to pay of the counterparty but have been outstanding for a length of time. Those receivables which have continuous default collection issues are included under Grade C receivables. These receivables have counterparties that are most likely not capable of honoring their financial obligations.

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. In the management of liquidity risk, the Company monitors and maintains a level of cash deemed adequate by management to finance its activities. Additional short-term funding is obtained thru related party advances and from bank loans, when necessary.

The financial liabilities of the Company at the reporting date include accrued expenses and other payables, current portion of due to related parties and loan payable which are all short-term in nature and are payable within one year from the reporting date. In order to meet its maturing financial obligations, the Company will use the cash collections from its related parties.

The table below summarizes the maturity profile of the Company's financial liabilities as at December 31, based on contractual undiscounted payments (in thousands):

2019	***Note***	**Total Carrying Amount**	**Contractual Undiscounted Payments**				
			Total	**On Demand**	**< 1 Year**	**1 to 5 Years**	**> 5 Years**
Accrued expenses and other payables	*7*	**P1,059,966**	**P1,059,966**	**P1,059,966**	**P -**	**P -**	**P -**
Loan payable	*8*	**375,000**	**375,000**	**375,000**	**-**	**-**	**-**
Due to related parties	*5*	**1,467,483**	**1,467,483**	**690,291**	**-**	**777,192**	**-**
		P2,902,449	**P2,902,449**	**P2,125,257**	**P -**	**P777,192**	**P -**

2018	*Note*	Total Carrying Amount	Contractual Undiscounted Payments				
			Total	On Demand	< 1 Year	1 to 5 Years	> 5 Years
Accrued expenses and other payables	*7*	P987,467	P987,467	P987,467	P -	P -	P -
Loan payable	*8*	375,000	375,000	375,000	-	-	-
Due to related parties	*5*	1,518,207	1,518,207	798,904	-	719,303	-
		P2,880,674	P2,880,674	P2,161,371	P -	P719,303	P -

Fair Value of Financial Instruments

The table below summarizes the carrying amounts and fair values of the Company's financial assets and liabilities as at December 31, 2019 and 2018 (in thousands):

	2019		2018	
	Carrying Amounts	**Fair Values**	Carrying Amounts	Fair Values
Financial Assets				
Cash in bank	**P73**	**P73**	P88	P88
Advances to subsidiaries - net	**195,573**	**195,573**	1,189,908	1,189,908
Due from related parties - net	**2,699,974**	**2,699,974**	2,712,445	2,712,445
	P2,895,620	**P2,895,620**	P3,902,441	P3,902,441

	2019		2018	
	Carrying Amounts	**Fair Values**	Carrying Amounts	Fair Values
Financial Liabilities				
Accrued expenses and other payables	**P1,059,966**	**P1,059,966**	P987,467	P987,467
Loan payable	**375,000**	**375,000**	375,000	375,000
Due to related parties	**1,467,483**	**1,467,483**	1,518,207	1,518,207
	P2,902,449	**P2,902,449**	P2,880,674	P2,880,674

The carrying amount of cash, current portion of due from and to related parties, advances to subsidiaries, and accrued expenses and other payables 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 at the reporting date, thus, the carrying amount approximates fair value.

14. BIR Assessment

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

On December 8, 2009, the 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 Company appealed the final decision of the BIR with the 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 value-added tax (VAT) and compromise penalty assessments. The 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 Company filed its MR on the amended decision that was denied by the CTA in its resolution promulgated on September 13, 2013.

The 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, 2019, the Company is still awaiting SC's decision.

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

15. Omnibus Loan and Security Agreement

On December 21, 2017, the Company, WCCCHI, WMCHI, DIHCI, CRDC and PRC (collectively, the Borrowers) entered into 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 consists 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 Mactan Cebu International Airport Authority on which WCCCHI stands; and pledge of shares of stocks representing ownership of the 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. To appoint PBCOM's nominees as Corporate Secretary in WCCCHI and DIHCI and nominate and elect such number of PBCOM's nominees as will comprise the majority of the Board of Directors in WCCCHI and DIHCI, provided however, that the exercise of the abovementioned proxy and/or voting rights granted to PBCOM shall be exercised solely for the purpose of protecting, preserving, and enforcing its rights and interests under the Agreement and shall not be used by the latter to effect any takeover of the day-to-day operations of said corporations.
4. 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.

As at December 31, 2019, the Borrowers are in compliance with the above covenants.

All drawdowns were made by WCCCHI. The outstanding balances of the loans under the Loan Facilities are presented in the financial position of WCCCHI as follows:

2019

Loan Facility	**Current Portion**	**Noncurrent Portion**	**Outstanding Balance**
Facility 1	P100,000,000	P622,340,426	P722,340,426
Facility 2	25,000,000	143,085,106	168,085,106
Facility 3	150,000,000	125,000,000	275,000,000
	P275,000,000	**P890,425,532**	**P1,165,425,532**

2018

Loan Facility	Current Portion	Noncurrent Portion	Outstanding Balance
Facility 1	P100,000,000	P724,468,085	P824,468,085
Facility 2	25,000,000	168,617,022	193,617,022
Facility 3	150,000,000	275,000,000	425,000,000
	P275,000,000	P1,168,085,107	P1,443,085,107

The drawdowns and payments made by WCCCHI under the Loan Facilities are presented below:

2019

Loan Facility	**Drawdown Date**	**Maturity Date**	**Payment Terms**	**Monthly Amortization**	**Principal**	**Principal Payments**	**Outstanding Balance**
Facility 1	3/13/2018	9/12/2022	54 months	P8,333,333	P850,000,000	P127,659,574	P722,340,426
Facility 2	3/20/2018	9/19/2022	54 months	2,083,333	200,000,000	31,914,894	168,085,106
Facility 3	4/10/2018	10/9/2021	42 months	12,500,000	450,000,000	175,000,000	275,000,000
					P1,500,000,000	**P334,574,468**	**P1,165,425,532**

2018

Loan Facility	Drawdown Date	Maturity Date	Payment Terms	Monthly Amortization	Principal	Principal Payments	Outstanding Balance
Facility 1	3/13/2018	9/12/2022	54 months	P8,333,333	P850,000,000	P25,531,915	P824,468,085
Facility 2	3/20/2018	9/19/2022	54 months	2,083,333	200,000,000	6,382,978	193,617,022
Facility 3	4/10/2018	10/9/2021	42 months	12,500,000	450,000,000	25,000,000	425,000,000
					P1,500,000,000	P56,914,893	P1,443,085,107

Total interest expense paid by WCCCHI arising from the Loan Facilities amounted to P119.78 million and P101.48 million in 2019 and 2018, respectively.

16. Subsequent Events

The Corona Virus Disease 2019 (COVID-19) outbreak has spread across the globe causing disruptions to businesses and economic activities. On January 30, 2020, the World Health Organization announced COVID-19 as a global health emergency and, on March 11, 2020, declared it as a pandemic.

