ANNEX "A" Conso

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **Acesite (Phils) Hotel Corporation.** is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended **December 31, 2025 and 2024,** in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

Signed under oath by the following:

Arthur M. Lopez
Chairman of the Board

Richard L. Ricardo
President

Cheryl M. Vidal
Corporate Finance Director

Elvira A. Ting
Treasurer

Signed this __th day of JUN 11 2026 2026

SUBSCRIBED AND SWORN TO BEFORE ME THIS ___ DAY OF JUN 11 2026 AT CITY OF MANILA, PHILIPPINES

ATTY. GERSON B. GAMAS
Notary Public for the City of Manila
Notarial Commission No. 2025-156 Valid Until Dec. 31, 2026
2nd Floor, Citadel Bldg., Railroad Drive, Brgy. 653, District V, Port Area, 1018, Manila, Metro Manila
Roll No. 72250
IBP No. 572978; 12-26-2025 until 12-31-26
PTR No. 0367847; 01-05-2026; until 12-31-26 City of Manila
MCLE Compliance No. VIII-0010142, Valid Until April 14, 2028

DOC NO 46
PAGE NO 10
BOOK NO XXVIII
SERIES OF 2026

ANNEX "B"

ACESITE (PHILS.) HOTEL CORPORATION AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2025 and 2024

With Independent Auditors' Report

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
Acesite (Phils.) Hotel Corporation
8th Floor, Waterfront Manila Hotel and Casino
United Nations Avenue corner Maria Orosa Street
Ermita, Manila

Opinion

We have audited the consolidated financial statements of Acesite (Phils.) Hotel Corporation and Subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2025 and 2024, and the consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years ended December 31, 2025, and notes, comprising summary of material 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, 2025 and 2024, and its consolidated financial performance and its consolidated cash flows for each of the three years ended December 31, 2025, in accordance with Philippine Financial Reporting Standards (PFRS) Accounting Standards.

Basis for Opinion

We conducted our audits 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), as applicable to audits of the consolidated financial statements of public interest entities, together with the ethical requirements that are relevant to audits of the consolidated financial statements of public interest entities 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.

Firm Regulatory Registration & Accreditation:
PRC-BOA Registration No. 0003, valid until September 20, 2026
SEC Accreditation No. 0003-SEC, Group A, valid for the audit of annual financial statements for the year ended December 31, 2024 until the year ended December 31, 2025, pursuant to SEC Notice dated April 4, 2025, and Certificate of Accreditation issued on March 19, 2026, valid for five (5) years covering the audit of 2026 to 2030 financial statements
BSP Selected EAs of BSFIs-Group A, valid for five (5) years covering the audit of 2025 to 2029 financial statements under BSP Letter No. FSD VI-2025-02-0054g-FSD6L-External

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the consolidated financial statements, which indicates that as at date, the Group's hotel operations remain suspended due to the fire incident in March 2018 that significantly damaged its podium and hotel property, the reconstruction of which continues to experience delays in achieving project milestones and is behind its target completion dates. It is further stated in the same note that its current liabilities exceeded its current assets by P900.75 million as at reporting date, and has incurred net losses for the years 2023, 2024 and 2025 amounting to P107.4 million, P77.2 million and P74.9 million, respectively. As stated in Note 1, these events and conditions, among others, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Note 1 discloses the plans of the Group to address the said matter including the commitment of its Immediate Parent Company to provide financial support to the Group as may be necessary. Our opinion is not modified in respect of this matter.

Key Audit Matter

Key audit matter is that matter 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.

Impairment of Property and Equipment
(P1.83 billion, see consolidated statements of financial position and Note 7 to the consolidated financial statements).

The Risk

The Group has significant hotel assets classified as property and equipment which represent 41% of the total consolidated assets of the Group and are subject to an annual assessment for impairment indicators. In undertaking the impairment assessment, the Group takes into consideration several internal and external factors including the economic outlook and plans to discontinue or restructure operations. The hotel assets are then subjected to impairment review whereby its recoverable amounts are estimated. Management engaged external property appraiser to estimate the fair value of these hotel assets. The recoverable amounts are determined to be higher of the fair value less costs of disposal and value in use of these properties. The valuation is sensitive to assumptions applied and a change in the assumptions may have an impact on the recoverable amounts.

Our Response
Our procedures included evaluating the design and implementation of relevant controls over the valuation process for property and equipment and evaluating the objectivity, capabilities and competence of management's external appraisers and checking whether they are accredited by the Philippine Securities and Exchange Commission. We involved our own valuation specialist and subject matter expert in evaluating the appropriateness of the valuation methodologies and key assumptions used by cross-checking the breakdown of items of property and equipment in the appraisal report and comparing them with external and industry data. We also evaluated the adequacy of the related disclosures in the consolidated financial statements against the disclosures checklist to check compliance with applicable disclosure requirements.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2025, 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, 2025 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 audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRS Accounting Standards, 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 PSA 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 PSA, 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.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

R.G. Manabat & Co.

KPMG

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits 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 these 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 Diana Rose A. De Mesa.

R.G. MANABAT & CO.