On March 8, 2020, under Proclamation 922, the Office of the President declared a state of public health emergency and, subsequently, on March 16, 2020, under Proclamation 929, a state of calamity throughout the Philippines due to the rapidly increasing cases of COVID-19. To manage the spread of the disease, major areas of the Philippines have been placed under an Enhanced Community Quarantine (ECQ), effective from March 17, 2020 until May 15, 2020, which involved several measures including travel restrictions, strict home quarantine and temporary suspension or regulation of business operations, among others, limiting activities to only the provision of essential goods and services.

On May 11, 2020, the President approved the Inter-Agency Task Force Resolution No. 35 changing the ECQ to either Modified ECQ (MECQ) or General Community Quarantine (GCQ), depending on the risk levels of provinces, highly urbanized cities, and independent component cities effective May 16, 2020 to May 31, 2020. Under MECQ, selected manufacturing and processing plants and commercial establishments can operate at only 50% capacity, all public transportation are still suspended, and no domestic or international flights are allowed. Under GCQ, more industries can now operate at full capacity and public and private transportation are now allowed but with enforcement of health protocols, inter-island travel is allowed between two GCQ areas, with enforcement of safety protocols. Effective June 1, 2020, Metro Manila, Cebu City, Lapu-Lapu City and Davao City were placed under GCQ. On June 16, 2020, Cebu City was placed under ECQ while Metro Manila, Lapu-Lapu City and Davao City remained under GCQ.

Under Section 4 of the Omnibus Guidelines on the Implementation of Community Quarantine in the Philippines, areas placed under GCQ shall observe the following protocols:

- Amusement, gaming, and fitness establishments, as well as those in the kids and the tourism industries may not operate.
- No hotels or similar establishments shall be allowed to operate, except those accommodating the following:

    a. For guests who have existing booking accommodations for foreigners as of 17 March 2020 for Luzon and 01 May 2020 for other areas;
    b. Guests who have existing long-term bookings;
    c. Distressed Overseas Filipino Workers (OFWs) and stranded Filipinos or foreign nationals;
    d. Repatriated OFWs in compliance with approved quarantine protocols;
    e. Non-OFWs who may be required to undergo mandatory facility-based quarantine; and
    f. Healthcare workers and other employees from exempted establishments under these Omnibus Guidelines and applicable Memoranda from the Executive Secretary.

Provided that in all of the foregoing, hotel operations shall be limited to the provision of basic accommodation services to guests through an in-house skeleton workforce. Ancillary establishments within the premises, such as restaurants, cafes, bars, gyms, spas, and the like, shall not be allowed to operate or to provide room service; Provided further, that accommodation establishments may prepare: (a) packed meals for distribution to guests who opt for the same; and (b) food orders for take-out and delivery only.

Mass gatherings such as but not limited to, movie screenings, concerts, sporting events, and other entertainment activities, community assemblies, and non-essential work gatherings shall be prohibited. Gatherings that are for the provision of critical government services and authorized humanitarian activities while adhering to the prescribed minimum health standards shall be allowed.

Omnibus Security and Loan Agreement Covenants
As at December 31, 2019 and up to the date of the BOD’s approval of the separate financial statements, the Company is in compliance with the covenants of the Loan Facilities as described in Note 15. To address the possible impact of the pandemic to the covenants of the Loan Facilities, management of the Company has already started discussions with PBCOM for options available so that the Borrowers can continue to meet the terms of the Agreement in the event the current pandemic will severely impact future cash flows.

Financial Reporting Effect
The Company considers the financial reporting effects of the outbreak to be non-adjusting events after the end of the reporting period. As the situation is fluid and rapidly evolving, the Company does not consider it practicable to provide a quantitative estimate of the potential impact of this outbreak on its separate financial statements. The impact of this outbreak, including macroeconomic forecasts and estimates of ECL provision on the Company’s financial instruments, will be determined, quantified and recognized in the Company’s separate financial statements as at and for the year ending December 31, 2020.

Despite the COVID-19 outbreak, management has determined that the event do not cast significant doubt in respect of the Company’s ability to continue as a going concern therefore the separate financial statements continue to be prepared on a going concern basis.

17. Significant Accounting Policies

The Company has consistently applied the following accounting policies to all periods presented in these separate financial statements, except for the new standard, amendments to standards and interpretation as discussed below.

<u>Adoption of New Standard, Amendments to Standards and Interpretation</u>
The Company has adopted the following new standard, amendments to standards and interpretation starting January 1, 2019 and accordingly, changed its accounting policies. Except as otherwise indicated, the adoption of these new standard and amendments to standards and interpretation did not have any significant impact on the Company’s separate financial statements.

- PFRS 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 12 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 also introduced.

The Company has applied PFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under PAS 17 and IFRIC 4, *Determining Whether an Arrangement Contains a Lease.*

The Company applied PFRS 16 with a date of initial application of January 1, 2019. As a result, the Company has changed its accounting policy for lease contracts as detailed below.

Definition of a Lease
Previously, the Company determined at contract inception whether an arrangement is or contains a lease under IFRIC 4. Under PFRS 16, the Company assesses whether a contract is or contains a lease based on the definition of a lease as explained in the significant accounting policies of leases.

Under IFRIC 4, the Company assessed a lease based on the assessment of whether:

- fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
- the arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met:

    - the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
    - the purchaser had the ability or right to control physical access to the asset while obtaining or control more than an insignificant amount of the output; or
    - facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

On transition to PFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. Therefore, the Company applied PFRS 16 only to contracts that were previously identified as leases and applied the definition of a lease under PFRS 16 only to contracts entered into or changed on or after January 1, 2019.

As a Lessee
As a lessee, the Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Company. Under PFRS 16, the Company recognizes right-of-use asset and lease liability for most leases - i.e. these leases are on the separate statement of financial position.

At transition, lease liability was measured at the present value of the remaining lease payments, discounted at the Company's incremental borrowing rate as at January 1, 2019. Right-of-use asset is measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Company used the exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term when applying PFRS 16 to leases previously classified as operating leases under PAS 17.

Impact of Transition
There is no significant impact of transition to PFRS 16 on the opening balance of the retained earnings.

- 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 separate 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 Company's chosen tax treatment. If it is not probable that the tax authority will accept the Company'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 judgments 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.

- Annual Improvements to PFRSs 2015 - 2017 Cycle. This cycle of improvements contains amendments to four standards:

  - Previously held interest in a joint operation (Amendments to PFRS 3, *Business Combinations*, and PFRS 11, *Joint Arrangements*). The amendments clarify how a company accounts for increasing its interest in a joint operation that meets the definition of a business. If a party maintains or obtains joint control, then the previously held interest is not remeasured. If a party obtains control, then the transaction is a business combination achieved in stages and the acquiring party remeasures the previously held interest at fair value.

  - Income tax consequences of payments on financial instruments classified as equity (Amendments to PAS 12, *Income Taxes*). The amendments clarify that all income tax consequences of dividends, including payments on financial instruments classified as equity, are recognized consistently with the transactions that generated the distributable profits, i.e. in profit or loss, other comprehensive income or equity.