DIANA ROSE A. DE MESA
Partner
CPA License No. 0125748
SEC Accreditation No. 125748-SEC, Group A, valid for five (5) years
covering the audit of 2021 to 2025 financial statements
Tax Identification No. 274-514-989
BIR Accreditation No. 08-001987-052-2025
Issued June 9, 2025; effectivity January 7, 2025; validity January 6, 2028
PTR No. MKT 10764390
Issued January 5, 2026 at Makati City

June 15, 2026
Makati City, Metro Manila

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REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
Acesite (Phils.) Hotel Corporation
8th Floor, Waterfront Manila Hotel and Casino
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As part of an audit in accordance with PSA, 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.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes 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 audits 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 these 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 Diana Rose A. De Mesa.

R.G. MANABAT & CO.

DIANA ROSE A. DE MESA
Partner
CPA License No. 0125748
SEC Accreditation No. 125748-SEC, Group A, valid for five (5) years
covering the audit of 2021 to 2025 financial statements
Tax Identification No. 274-514-989
BIR Accreditation No. 08-001987-052-2025
Issued June 9, 2025; effectivity January 7, 2025; validity January 6, 2028
PTR No. MKT 10764390
Issued January 5, 2026 at Makati City

June 15, 2026
Makati City, Metro Manila

R.G. Manabat & Co.

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Internet www.home.kpmg/ph
Email ph-inquiry@kpmg.com

REPORT OF INDEPENDENT AUDITORS
ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Board of Directors and Stockholders
Acesite (Phils.) Hotel Corporation
8th Floor, Waterfront Manila Hotel and Casino
United Nations Avenue corner Maria Orosa Street
Ermita, Manila

We have audited the accompanying consolidated financial statements of Acesite (Phils.) Hotel Corporation and Subsidiaries (the Group) as at and for each of the three years ended December 31, 2025, included in this Form 17-A, on which we have rendered our report thereon dated June 15, 2026.

Our audits were 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 PFRS Accounting Standards and may not be comparable to similarly titled measures presented by other companies.

R.G. Manabat & Co.

This schedule is presented for the purpose 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 years ended December 31, 2025 and 2024 and no material exceptions were noted.

R.G. MANABAT & CO.

DIANA ROSE A. DE MESA
Partner
CPA License No. 0125748
SEC Accreditation No. 125748-SEC, Group A, valid for five (5) years
covering the audit of 2021 to 2025 financial statements
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June 15, 2026
Makati City, Metro Manila

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Email	ph-inquiry@kpmg.com

REPORT OF INDEPENDENT AUDITORS ON SUPPLEMENTARY INFORMATION

The Board of Directors and Stockholders
Acesite (Phils.) Hotel Corporation
8th Floor, Waterfront Manila Hotel and Casino
United Nations Avenue corner Maria Orosa Street
Ermita, Manila

We have audited the accompanying consolidated financial statements of Acesite (Phils.) Hotel Corporation and Subsidiaries (the Group) as at and for each of the three years ended December 31, 2025, included in this Form 17-A, on which we have rendered our report thereon dated June 15, 2026.

Our audits were 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.

- Reconciliation of Retained Earnings Available for Dividend Declaration *(Annex A)*
- Map of Conglomerate (Annex B)
- Supplementary Schedules of Annex 68-J *(Annex C)*

The 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 Group's consolidated financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the consolidated financial statements of the Group taken as a whole.

R.G. MANABAT & CO.

DIANA ROSE A. DE MESA
Partner
CPA License No. 0125748
SEC Accreditation No. 125748-SEC, Group A, valid for five (5) years
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June 15, 2026
Makati City, Metro Manila

ACESITE (PHILS.) HOTEL CORPORATION
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		December 31	
	Note	**2025**	2024
ASSETS			
Current Assets			
Cash and cash equivalents	*17*	**P4,410,181**	P20,883,077
Trade and other current receivables - net	*4, 17*	**12,191,474**	22,338,852
Note receivable	*10, 17*	**-**	112,950,334
Inventories	*5*	**726,641**	762,424
Due from related parties	*10*	**-**	71,160,906
Prepaid expenses and other current assets	*6*	**30,822,136**	22,904,976
Total Current Assets		**48,150,432**	251,000,569
Noncurrent Assets			
Property and equipment - net	*7*	**1,834,009,997**	1,747,717,909
Note receivable	*10,17*	**56,142,228**	-
Due from related parties	*10*	**70,526,296**	-
Equity securities - at fair value through other comprehensive income	*10, 17*	**22,544,600**	18,382,520
Other noncurrent assets - net	*8*	**837,251,506**	860,380,930
Total Noncurrent Assets		**2,820,474,627**	2,626,481,359
		P2,868,625,059	P2,877,481,928
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other current payables	*9, 17*	**P231,769,982**	P335,722,769
Due to related parties	*10, 17*	**717,131,959**	536,034,728
Total Current Liabilities		**948,901,941**	871,757,497
Noncurrent Liabilities			
Retention payables	*17*	**93,535,758**	88,487,516
Retirement benefits liability	*14*	**7,441,339**	6,588,583
Deferred tax liabilities - net	*15*	**178,291,503**	197,112,685
Total Noncurrent Liabilities		**279,268,600**	292,188,784
Total Liabilities		**1,228,170,541**	1,163,946,281
Equity			
Capital stock	*11, 18*	**346,100,578**	346,100,578
Revaluation surplus on property and equipment	*7*	**136,447,841**	121,080,712
Fair value reserve		**10,294,130**	6,132,050
Treasury shares		**(12,041,700)**	(12,041,700)
Retained earnings	*11*	**1,096,924,020**	1,189,698,974
Retirement benefits reserve		**62,729,649**	62,565,033
Total Equity		**1,640,454,518**	1,713,535,647
		P2,868,625,059	P2,877,481,928

See Notes to the Consolidated Financial Statements.