  - Borrowing costs eligible for capitalization (Amendments to PAS 23, *Borrowing Costs*). The amendments clarify that the general borrowings pool used to calculate eligible borrowing costs excludes only borrowings that specifically finance qualifying assets that are still under development or construction. Borrowings that were intended to specifically finance qualifying assets that are now ready for their intended use or sale are included in that general pool.

Financial Instruments
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Date of Recognition
Financial instruments are recognized in the separate statement of financial position when the Company becomes a party to the contractual provisions of the instrument. The Company determines the classification of its financial assets on initial recognition and, where allowed and appropriate, re-evaluates these classifications at each reporting date.

All regular way purchases and sales of financial assets are recognized on the trade date, i.e. the date that the Company commits to purchase the asset. Regular way purchases or sales are purchases or sale of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Measurement at Initial Recognition
Financial instruments are recognized initially at fair value of the consideration given (in case of an asset) or received (in case of a liability). Except for financial instruments at FVTPL, the initial measurement of financial instruments includes transaction costs.

Financial Assets
On initial recognition, a financial asset is classified as measured at amortized cost, FVOCI or FVTPL, based on their contractual cash flow characteristics and the business model for managing the financial assets.

Debt Instruments
Financial Assets Measured at Amortized Cost
A financial asset that is a debt instrument, other than those that are designated at FVTPL, which meet both of the following conditions:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

Included in this category are the Company's cash in bank, advances to subsidiaries, and due from related parties.

Cash in Bank
Cash in bank is stated at face value.

FVOCI
A financial asset that is a debt instrument measured at FVOCI shall meet both of the following conditions and is not designated as FVTPL:

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

There are no financial assets at FVOCI as at the date of initial application and as at December 31, 2019 and 2018.

FVTPL
All other financial assets not measured at FVOCI or at amortized cost are classified as measured at FVTPL, except when the financial asset is part of a hedging relationship. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

There are no financial assets at FVTPL as at the date of initial application and as at December 31, 2019 and 2018.

Equity Instruments
Financial assets that are equity instruments shall be classified under any of the following categories:

- Financial assets measured at FVTPL which shall include financial assets held for trading; or
- Financial assets at FVOCI which shall consist of equity instruments that are irrevocably designated at FVOCI at initial recognition that are neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which PFRS 3, Business Combinations applies. This election is made on an instrument-by-instrument basis.

There are no financial assets at FVOCI as at the date of initial application and as at December 31, 2019 and 2018.

Business Model Assessment
Business model pertains to the manner by which a portfolio of financial assets will be managed to generate cash flows such as by collecting contractual cash flows or by both collecting contractual cash flows and selling the financial assets, among others.

The Company makes an assessment of the objective of the business model for the financial assets because this best reflects the way the financial assets are managed. The information considered includes:

- the stated policies and objectives for the financial assets and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, earning dividend income, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash outflows through the sale of assets;

- the risks that affect the performance of the business model and how those risks are managed;

- how managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
- the frequency, volume and timing of sales of financial assets in prior periods, the reason for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered for this purpose, consistent with the Company's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose financial performance is evaluated on a fair value basis are measured at FVTPL.

Assessment whether Contractual Cash Flows are SPPI
In assessing whether the contractual cash flows are SPPI, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets (e.g. nonrecourse features).

Prepayment feature is consistent with the SPPI criterion if the prepayment amount substantially represent unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired for a discount or premium to its contractual face amount, a feature that permit or requires prepayment that an amount that substantially represents the contractual face amount plus accrued (but unpaid) contractual interest (which may include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Subsequent Measurement of Financial Assets
Financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Amounts recognized in OCI are not classified to profit or loss.

Financial assets at FVTPL are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

Classification and Measurement of Financial Liabilities
Financial Liabilities
Financial liabilities are initially recognized at fair value. Transaction costs are deducted from the initial measurement of the Company's financial liabilities except for debt instruments classified at FVTPL.

Financial liabilities are subsequently measured as follows:

- financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies;
- financial guarantee contracts;
- commitments to provide a loan at a below-market interest rate; and
- contingent consideration recognized by an acquirer in a business combination.

As at December 31, 2019 and 2018, other financial liabilities at amortized cost include accrued expenses and other payables, due to related parties and loan payable (see Notes 5, 7 and 8). There are no financial liabilities measured at FVTPL.

Other Financial Liabilities at Amortized Cost
Issued financial instruments or their components which are not classified as financial liabilities at FVTPL are classified as other financial liabilities at amortized cost, where the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial asset to the holder or lender, or to satisfy the obligation other than by the exchange of a fixed amount of cash. After initial measurement, other financial liabilities are subsequently measured at amortized cost using the effective interest method.

Derecognition of Financial Instruments
Financial Asset
A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired;
- the Company 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 Company has transferred its rights to receive cash flows from the asset and either: (a) has transferred substantially all the risks and rewards of the asset; or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Company has transferred its right to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to pay.

Financial Liabilities
A financial liability is derecognized when the obligation under the liability is discharged or 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, with the difference in the respective carrying amounts recognized in separate statement of comprehensive loss.

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

As at December 31, 2019 and 2018, only due to/from related party transactions were offset in the separate financial statements. The said accounts were being set-off because the management intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Determination and Measurement of Fair Value
The Company measures financial instruments at fair value at each separate statement of financial position date. Fair value 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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to market participant that would use the asset in its highest and best use.

The Company uses valuation technique that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the separate financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the separate statement of financial position on a recurring basis, the Company determines whether transfer have occurred between Levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

"Day 1" Difference
Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value (a "Day 1" Difference) in the separate statement of comprehensive loss in the period when the asset is acquired or the liability is incurred. In cases where the transaction price used is based on inputs which are not observable, the difference between the transaction price and model value is only recognized in the profit or loss in the period when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the "Day 1" Difference.

<u>Impairment of Financial Assets</u>
Impairment of Financial Instruments
At the date of initial application of PFRS 9, the Company uses reasonable and supportable information that is available without undue cost or effort to determine the credit risk at the date that a financial instrument was initially recognized and compared that to the credit risk at the date of initial application.

Lifetime ECLs result from all possible default events over the expected life of a financial instruments while 12-month ECLs are the portion of ECLs that result from default events that are possible within 12 months after the reporting date (or a shorter period of the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Movement of ECLs
ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).

ECLs are discounted at the effective interest rate of the financial assets.

Credit-impaired Financial Assets
At each reporting date, the Company assesses whether financial assets carried at amortized cost are credit-impaired. The financial asset is 'credit impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial assets have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as default or being more than the normal credit terms of the Company;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

Current and Noncurrent classification
The Company presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when:

- It is expected to be realized or intended to be sold or consumed in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is expected to be realized within twelve months after the reporting period; or
- It is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as noncurrent assets and liabilities.