ACESITE (PHILS.) HOTEL CORPORATION
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Years Ended December 31		
	Note	**2025**	2024	2023
REVENUES		**P -**	P -	P -
COSTS AND EXPENSES OTHER THAN DEPRECIATION, FINANCING AND INCOME TAX BENEFIT				
Personnel	*14*	**20,797,649**	22,563,530	25,025,898
Energy		**1,989,060**	2,402,194	3,912,540
Others	*12*	**90,737,499**	72,066,872	34,476,749
		113,524,208	97,032,596	63,415,187
LOSS BEFORE GAIN (LOSSES), DEPRECIATION, FINANCING AND INCOME TAX BENEFIT		**(113,524,208)**	(97,032,596)	(63,415,187)
GAIN (LOSSES), DEPRECIATION AND FINANCING				
Depreciation	*7*	**(19,568,600)**	(19,568,600)	(19,819,109)
Foreign exchange gains (losses) - net		**(4,938)**	9,963	(15,201)
Financing income (charges) - net	*10, 13*	**(1,641,002)**	4,484,769	3,060,394
Gain from insurance claims		**-**	30,401,133	-
		(21,214,540)	15,327,265	(16,773,916)
LOSS BEFORE INCOME TAX BENEFIT		**(134,738,748)**	(81,705,331)	(80,189,103)
INCOME TAX BENEFIT	*15*	**(27,287,344)**	(4,461,191)	(5,265,060)
NET LOSS		**(P107,451,404)**	(P77,244,140)	(P74,924,043)
OTHER COMPREHENSIVE INCOME				
Items that will never be reclassified to profit or loss				
Revaluation of property and equipment	*7*	**P40,058,105**	P -	P -
Unrealized gain (loss) on securities - at fair value through other comprehensive income	*10*	**4,162,080**	(1,560,780)	-
Remeasurement gains on defined benefit plan	*14*	**219,489**	405,743	491,536
Deferred tax effect	*15*	**(10,069,399)**	(101,436)	(122,884)
		34,370,275	(1,256,473)	368,652
TOTAL COMPREHENSIVE LOSS		**(P73,081,129)**	(P78,500,613)	(P74,555,391)
LOSS EARNINGS PER SHARE - Basic and Diluted	*16*	**(P0.21)**	(P0.23)	(P0.22)

See Notes to the Consolidated Financial Statements.

ACESITE (PHILS.) HOTEL CORPORATION
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Year Ended December 31

	Capital Stock (Note 11)	Revaluation Surplus on Property and Equipment (Note 7)	Retirement Benefits Reserve (Note 14)	Fair Value Reserve	Retained Earnings (Note 11)	Treasury Stock (Note 11)	Total
Balance at beginning	**P346,100,578**	**P121,080,712**	**P62,565,033**	**P6,132,050**	**P1,189,698,974**	**(P12,041,700)**	**P1,713,535,647**
Net loss for the year	**-**	**-**	**-**	**-**	**(107,451,404)**	**-**	**(107,451,404)**
Transfer of revaluation surplus absorbed through depreciation for the year - net of tax effect	**-**	**(14,676,450)**	**-**	**-**	**14,676,450**	**-**	**-**
Other comprehensive income - net of tax effect	**-**	**30,043,579**	**164,616**	**4,162,080**	**-**	**-**	**34,370,275**
	-	**15,367,129**	**164,616**	**4,162,080**	**(92,774,954)**	**-**	**(73,081,129)**
Balance at December 31, 2025	**P346,100,578**	**P136,447,841**	**P62,729,649**	**P10,294,130**	**P1,096,924,020**	**(P12,041,700)**	**P1,640,454,518**

See Notes to the Consolidated Financial Statements.

ACESITE (PHILS.) HOTEL CORPORATION
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Year Ended December 31

	Capital Stock (Note 11)	Revaluation Surplus on Property and Equipment (Note 7)	Retirement Benefits Reserve (Note 14)	Fair Value Reserve	Retained Earnings (Note 11)	Treasury Stock (Note 11)	Total
Balance at beginning	P346,100,578	P135,757,162	P62,260,725	P7,692,830	P1,252,266,664	(P12,041,700)	P1,792,036,259
Net loss for the year	-	-	-	-	(77,244,140)	-	(77,244,140)
Transfer of revaluation surplus absorbed through depreciation for the year - net of tax effect	-	(14,676,450)	-	-	14,676,450	-	-
Other comprehensive income (loss) - net of tax effect	-	-	304,308	(1,560,780)	-	-	(1,256,472)
	-	(14,676,450)	304,308	(1,560,780)	(62,567,690)	-	(78,500,612)
Balance at December 31, 2024	P346,100,578	P121,080,712	P62,565,033	P6,132,050	P1,189,698,974	(P12,041,700)	P1,713,535,647

See Notes to the Consolidated Financial Statements.