Investments in Subsidiaries
Subsidiaries are entities controlled by the Company. The Company controls an entity if, and only if, the Company 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 Company 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 Company carries its investments in shares of stock of its subsidiaries under the cost method of accounting for investments. Under this method, investments are carried at cost less impairment losses. The investor recognizes income from the investment only to the extent that the investor receives distributions from accumulated profits of the investee arising after the date of the acquisition. Distributions received in excess of such profits are regarded as a recovery of investment and are recognized as a reduction of the cost of the investment.

Property and Equipment

Measurement at Recognition

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

Measurement Subsequent to Recognition

Property and equipment are carried at cost less accumulated depreciation and accumulated impairment losses, if any.

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 Company. The costs of day-to-day servicing of an asset are recognized as an expense in the period in which they are incurred.

Depreciation and Amortization

Depreciation is computed using the straight-line method over the estimated useful lives of furniture, fixtures and equipment ranging from five (5) to ten (10) years. Leasehold improvements are amortized using the straight-line method over the term of the lease or the estimated useful lives of the improvements, whichever is shorter.

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 Company'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. 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 value in use, 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 are adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining life.

A reversal of an impairment loss on a revalued asset is recognized in the separate statements of changes in equity and increases the revaluation surplus. However, to the extent that an impairment loss on the same revalued asset was previously recognized in the profit or loss, a reversal of that impairment loss is also recognized in the profit or loss.

<u>Revenue Recognition</u>
Revenue from Contracts with Customers
The Company's business is primarily engaged in holding 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 following specific recognition criteria must also be met before revenue is recognized:

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

Miscellaneous Income
Other Income is recognized when earned.

Determination of whether the Company is Acting as a Principal or an Agent
The Company assesses its revenue arrangements against the following criteria to determine whether it is acting as a principal or an agent:

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

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

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

Expense Recognition

Expenses are recognized in profit or loss upon utilization of the service or at the date they are incurred. Interest expense are reported on an accrual basis.

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.

Leases

The Company has applied PFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under PAS 17 and IFRIC 4.

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in PFRS 16.

The Company as Lessee

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company presents right-of-use assets - net that do not meet the definition of investment property and lease liabilities as a separate line item in the separate statement of financial position.

Short-term Leases
The Company has elected not to recognize right-of-use assets - net and lease liabilities for short-term leases. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Policy Applicable before January 1, 2019

For contracts entered into before January 1, 2019, the Company determined whether the arrangement was or contained a lease based on the assessment of whether:

- fulfilment of the arrangement was dependent on the use of a specific asset or assets; and

- the arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met:

  - the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
  - the purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or

- facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

Company as a Lessee
In the comparative period, as a lessee the Company classified leases that transferred substantially all of the risks and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent. Subsequent to initial recognition, the assets were accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases were classified as operating leases and were not recognized in the Company's separate statement of financial position. Payments made under operating leases were recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognized as an integral part of the total lease expense, over the term of the lease.

Income Taxes
Income tax comprises current and deferred tax. Current and deferred tax are recognized in profit or loss except to the extent that they relate to items recognized in OCI or directly in equity, in which case they are recognized respectively therein.

The Company has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted for them under PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*.

Current Tax
Current tax assets and liabilities for the current periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted at the end of each reporting period.

Current tax relating to items recognized directly in equity is recognized in equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred Tax
Deferred tax is provided, using the liability method, on all temporary differences at the financial reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax, however, is not recognized when it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit or loss nor taxable profit or loss.

Deferred tax liabilities are not provided on nontaxable temporary differences associated with investments in domestic subsidiaries, associates and interest in joint ventures. With respect to investments in other subsidiaries, associates and interests in joint ventures, deferred tax liabilities are recognized except when the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that sufficient future taxable profits will allow the deferred tax asset to be recovered. It is probable that sufficient future taxable profits will be available against which a deductible temporary difference can be utilized when there are sufficient taxable temporary difference relating to the same taxation authority and the same taxable entity which are expected to reverse in the same period as the expected reversal of the deductible temporary difference. In such circumstances, the deferred tax asset is recognized in the period in which the deductible temporary difference arises.

Deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rate and tax laws that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax relating to items recognized in OCI or directly in equity is recognized in the separate statement of other comprehensive income and separate statement of changes in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset, if there is a legally enforceable right to offset current income tax assets against current income tax liabilities and they relate to income taxes levied by the same tax authority and the Company intends to settle its current income tax assets and liabilities on a net basis.

Equity

Capital stock is classified as equity and is determined using the nominal value of share that have been issued. Capital stock is recognized at par value for all issued shares. Consideration received in excess of par value is recognized as additional paid-in capital net of incremental costs that are directly attributable to the issuance of new shares.

Accumulated deficit includes accumulated results of operations as reported in the separate statements of profit or loss and other comprehensive loss less any dividends declared. Dividends are recorded in the period in which the dividends are approved by the BOD.

Provisions and Contingencies

A provision is a liability of uncertain timing or amount. It is recognized when the Company 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 separate financial statements but are disclosed when the inflow of economic benefits is virtually certain.

Events After the End of the Reporting Date
The Company identifies post year-end events as events that occurred after the reporting date but before the date when the separate financial statements were authorized for issue. Any post year-end events that provide additional information on conditions that existed at the end of a reporting period (adjusting events) are recognized in the separate financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the separate financial statements when material.

New Standard, Amendments to Standards and Interpretation Not Yet Adopted
A number of new standard, amendments to standards and interpretation are effective for annual periods beginning after January 1, 2019. However, the Company has not applied the following new or amended standards and interpretation in preparing these separate financial statements. The Company has not yet accounted for and is currently assessing the potential impact of these, if any, on its separate financial statements.

To be Adopted on January 1, 2020

- Amendments to References to Conceptual Framework in PFRS sets out amendments to PFRSs, their accompanying documents and PFRS practice statements to reflect the issuance of the revised Conceptual Framework for Financial Reporting in 2018 (2018 Conceptual Framework). The 2018 Conceptual Framework includes:

  - a new chapter on measurement;
  - guidance on reporting financial performance;
  - improved definitions of an asset and a liability, and guidance supporting these definitions; and
  - clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

  Some PFRSs, their accompanying documents and PFRS practice statements contain references to, or quotations from, the International Accounting Standards Committee's Framework for the Preparation and Presentation of Financial Statements adopted by the International Accounting Standards Board in 2001 or the Conceptual Framework for Financial Reporting issued in 2010. The amendments update some of those references and quotations so that they refer to the 2018 Conceptual Framework, and makes other amendments to clarify which version of the Conceptual Framework is referred to in particular documents.

These amendments are effective for annual reporting periods beginning on or after January 1, 2020.

- Definition of Material (Amendments to PAS 1, *Presentation of Financial Statements* and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*). The amendments refine the definition of material. The amended definition of material states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments clarify the definition of material and its application by:

  (a) raising the threshold at which information becomes material by replacing the term 'could influence' with 'could reasonably be expected to influence';
  (b) including the concept of 'obscuring information' alongside the concept of 'omitting' and 'misstating' information in the definition;
  (c) clarifying that the users to which the definition refers are the primary users of general purpose financial statements referred to in the Conceptual Framework;
  (d) clarifying the explanatory paragraphs accompanying the definition; and
  (e) aligning the wording of the definition of material across PFRSs and other publications.

  The amendments are expected to help entities make better materiality judgments without substantively changing existing requirements. The amendments apply prospectively for annual periods beginning on or after January 1, 2020.

- Interest Rate Benchmark Reform (Amendments to PFRS 9 Financial Instruments, PAS 39 Financial Instruments: Recognition and Measurement and PFRS 7 Financial Instruments: Disclosures). The amendments provide temporary exceptions to all hedging relationships directly affected by interest rate benchmark reform - the market-wide reform of an interest rate benchmark, including the replacement of an interest rate benchmark with an alternative benchmark rate such as that resulting from the recommendations set out in the Financial Stability Board's July 2014 report 'Reforming Major Interest Rate Benchmarks'. The exceptions relate to the following requirements:

  - The highly probable requirement. When determining whether a forecast transaction is highly probable, an entity shall assume that the interest rate benchmark on which the hedged cash flows are based is not altered as a result of the reform.

  - Prospective assessments. When performing prospective assessments, a company shall assume that the interest rate benchmark on which the hedged item, hedged risk and/or hedging instrument are based is not altered as a result of the interest rate benchmark reform.

  - PAS 39 retrospective assessment. An entity is not required to undertake the PAS 39 retrospective assessment for hedging relationships directly affected by the reform. However, the entity must comply with all other PAS 39 hedge accounting requirements, including the prospective assessment.

  - Separately identifiable risk components. For hedges of a non-contractually specified benchmark component of interest rate risk, an entity shall apply the separately identifiable requirement only at the inception of such hedging relationships.

An entity shall cease applying the exceptions when the uncertainty arising from interest rate benchmark reform is no longer present with respect to the timing and the amount of the interest rate benchmark-based cash flows or the hedging relationship is discontinued. End of application does not apply to the test for separately identifiable risk components.

Specific disclosure requirements apply to hedging relationships affected by the amendments including information about the significant interest rate benchmarks, extent of risk exposure directly affected by the reform, how the entity manages the process to transition to alternative benchmark rates, significant assumptions and judgements made in applying the exceptions, and the nominal amount of the hedging instruments in those hedging relationships.

The amendments apply prospectively for annual periods beginning on or after January 1, 2020. Earlier application is permitted.

The Company is currently assessing and has yet to reasonably estimate the impact of these, if any, on its separate financial statements.

18. Supplementary Information Required Under Revenue Regulations No. 15-2010 of the BIR

In addition to the disclosures mandated under PFRSs, and such other standards and/or conventions as may be adopted, companies are required by the BIR to provide in the notes to the separate financial statements, certain supplementary information for the taxable year. The amounts relating to such supplementary information may not necessarily be the same with those amounts disclosed in the separate financial statements which were prepared in accordance with PFRSs. The following are the tax information required for the taxable year ended December 31, 2019:

A. Withholding Taxes

During the year, the Company withheld expanded withholding tax amounting to P49,500.

B. All Other Taxes (Local and National)

Other taxes paid during the year recognized under "Taxes and licenses" account under General and Administrative Expenses	
License and other fees	**P6,592,618**

C. Deficiency Tax Assessments

As at December 31, 2019, the Company is still awaiting SC's decision on its appeal related to the VAT assessment for taxable year 2006.

Annex A: Reporting Template

(For additional guidance on how to answer the Topics, organizations may refer to Annex B: Topic Guide)

Contextual Information

Company Details	
Name of Organization	WATERFRONT PHILIPPINES, INC.
Location of Headquarters	Cebu City, Philippines
Location of Operations	Outlined in page 11 to 16 of this report
Report Boundary: Legal entities (e.g. subsidiaries) included in this report*	Outlined in Item 2. Properties from page 19 to 20
Business Model, including Primary Activities, Brands, Products, and Services	WPI is a holding company for hotel, leisure and tourism businesses.
Reporting Period	For the year ended December 31, 2020
Highest Ranking Person responsible for this report	COMPLIANCE OFFICER - MR. RICHARD RICARDO

**If you are a holding company, you could have an option whether to report on the holding company only or include the subsidiaries. However, please consider the principle of materiality when defining your report boundary.*

Materiality Process

Explain how you applied the materiality principle (or the materiality process) in identifying your material topics.[1]
WPI has set out in its initial submission of this Sustainability Report to provide information identified as material topics based on its relevance to the operations of the Corporation and the Hotels on the basis of the Sustainability Accounting Standards Board (SASB) Materiality Map, specifically, for the Hotels & Lodging industry. The SASB Materiality Map is referenced in the SEC Memorandum Circular No. 4, Series of 2009 on the Sustainability Reporting Guidelines for Publicly-Listed Companies. Per assessment, the Corporation identifies the following issues as most likely to affect the economic, environmental and social impacts of the Corporation: 1. Environmental - Energy Management, Waste and Wastewater Management 2. Social - Labour Practices, Product and/or Service Quality and Safety 3. Economic - Supply Chain Management

[1] See *GRI 102-46* (2016) for more guidance.

ECONOMIC

Economic Performance

Direct Economic Value Generated and Distributed

Disclosure	Amount	Units
Direct economic value generated (revenue)	1,054,632,300	PhP
Direct economic value distributed:		
a. Operating costs	717,654,748	PhP
b. Employee wages and benefits	217,561,400	PhP
c. Payments to suppliers, other operating costs		Php
d. Dividends given to stockholders and interest payments to loan providers		PhP
e. Taxes given to government	66,189,717	PhP
f. Investments to community (e.g. donations, CSR)		PhP

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
The impact is seen in the creation of job opportunities for individuals who would like to pursue a career in the hotel and food & beverage industry.	Employees, Local Community	The hotel regularly monitors the manpower needed as new events and new clients are booked and signed. The hotel then hires employees based on the requirement of the properties involved.
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Despite the growing population of jobseekers, some are not equipped to readily undertake delivering services to the clientele of the Company.	Employees	The Company coordinates with various avenues including schools, online job websites like LinkedIn and accredited head-hunters in finding people suitable for the tasks. Once hired, the Company also provides in-house training for skills specific to the standards observed by the hotels in the group.
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
There is an opportunity to provide holistic improvement to the employees, thereby promoting efficiency and effectivity at work	Employees	The Group's Human Resource Department continually provides trainings for its employees including trainings for skills, language improvement, handling of stress, etc.

Climate-related risks and opportunities[2]

This year, the Group cannot provide relevantly sufficient information to evaluate in full any climate-related risks and opportunities. The Group is currently in the process of crafting certain metrics to assess the risks as well as the opportunities at this stage.