ACESITE (PHILS.) HOTEL CORPORATION
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Year Ended December 31

	Capital Stock (Note 11)	Revaluation Surplus on Property and Equipment (Note 7)	Retirement Benefits Reserve (Note 14)	Fair Value Reserve	Retained Earnings (Note 11)	Treasury Stock (Note 11)	Total
Balance at beginning	P346,100,578	P150,433,612	P61,892,073	P7,692,830	P1,312,514,257	(P12,041,700)	P1,866,591,650
Net loss for the year	-	-	-	-	(74,924,043)	-	(74,924,043)
Transfer of revaluation surplus absorbed through depreciation for the year - net of tax effect	-	(14,676,450)	-	-	14,676,450	-	-
Other comprehensive income - net of tax effect	-	-	368,652	-	-	-	368,652
	-	(14,676,450)	368,652	-	(60,247,593)	-	(74,555,391)
Balance at December 31, 2023	P346,100,578	P135,757,162	P62,260,725	P7,692,830	P1,252,266,664	(P12,041,700)	P1,792,036,259

See Notes to the Consolidated Financial Statements.

ACESITE (PHILS.) HOTEL CORPORATION
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

		Years Ended December 31		
	Note	**2025**	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss before income tax benefit		**(P134,738,748)**	(P81,705,331)	(P80,189,103)
Adjustments for:				
Provision for impairment	*4, 10, 12*	**62,209,692**	13,197,084	-
Depreciation	*7*	**19,568,600**	19,568,600	19,819,109
Loss on discounting	*10*	**6,067,463**	-	-
Retirement benefits expense	*14*	**1,072,245**	1,064,626	1,163,168
Foreign exchange gains (losses) - net		**4,938**	(9,963)	(15,201)
Interest income	*13*	**(4,354,938)**	(4,362,336)	(3,063,281)
Gain from insurance claims		**-**	(30,401,133)	-
Loss before working capital changes		**(50,170,748)**	(82,648,453)	(62,285,308)
Decrease (increase) in:				
Trade and other current receivables	*4*	**10,147,378**	(8,722,260)	72,692,024
Prepaid expenses and other current assets	*6*	**(7,920,516)**	184,039,871	(2,496,491)
Inventories		**35,783**	-	-
Increase (decrease) in:				
Trade and other current payables	*9*	**(139,915,231)**	15,480,187	(65,374,267)
Due from related parties	*10*	**634,610**	4,429,091	(75,652,997)
Cash generated from (absorbed by) operations		**(187,188,724)**	112,578,436	(133,117,039)
Interest received	*13*	**4,354,938**	4,362,336	3,063,281
Income tax paid	*15*	**-**	(698,427)	-
Contributions paid	*14*	**-**	-	(120,949)
Net cash generated from (used in) operating activities		**(182,833,786)**	116,242,345	(130,174,707)
CASH FLOWS FROM INVESTING ACTIVITIES				
Cash advanced on related party notes receivable	*10*	**(11,469,049)**	(5,927,329)	(8,321,189)
Cash receipt from (cash paid for) contractors and other deposits	*8*	**(1,572,975)**	(179,645,588)	3,685,763
Proceeds from insurance claims on property damages	*1*	**-**	48,795,579	-
Additions to property and equipment	*7*	**(1,689,379)**	(3,179,929)	(41,795,001)
Net cash used in investing activities		**(14,731,403)**	(139,957,267)	(46,430,427)

Forward

		Years Ended December 31		
	Note	**2025**	2024	2023
CASH FLOW FROM A FINANCING ACTIVITY				
Proceeds from advances from related parties	*10*	**P181,097,231**	P24,118,978	P54,584,781
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(16,467,958)**	404,056	(122,020,353)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**(4,938)**	9,963	15,201
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	*17*	**20,883,077**	20,469,058	142,474,210
CASH AND CASH EQUIVALENTS AT END OF YEAR	*17*	**P4,410,181**	P20,883,077	P20,469,058

See Notes to the Consolidated Financial Statements.

ACESITE (PHILS.) HOTEL CORPORATION AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Reporting Entity

Acesite (Phils.) Hotel Corporation (the "Parent Company") was incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (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. The Parent Company is a 55.70%-owned subsidiary of Waterfront Philippines, Inc. (WPI), Immediate Parent Company.

Management has determined that The Wellex Group Inc. (TWGI) is the Group's ultimate parent company. This control is exercised through common directorship, active involvement in operations, and oversight of the group's strategic decision-making processes.

The Parent Company amended its Articles of Incorporation for the change in the Parent Company's trade name from Manila Pavilion Hotel to Waterfront Manila Hotel and Casino and address from 7th Floor, Manila Pavilion Hotel, United Nations Avenue, Ermita, Manila to 8th Floor, Waterfront Manila Hotel and Casino, United Nations Avenue corner Maria Orosa Street, Ermita, Manila. The amended Articles of Incorporation was approved by the SEC on July 7, 2020.