Governance	Strategy	Risk Management	Metrics and Targets
Disclose the organization's governance around climate-related risks and opportunities	Disclose the actual and potential impacts[3] of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material	Disclose how the organization identifies, assesses, and manages climate-related risks	Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material
Recommended Disclosures			
a) Describe the board's oversight of climate-related risks and opportunities	a) Describe the climate-related risks and opportunities the organization has identified over the short, medium and long term	a) Describe the organization's processes for identifying and assessing climate-related risks	a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process
b) Describe management's role in assessing and managing climate-related risks and opportunities	b) Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy and financial planning.	b) Describe the organization's processes for managing climate-related risks	b) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets
	c) Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios including a 2°C or lower scenario	c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management	

[2] Adopted from the Recommendations of the Task Force on Climate-Related Financial Disclosures. The TCFD Recommendations apply to non-financial companies and financial-sector organizations, including banks, insurance companies, asset managers and asset owners.
[3] For this disclosure, impact refers to the impact of climate-related issues on the company.

Procurement Practices

Proportion of spending on local suppliers

Disclosure	Quantity	Units
Percentage of procurement budget used for significant locations of operations that is spent on local suppliers	95	%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Majority of the suppliers in the Group's supply chain are local establishments. This allows the Group to take advantage of delivery cost savings, shorter delivery time and generally, higher quality of goods.	Local Industry Suppliers	The Procurement Departments of the various hotels under the Group are observing the practice of preferring local suppliers.
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Some of the goods and services needed by the Group might not be readily available	Guests	The Group follows an inventory monitoring procedures that take into account the delivery lead time per item per supplier
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
There is an opportunity to improve the local supply chain as well as subscribe to locally-sustainable, readily available products that are sold at an affordable price range.	Suppliers, Government	The Group chooses three suppliers where the needed items will be sourced from regularly. One of the factors considered is the proximity of the supplier to the location of the hotel.

Anti-corruption

Training on Anti-corruption Policies and Procedures

Disclosure	Quantity	Units
Percentage of employees to whom the organization's anti-corruption policies and procedures have been communicated to	100	%
Percentage of business partners to whom the organization's anti-corruption policies and procedures have been communicated to	100	%
Percentage of directors and management that have received anti-corruption training	100	%
Percentage of employees that have received anti-corruption training	100	%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
N/A		
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
N/A		
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
N/A		

Incidents of Corruption

Disclosure	Quantity	Units
Number of incidents in which directors were removed or disciplined for corruption	NIL	#
Number of incidents in which employees were dismissed or disciplined for corruption	NIL	#
Number of incidents when contracts with business partners were terminated due to incidents of corruption	NIL	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
N/A		
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
N/A		
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
N/A		

ENVIRONMENT

Resource Management

Energy consumption within the organization:

Disclosure	Quantity	Units
Energy consumption (renewable sources)		GJ
Energy consumption (gasoline)		L
Energy consumption (LPG)	55,163.92	Kg
Energy consumption (diesel)	272,572.66	L
Energy consumption (electricity)	8,876,415	kWh

Reduction of energy consumption

Disclosure	Quantity	Units
Energy reduction (gasoline)		GJ
Energy reduction (LPG)		GJ
Energy reduction (diesel)	247,872.65	GJ
Energy reduction (electricity)	6,006,446.00	kWh
Energy reduction (gasoline)		GJ

What is the impact and where does it occur? What is the organization's involvement in the impact?	**Which stakeholders are affected?**	**Management Approach**
N/A		
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
N/A		
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
N/A		

Water consumption within the organization

Disclosure	Quantity	Units
Water withdrawal		Cubic meters
Water consumption	227,735.00	Cubic meters
Water recycled and reused	123,300.00	Cubic meters

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
N/A		
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
N/A		
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
N/A		

Materials used by the organization

The group currently does not have sufficient information to assess risks and opportunities under this category.

Disclosure	Quantity	Units
Materials used by weight or volume		
• renewable		kg/liters
• non-renewable		kg/liters
Percentage of recycled input materials used to manufacture the organization's primary products and services		%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
N/A		
What are the Risk/s Identified?	**Which stakeholders are**	**Management Approach**

	affected?	
N/A		
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
N/A		

Ecosystems and biodiversity (whether in upland/watershed or coastal/marine)

The group currently does not have sufficient information to assess risks and opportunities under this category.

Disclosure	Quantity	Units
Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	-	
Habitats protected or restored	-	
IUCN[4] Red List species and national conservation list species with habitats in areas affected by operations	-	

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
N/A		
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
N/A		
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
N/A		

[4] International Union for Conservation of Nature

Environmental impact management

The group currently does not have sufficient information to assess risks and opportunities under this category.

Air Emissions

GHG

Disclosure	Quantity	Units
Direct (Scope 1) GHG Emissions	-	Tonnes CO_2e
Energy indirect (Scope 2) GHG Emissions	-	Tonnes CO_2e
Emissions of ozone-depleting substances (ODS)	-	Tonnes

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
N/A		
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
N/A		
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
N/A		

Air pollutants

The group currently does not have sufficient information to assess risks and opportunities under this category.

Disclosure	Quantity	Units
NO_x	-	kg
SO_x	-	kg
Persistent organic pollutants (POPs)	-	kg
Volatile organic compounds (VOCs)	-	kg
Hazardous air pollutants (HAPs)	-	kg
Particulate matter (PM)	-	kg

What is the impact and where does it occur? What is the	Which stakeholders are affected?	Management Approach

organization's involvement in the impact?		
N/A		
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
N/A		
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
N/A		

Solid and Hazardous Wastes

The group currently does not have sufficient information to assess risks and opportunities under this category.

Solid Waste

Disclosure	Quantity	Units
Total solid waste generated		kg
Reusable		kg
Recyclable	1200.00	kg
Composted	270,000.00	kg
Incinerated		kg
Residuals/Landfilled	149,650.00	kg

What is the impact and where does it occur? What is the organization's involvement in the impact?	**Which stakeholders are affected?**	**Management Approach**
N/A		
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
N/A		
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
N/A		

Hazardous Waste

Disclosure	Quantity	Units
Total weight of hazardous waste generated	4,282.00	kg
Total weight of hazardous waste transported	80.00	kg

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
N/A		
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
N/A		
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
N/A		

Effluents

The group currently does not have sufficient information to assess risks and opportunities under this category

Disclosure	Quantity	Units
Total volume of water discharges	123,300.00	Cubic meters
Percent of wastewater recycled	100	%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
N/A		
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
N/A		
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
N/A		

Environmental compliance

The group currently does not have sufficient information to assess risks and opportunities under this category.