The Parent Company is the owner and operator of Waterfront Manila Hotel and Casino (the Hotel). The Parent Company has corporate life of 50 years pursuant to its articles of incorporation. However, under the Revised Corporation Code of the Philippines which took effect on February 23, 2019, the Parent Company shall have a perpetual corporate life. The Parent Company's shares have been listed on the Philippine Stock Exchange (PSE) since December 5, 1986.

The details of the equity interest of the Parent Company in its subsidiaries as at December 31, 2025 and 2024 are as follows:

	Percentage of Ownership	
	Direct	**Indirect**
Real Estate		
Acesite Realty, Inc. (formerly CIMA Realty Phils., Inc.) (ARI)	**100**	**-**
Hotel Management and Operation		
Pavillion Leisure and Entertainment Corp.* (PLEC)		
(*Through Direct Ownership in ARI*)	**86**	**14**
Pavillion Enterprises Corp.* (PEC)	**100**	**-**

**dormant entities since its incorporation*

The Company and all of the above subsidiaries (collectively referred to as the Group) were incorporated in the Philippines.

Status of Operation
On March 18, 2018, a fire broke out in the Parent Company's hotel property damaging the podium and hotel building and suspending 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 was declared and classified as "accidental in nature". The Group incurred casualty losses due to damage of inventories and hotel property. The Group filed for property damage and business insurance claims which were finalized in 2020 amounting to P1.72 billion. The Group received approximately P1.5 billion from insurance carriers as complete settlement of the claim.

Because of this fire incident in 2018, the Group's operations remain suspended as at date. The redevelopment of the property had been ongoing since 2018 but the project completion has been extended due to some construction delays and structural reinforcements to adapt to the condition of the existing foundation and are critical to ensuring safety of the building. In 2025, construction has been suspended as management reassessed its future plans considering current market conditions relevant to hospitality industry and tourism in the Philippines which includes the Chinese gaming market, the rising popularity of online gaming vis-à-vis land-based casinos, and the high oil prices from the United States of America - Iran war. The Group's current liabilities exceeded its current assets by P900.75 million as at reporting date, and has incurred net losses for the years 2023, 2024 and 2025 amounting to P107.4 million, P77.2 million and P74.9 million, respectively. These events and conditions, among others, indicate that a material uncertainty exists which may cast significant doubt on the Group's ability to continue as a going concern, and therefore, it may be unable to realize its assets and discharge its liabilities in the normal course of business.

In response to the above, the management has initiated the following mitigating actions to optimize the Group's cash flows, preserve liquidity and continue as a going concern:

- Strategic deferral of all construction outflows until 2028 to preserve immediate cash reserves;
- Utilization of a P764.0 million retained earnings appropriation earmarked specifically for project resumption;
- Utilization of P115.0 million in intercompany borrowings through 2026–2027 to successfully cover operating expenses; and
- Implementation of a bank borrowing strategy to fully fund the reconstruction and project restart in 2028.

Based on these factors, management has a reasonable expectation that the Group has adequate resources. Further, Waterfront Philippines, Inc. (the Immediate Parent Company) will continue to provide financial support and other resources to the Group to enable it to continue as a going concern.

2. Basis of Preparation

Statement of Compliance
The financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS) Accounting Standards. PFRS Accounting Standards are based on International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). PFRS Accounting Standards which are issued by the Financial and Sustainability Reporting Standards Council (FSRSC) consist of PFRS Accounting Standards, Philippine Accounting Standards (PAS) and Philippine Interpretations.

Details of the Group's material accounting policies are included in Note 20.

The consolidated financial statements can be obtained from the SEC and from the website of the PSE (www.pse.com.ph).

Authorization for Issuance of the Financial Statements
The accompanying financial statements were approved and authorized for issue by the Board of Directors (BOD) on June 11, 2026.

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

Items	Measurement Bases
▪ Hotel building and equipment and furniture and fixtures	▪ Revalued amount less accumulated depreciation and impairment losses
▪ Equity securities - at fair value through other comprehensive income (FVOCI)	▪ Fair value
▪ Retirement benefits liability	▪ Present value of the defined benefits obligation (DBO) less fair value of plan assets (FVPA)

Functional and Presentation Currency
The consolidated financial statements are presented in Philippine peso (PHP), which is the Parent Company's functional currency. All amounts have been rounded to the nearest peso, unless otherwise indicated.

Basis of Consolidation
The consolidated financial statements of the Group comprise the financial statements of the Parent Company and its subsidiaries.

Subsidiaries are all entities in which the Group has control. The Parent Company controls an entity when the Parent Company is exposed, 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. Control is generally accompanied by a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are substantive are considered when assessing whether the Group controls an entity. The Group reassesses whether or not it controls an entity if facts and circumstances indicate that there are changes to one or more of the three elements of control.

The assets, liabilities, income and expenses of subsidiaries are consolidated from the date when the Parent Company obtains control and continue to be consolidated until the date when such control ceases. The results of operations of the subsidiaries acquired or disposed of are included in the consolidated statements of comprehensive income from the date of acquisition or up to the date of disposal, as appropriate.