Non-compliance with Environmental Laws and Regulations

Disclosure	Quantity	Units
Total amount of monetary fines for non-compliance with environmental laws and/or regulations	-	PhP
No. of non-monetary sanctions for non-compliance with environmental laws and/or regulations	-	#
No. of cases resolved through dispute resolution mechanism	-	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
N/A		
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
N/A		
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
N/A		

SOCIAL

Employee Management

Employee Hiring and Benefits

Employee data

Disclosure	Quantity	Units
Total number of employees[5]	466	#
a. Number of female employees	209	#
b. Number of male employees	257	#
Attrition rate[6]		rate
Ratio of lowest paid employee against minimum wage		ratio

Employee benefits

List of Benefits	Y/N	% of female employees who availed for the year	% of male employees who availed for the year
SSS	Y	5.74%	2.72%
PhilHealth	Y	4.30%	1.17%
Pag-ibig	Y	0.95%	1.17%
Parental leaves	Y	1.91%	0.04%
Vacation leaves	Y	100 %	100 %
Sick leaves	Y	100 %	100 %
Medical benefits (aside from PhilHealth))	Y	70.33%	66.54%
Housing assistance (aside from Pag-ibig)		0.00%	0.00%
Retirement fund (aside from SSS)	Y	5.26%	7.00%
Further education support		0.00%	0.00%
Company stock options		0.00%	0.00%
Telecommuting		0.00%	0.00%
Flexible-working Hours	Y	8.61%	0.00%
(Others)			

[5] Employees are individuals who are in an employment relationship with the organization, according to national law or its application (GRI Standards 2016 Glossary)

[6] Attrition are = (no. of new hires – no. of turnover)/(average of total no. of employees of previous year and total no. of employees of current year)

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
The availability of these benefits for the employees provide them with a sense of security for when additional funds are needed in cases of sickness, etc. The benefits being provided by the company to the employees provide them also with fulfilment in the tasks that they do.	The Group follows a comprehensive Employee Handbook which outlines, enumerates and explains the benefits being provided for by the company to its employees. Said handbook also provides for the limitations and guidelines for the availment of these benefits as well.
What are the Risk/s Identified?	**Management Approach**
If the benefits are not sufficient, the employees can become dissatisfied and subsequently, unproductive.	Management has given employees with a vast number of benefits and privileges that they can avail of.
What are the Opportunity/ies Identified?	**Management Approach**
The minimal cost of the benefits causing employees to be more productive and motivated.	Continuous learning through trainings is being offered by Management.

Employee Training and Development

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
This improves the overall competence of the employees including the skills necessary for their jobs as well as improvement of their knowledge pertaining to the hotel and leisure industry.	Each supervisor appraises the employee twice a year and identifies which trainings the employee needs to do his/her job well.
What are the Risk/s Identified?	**Management Approach**
Because of limited funding, not everyone could get external training.	Management exercises an echo training program wherein employees sent on outside trainings will be tasked to echo what they've learned from their trainings through mini-learning sessions with their peers.
What are the Opportunity/ies Identified?	**Management Approach**
Continuous and sustained trainings will ensure quality of work.	Each department are evaluated every period for the number of training hours that the department has undertaken.

Labor-Management Relations

Of the entire group, only one subsidiary, Davao Insular Hotel Corporation, have an existing Collective Bargaining Agreement with its employees.

Disclosure	Quantity	Units
% of employees covered with Collective Bargaining Agreements	7.94%	%
Number of consultations conducted with employees concerning employee-related policies	N/A	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
N/A	
What are the Risk/s Identified?	**Management Approach**
N/A	
What are the Opportunity/ies Identified?	**Management Approach**
N/A	

Diversity and Equal Opportunity

The group currently does not have an adequate number of employees from the vulnerable sector to make an assessment of impacts, risks and opportunities under this category.

Disclosure	Quantity	Units
% of female workers in the workforce	44.85%	%
% of male workers in the workforce	51.15%	%
Number of employees from indigenous communities and/or vulnerable sector*	N/A	#

**Vulnerable sector includes, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E).*

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
N/A	
What are the Risk/s Identified?	**Management Approach**
N/A	
What are the Opportunity/ies Identified?	**Management Approach**
N/A	

Workplace Conditions, Labor Standards, and Human Rights

Occupational Health and Safety

Disclosure	Quantity	Units
Safe Man-Hours	X8	Man-hours
No. of work-related injuries	N/A	#
No. of work-related fatalities	N/A	#
No. of work related ill-health	2	#
No. of safety drills	1	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
The impact lies in the overall safety of the employees when they are performing their tasks.	Management provides for policies that ensures that the workplace is a safe environment for its employees.
What are the Risk/s Identified?	**Management Approach**
Violations of the existing standard workplace conditions will result into penalties levied by the Department of Labour and Employment.	Each of the hotel properties have an established safety and security committee that ensures compliance with the standards set by the respective regulatory agencies.
What are the Opportunity/ies Identified?	**Management Approach**
To improve on the safety and security measures.	Regular evaluation of safety procedures including drills and trainings.

Labor Laws and Human Rights

Disclosure	Quantity	Units
No. of legal actions or employee grievances involving forced or child labor	0	#

Do you have policies that explicitly disallows violations of labor laws and human rights (e.g. harassment, bullying) in the workplace?

Topic	Y/N	If Yes, cite reference in the company policy
Forced labor	Y	
Child labor	Y	Policy on allowable age for hiring
Human Rights	Y	Policy on Anti Sexual Harassment

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
This directly impacts the welfare of the employees. The organization can provide safety nets to ensure that employees are protected.	The Employee Company Policy set in the Employee Handbook provides in detail what are the rights of the employees whilst employed by the organization.

What are the Risk/s Identified?	Management Approach
Possibility of aired grievances and lawsuits	Management provides for a process to ensure that rights of employees are protected.
What are the Opportunity/ies Identified?	**Management Approach**
If the policies are religiously followed, a harmonious work environment can be achieved.	Consultation with legal counsel is always done before performing any activities that will affect employee welfare.

Supply Chain Management

Do you have a supplier accreditation policy? If yes, please attach the policy or link to the policy:

I. **POLICY**

It is the policy of the Waterfront Hotels & Casinos to ensure that the Standard Operating Procedure *(SOP)* on accrediting suppliers is strictly observed.

II. **OBJECTIVE**

1. To provide guidelines and standard procedures in accrediting suppliers in order to:

    1. Ensure that the three Hotel Properties have one and the same accredited suppliers for all standard hotel amenities;

    2. Ensure good buy/price of supplies through volume purchases of the three properties from the accredited suppliers; and,

    3. Ensure good supply, quantity and quality-wise of goods and services.

III. **CONCEPT**

Hotel properties maintain the same standards and qualities of amenities and services. Suppliers must be accredited by the hotel to uphold the criterion being implemented.

IV. RESPONSIBILITY

- For Purchasing Head:

    1. Informs the accredited suppliers that the three (3) hotel properties are independent from each other.

- For Concerned employees:

    1. Ensure the full compliance to these policies and maintain good business relationships with suppliers with the end objective of benefit for the company.

- For Department End Users:

    1. Gives feedback to the department regarding the performance of suppliers. Performance of suppliers would mean quality of product or service, promptness of delivery, etc.

V. **GUIDELINES AND PROCEDURES**

- All suppliers of the company undergo an accreditation process before any transaction is made with said supplier.

  1. The supplier must submit a duly accomplished Supplier's Information Sheet *(refer to Forms Manual)* together with other supporting documents required prior to accreditation.
  2. The supporting documents are any of the following:
     - For Partnerships and Corporations:

       1. Securities and Exchange Commission Certificate of registration;
       2. Articles of Incorporation;
       3. List of Trade references; and
       4. Audited Financial Statements for the last three years

     - For Single Proprietorship

       1. Department of Trade and Industry Registration of Trade Name;
       2. Local Government (Mayor's) Permit;
       3. List of trade references; and
       4. Audited Financial Statements for the last three years

- The Head of Purchasing Department of each property reviews and evaluates initially all suppliers' information using the following criteria among others.

  1. Quality of the product/items/services;
  2. Track record of the supplier. Standing of the supplier/contractor in the industry that they belong to;
  3. Price of the product/goods and/or services;
  4. Adequacy of supply;
  5. Reliability in delivery;
  6. Premium or other additional services to be offered;
  7. After sales services;
  8. Credit terms being extended;

- After reviewing and evaluating the supplier's information, make and give recommendations to the Finance Department Head for approval.
- The Purchasing Department of each property must keep a master file of all Suppliers' Information Sheet and an updated price listing of products/services being offered.
- The Purchasing Department submits to the Finance Department Head, Hotel Manager and the EVP-Hotel Operations a monthly profile of all accredited suppliers with the corresponding credit terms being extended to the company.
- Three (3) accredited suppliers of similar products are maintained to avoid loss of supplies in case one supplier's products are out of stock or unavailable.
- The Finance Department Head takes control on accrediting suppliers.
  1. The Finance Department Head is the only officer of the company who has the authority to re-

voke the accreditation and blacklisting of a supplier. Department or unit heads with problems and/or difficulties with suppliers must course their written complaints to the Purchasing Head.

- The Purchasing Head investigates and evaluates the complaint within twenty four (24) hours from receipt of the written complaint.
- Purchasing Head evaluates the complaints and recommends to the Finance Department Head for proper disposition.

Do you consider the following sustainability topics when accrediting suppliers?

Topic	Y/N	If Yes, cite reference in the supplier policy
Environmental performance	N	
Forced labor	N	
Child labor	N	
Human rights	N	
Bribery and corruption	N	

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
During the reporting period, the relevant sustainability topics mentioned above are not taken into consideration when accrediting suppliers.	
What are the Risk/s Identified?	**Management Approach**
N/A	
What are the Opportunity/ies Identified?	**Management Approach**
N/A	

Relationship with Community

Significant Impacts on Local Communities

The group currently does not have an adequate number of employees from the vulnerable sector to make an assessment of impacts, risks and opportunities under this category.

Operations with significant (positive or negative) impacts on local communities (exclude CSR projects; this has to be business operations)	Location	Vulnerable groups (if applicable)*	Does the particular operation have impacts on indigenous people (Y/N)?	Collective or individual rights that have been identified that or particular concern for the community	Mitigating measures (if negative) or enhancement measures (if positive)

1. TOURISM	CEBU CITY	N/A	NO	N/A	
2. TOURISM	CITY OF MANILA	N/A	NO	N/A	
3. TOURISM	DAVAO CITY	N/A	NO	N/A	
4. TOURISM	LAPU-LAPU CITY	N/A	NO	N/A	

**Vulnerable sector includes children and youth, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E)*

For operations that are affecting IPs, indicate the total number of Free and Prior Informed Consent (FPIC) undergoing consultations and Certification Preconditions (CPs) secured and still operational and provide a copy or link to the certificates if available: ______________

Certificates	Quantity	Units
FPIC process is still undergoing	-	#
CP secured	-	#

What are the Risk/s Identified?	Management Approach
N/A	
What are the Opportunity/ies Identified?	**Management Approach**
N/A	

Customer Management

Customer Satisfaction

Disclosure	Score	Did a third party conduct the customer satisfaction study (Y/N)?
Customer satisfaction Revinate Reviews		Y

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Customer satisfaction helps improve the processes of the hotel and generates a steady source of revenue.	Whenever there are dissatisfied customers, the management sets out to undertake measures to ensure that the concerns of the client or guests are addressed.
What are the Risk/s Identified?	**Management Approach**
Possibility of lawsuits and complaints	Management checks for the reviews provided by the clients to identify if there have been problems

	during the stay of the guests.
What are the Opportunity/ies Identified?	**Management Approach**
Having a customer satisfaction review helps the organization assess its processes.	Each hotel room or food and beverage outlet has a set of customer satisfactions forms that the customer can fill out.

Health and Safety

The group currently does not have sufficient information to assess risks and opportunities under this category.

Disclosure	Quantity	Units
No. of substantiated complaints on product or service health and safety*		#
No. of complaints addressed		#

**Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

What is the impact and where does it occur? What is the organization's involvement in the impact?	**Management Approach**
N/A	
What are the Risk/s Identified?	**Management Approach**
N/A	
What are the Opportunity/ies Identified?	**Management Approach**
N/A	

Marketing and labelling

The group currently does not have sufficient information to assess risks and opportunities under this category.

Disclosure	Quantity	Units
No. of substantiated complaints on marketing and labelling*		#
No. of complaints addressed		#

**Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
N/A	
What are the Risk/s Identified?	**Management Approach**
N/A	
What are the Opportunity/ies Identified?	**Management Approach**
N/A	

Customer privacy

Disclosure	Quantity	Units
No. of substantiated complaints on customer privacy*	0	#
No. of complaints addressed	0	#
No. of customers, users and account holders whose information is used for secondary purposes	0	#

**Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
This impacts the confidentiality of customer information.	Management follows a set of strict procedures that safeguards the information provided by customers.
What are the Risk/s Identified?	**Management Approach**
Risks that customer information might get leaked.	Management has provided both manual and technological safety nets to protect customer information from getting leaked.
What are the Opportunity/ies Identified?	**Management Approach**
N/A	

Data Security

The group currently does not have sufficient information to assess risks and opportunities under this category.

Disclosure	Quantity	Units
No. of data breaches, including leaks, thefts and losses of data	-	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
N/A	
What are the Risk/s Identified?	**Management Approach**
N/A	
What are the Opportunity/ies Identified?	**Management Approach**
N/A	

UN SUSTAINABLE DEVELOPMENT GOALS

Product or Service Contribution to UN SDGs

Key products and services and its contribution to sustainable development.

Key Products and Services	Societal Value / Contribution to UN SDGs	Potential Negative Impact of Contribution	Management Approach to Negative Impact
Hotel and Leisure Food and Beverage Service	Generation of jobs for the population while providing quality service to clientele	Opportunities to offer jobs to the vulnerable sector are scarce.	Management can assess procedures and existing policies to find more opportunities to provide for the vulnerable sector.

** None/Not Applicable is not an acceptable answer. For holding companies, the services and products of its subsidiaries may be disclosed.*