The financial statements of the subsidiaries are prepared using the same reporting period of the Parent Company. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. All significant intercompany balances and transactions, including intercompany profits and unrealized profits and losses, are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction. The carrying amount of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interest in the subsidiaries. Any difference between the amount by which the non-controlling interest are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the equity holders of the Parent Company. Upon the loss of control, the Group derecognizes the related assets (including goodwill), liabilities, any non-controlling interest and the other components of equity related to the subsidiary. Gain or loss arising from the loss of control is recognized in profit or loss. If the Group retains an interest in the previous subsidiary, then such interest is measured at fair value at the date control is lost. Subsequently, it is accounted for as an equity-accounted investee or as financial assets at FVOCI depending on the level of interest retained.

Non-controlling interests represent the portion of profit or loss and net assets in subsidiaries not wholly-owned and are presented in the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of financial position, separately from the equity attributable to the Parent. Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Parent and to the non-controlling interests, even if this results in the non-controlling interests having deficit balance.

3. Use of Judgments and Estimates

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

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

Judgments

Information about judgments made 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

The Parent Company 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 the Parent Company's discussion with the adjuster and the insurance company regarding the claim; and
- The subsequent information that confirm the status of the claim as of the reporting date.

Assessment on the Group's Ability to Continue as a Going Concern

The management has made an assessment of the Group's ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Therefore, the Group's consolidated financial statements continue to be prepared on a going concern basis.

Classifying Financial Instruments
The Group exercises judgment in classifying financial instruments in accordance with PFRS 9. The Group exercises judgment in classifying a financial instrument, or its component parts, on initial recognition as a financial asset, a financial liability, or an equity instrument in accordance with the substance of the contractual agreement and the definition of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the consolidated statements 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 property only if an insignificant portion is held for use in the delivery of goods or 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 7).

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:

Provision for Expected Credit Losses on Financial Assets
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 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.

Further details on the carrying amount of assets are disclosed in Notes 4, 8, and 10.

Fair Value Measurement of Financial Instruments
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 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 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 fair value measurement of financial instruments are disclosed in Note 17.

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 methods and assumptions used to determine the fair value of properties are provided in Note 7.

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. The amounts and timing of recording of expenses for any period would be affected by changes in these factors and circumstances.

A reduction in the estimated useful lives of the property and equipment would increase depreciation and decrease the property and equipment account.

Further details on the carrying amount of property and equipment are disclosed in Note 7.

Impairment of Nonfinancial Assets
The Group's policy on estimating the impairment of nonfinancial assets is discussed in Note 20. 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;
- obsolescence or physical damage of an asset; and
- significant negative industry or economic trends.

Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs. Recoverable amount represents the greater of the fair value less costs of disposal and the value in use.

The Group assessed that the carrying amounts of its nonfinancial assets approximate their recoverable amounts, except for advances to contractors and property and equipment. Further details on the carrying amount of nonfinancial assets are disclosed in Notes 5, 6, 7 and 8.

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 discount rate assumption is based on the Bankers Association of the Philippines PHP Bloomberg Valuation (PHBVAL) 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. The mortality rate is based on 1994 Group Annuity Mortality Table and is modified accordingly with estimates of mortality improvements. Future salary increases are based on expected future inflation rates.

While the Group believe that the assumptions are reasonable and appropriate, significant changes in assumptions could materially affect the cost of employee benefits and related obligations.

The amount of retirement benefits cost recognized and the carrying amount of net retirement benefits liability are disclosed in Note 14.

Deferred Tax Assets
Deferred tax assets are recognized for 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.

The Group has unrecognized deferred tax assets in respect of its NOLCO and excess MCIT over RCIT disclosed in Note 15.

4. Trade and Other Current Receivables

This account consists of:

	Note	2025	2024
Trade receivables		**P17,002,785**	P19,646,919
Others		**28,297,160**	35,800,404
	17	**45,299,945**	55,447,323
Less: allowance for impairment losses on guests, concessionaires and other patrons and other receivables	*17*	**33,108,471**	33,108,471
		P12,191,474	P22,338,852

Others include advances by the Group to officers and employees and reimbursable from suppliers.

In assessing the lifetime ECL of the Group's receivables, the Group excluded in its assessment all receivables that were related to long outstanding third-party accounts as these were already specifically identified as uncollectible, hence, impaired. The management has recognized an additional impairment loss amounting to nil, P13.2 million, nil and nil in 2025, 2024, and 2023, respectively (see Note 12).

5. Inventories

The Group's inventories are carried at cost, which is lower than the net realizable value (NRV), as at December 31, 2025 and 2024 amounting to P0.72 million and P0.76 million, respectively.

The cost recognized as an expense for operating supplies of P0.06 million, P0.11 million, and P0.10 in 2025, 2024 and 2023, respectively, is included as part of "Supplies" under "Others" account in the separate statements of profit or loss and other comprehensive income (see Note 12).

6. Prepaid Expenses and Other Current Assets

This account consists of:

	2025	2024
Creditable withholding taxes	**P22,344,650**	P22,348,006
Input VAT - net	**7,829,185**	89,700
Other prepayments	**648,301**	467,270
	P30,822,136	P22,904,976

Creditable withholding taxes are excess of tax credits over current income tax due which can be applied against future income tax liability.

Input VAT is available as tax credit against output VAT liability.

Others consist of prepaid licenses and taxes, prepaid maintenance, deposits and prepaid subscription charges.

7. Property and Equipment

The balances and movements in this account are as follows:

	As at and for the Year Ended December 31, 2025				
	Land	**Hotel Building**	**Furniture, Fixtures and Equipment**	**Construction-in-Progress**	
Measurement Basis:	***At Cost***	***Revalued***	***Revalued***	***At Cost***	**Total**
Cost					
Beginning balance	**P650,000,000**	**P471,046,928**	**P14,854,179**	**P936,276,959**	**P2,072,178,066**
Additions	**-**	**-**	**-**	**65,802,583**	**65,802,583**
Revaluation adjustment	**-**	**(289,116,473)**	**-**	**-**	**(289,116,473)**
Ending balance	**650,000,000**	**181,930,455**	**14,854,179**	**1,002,079,542**	**P1,848,864,176**
Accumulated Depreciation					
Beginning balance	**-**	**309,605,978**	**14,854,179**	**-**	**324,460,157**
Depreciation for the year	**-**	**19,568,600**	**-**	**-**	**19,568,600**
Revaluation adjustment	**-**	**(329,174,578)**	**-**	**-**	**(329,174,578)**
Ending balance	**-**	**-**	**14,854,179**	**-**	**14,854,179**
Carrying Amount	**P650,000,000**	**P181,930,455**	**P -**	**P1,002,079,542**	**P1,834,009,997**

	As at and for the Year Ended December 31, 2024				
	Land	Hotel Building	Furniture, Fixtures and Equipment	Construction-in-Progress	
Measurement Basis:	*At Cost*	*Revalued*	*Revalued*	*At Cost*	Total
Cost					
Beginning balance	P650,000,000	P471,046,928	P14,854,179	P933,097,030	P2,068,998,137
Additions	-	-	-	3,179,929	3,179,929
Ending balance	650,000,000	471,046,928	14,854,179	936,276,959	2,072,178,066
Accumulated Depreciation					
Beginning balance	-	290,037,378	14,854,179	-	304,891,557
Depreciation for the year	-	19,568,600	-	-	19,568,600
Ending balance	-	309,605,978	14,854,179	-	324,460,157
Carrying Amount	P650,000,000	P161,440,950	P -	P936,276,959	P1,747,717,909

In 2025, the Group engaged an independent firm of appraisers to determine the fair value of certain classes of its property and equipment, specifically hotel building and furniture, fixtures and equipment, 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 property and equipment is done 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.

No revaluation was performed as at December 31, 2024. Management believes that the carrying amounts of "hotel building" and "furniture, fixtures and equipment as of reporting date do not differ materially from their fair values, and thus, no revaluation was necessary.

The latest revaluation was at December 31, 2025. "Hotel buildings" were revalued by an independent professional appraiser, accredited by the Professional Regulation Commission and the Securities and Exchange Commission. This resulted to the recognition of an appraisal increase amounting to P30.04 million, net of deferred tax, in other comprehensive income in 2025.

Description of valuation techniques used and key inputs to valuation on property and equipment are as follows:

Market Data Approach
Market data approach is used to estimate valuation of land. It involves the comparison of the land to those that are more or less located within the vicinity of the appraised properties and are subject of recent sales and offerings. Adjustments were made to the valuation of land to arrive at the market value by considering the location, size, shape, utility, desirability and time element.

The assumptions used in the valuation and fair value hierarchy category of each assumption are as follows:

	Fair Value Hierarchy
Price per sqm	Level 2
Value adjustments	Level 3

Cost Approach
Cost Approach is based on the reproduction or depreciated replacement cost of property and equipment, less accumulated depreciation.

The key inputs to fair value valuation are as follows:

- Price Per Sqm is the estimated value prevailing in the real estate market depending on the location, area, shape and time element.

- Value Adjustments are fair value adjustments made to bring the comparative values in approximation to the property and equipment taking into account the location, size, time element, and terrain, among others.

The costs of disposal is the estimated cost that the management expects to incur to effect the sale of the properties and equipment.

The significant assumptions and the fair value hierarchy category of each assumption for FVLCD, as applicable, are as follows:

	Management Assumptions	**Fair Value**
	2025	**Hierarchy**
Price per sqm	**130,000**	Level 2
Value adjustments	**5% - 10%**	Level 3
Cost of disposal	**14%**	**-**

Sensitivity Analysis on FVLCD Assumptions
The fair value of the property and equipment will increase (decrease) if:

- Price per sqm of the comparable properties were higher (lower)
- Value adjustments to price per sqm of the comparable properties were lower (higher)
- Cost of disposal were lower (higher)

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

	As at and For the Year Ended December 31, 2025		
	Hotel Building	**Furniture, Fixtures and Equipment**	**Total**
Cost	**P1,503,327**	**P14,846,724**	**P16,350,051**
Accumulated depreciation	**1,163,359**	**11,489,475**	**12,652,834**
	P339,968	**P3,357,249**	**P3,697,217**

	As at and For the Year Ended December 31, 2024		
	Hotel Building	Furniture, Fixtures and Equipment	Total
Cost	P1,503,527	P14,846,724	P16,350,251
Accumulated depreciation	1,140,502	11,262,003	12,402,505
	P363,025	P3,584,721	P3,947,746

Depreciation on cost charged to profit or loss amounted to P19.57 million, P19.57 million and P19.82 million in 2025, 2024, and 2023, respectively.

The revaluation surplus absorbed through depreciation and transferred directly to retained earnings, net of tax effect, amounted to P14.68 million as at December 31, 2025 and 2024, respectively. The carrying amount of revaluation surplus, net of tax amounting to P136.45 million and P121.08 million as at December 31, 2025 and 2024, respectively, is not available for distribution to shareholders.

Impairment Testing on Property and Equipment

In 2025, the management performed impairment testing over the hotel building, and construction in progress. Management identified indicators of impairment during the year due to delays in achieving project milestones and is behind its target completion dates. In addition, the Group’s market capitalization is lower than its carrying amount by P1.15 billion and its current liabilities exceeded its current assets by P900.75 million.

The recoverable amounts of the property and equipment were determined using Fair Value Less Cost of Disposal (FVLCD). In determining the fair values of the property and equipment, the Group engaged third party appraiser and the latest independent appraisal report was dated December 31, 2025.

The recoverable amount of the property and equipment was estimated to be higher than its carrying amount and not impaired.

	2025
Fair value less costs of disposal	**P3,753,936,705**
Carrying value of property and equipment	**1,793,951,892**

Notes to Consolidated Statements of Cash Flows

In 2026, the Group recognized non-cash additions to property and equipment amounting to P64.11 million through recoupment of prior year advances to contractors amounting to P24.70 million and application of related retention payable.

8. Other Noncurrent Assets

This account consists of:

	2025	2024
Advances to contractors	**P698,881,422**	P723,383,822
Other deposits	**183,683,091**	182,310,115
	882,564,513	905,693,937
Less: allowance for impairment losses on advances to contractors	**45,313,007**	45,313,007
	P837,251,506	P860,380,930

Advances to contractors are deposits for the reconstruction and restoration of the Company's hotel property and equipment (see Note 1).

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

There were no additional impairment losses on advances to contractors recognized for 2025, 2024 and 2023.

9. Trade and Other Current Payables and Retention Payables

This account consists of:

	Note	2025	2024
Trade payables		**P193,162,964**	P292,027,673
Accruals:			
Utilities		**16,572,136**	19,602,341
Other accruals		**15,745,410**	17,101,547
Withholding taxes		**1,194,540**	1,098,007
Others		**5,094,932**	5,904,201
	17	**P231,769,982**	P335,733,769

Trade payables are noninterest-bearing and are normally on a 30-day term.

Other payables include commissions, unclaimed wages, sponsorships, Social Security System, Philippine Health Insurance Corporation and Housing Development Mutual Fund and sundry payables.

10. Related Party Transactions

Identity of Related Parties

The Group has related party relationships with its key management personnel (KMP) and the following entities:

Related Party	Relationship
WPI	Parent Company
ARI	Subsidiary
PLEC	Subsidiary
PEC	Subsidiary
Waterfront Cebu City Casino Hotel, Incorporated (WCCCHI)	Under Common Control
Waterfront Mactan Casino Hotel, Incorporated (WMCHI)	Under Common Control
Davao Insular Hotel Company, Inc. (DIHCI)	Under Common Control
Waterfront Hotel Management Corporation (WHMC)	Under Common Control
Acesite Leisure Entertainment Corporation (ALEC)	Under Common Control
Grand Ilocandia Resort and Development, Inc. (GIRDI)	Under Common Control
Waterfront Wellness Group, Inc. (WWGI)	Under Common Control
Waterfront Horizon Corporation (WHC)	Under Common Control
Waterfront Puerto Princesa Hotel Inc. (WPPHI)	Under Common Control
Mayo Bonanza, Inc. (MBI)	Under Common Control
The Wellex Group Inc. (TWGI)	Ultimate Parent Company
Wellex Industries Incorporated (WII)	Affiliate

Significant Transactions and Balances with Related Parties

The summary of significant transactions and balances with the related parties is as follows:

				Outstanding Balance					
Category/ Transaction	**Year**	***Note***	**Amount of the Transaction**	**Due from a Related Party**- net	**Note Receivable**	**Equity Security - at FVOCI**	**Due to Related Parties**	**Terms**	**Conditions**
WPI									
▪ Advances and settlements	**2025**	*a*	**(P14,856,821)**	**P -**	**P -**	**P -**	**P188,171,701**	Noninterest-bearing	Unsecured
	2024		105,957,593	36,438	-	-	203,028,522		
	2023		(35,810,723)	-	-	-	189,549,172		
ALEC									
▪ Note receivable	**2025**	*b*	**11,469,049**	**-**	**124,419,383**	**-**	**-**	Due in two years interest-bearing	Unsecured; impaired
	2024		5,927,329	-	112,950,334	-	-		
	2023		8,321,189	-	107,023,005	-	-		
▪ Allowance for impairment losses	**2025**	*b*	**-**	**-**	**(62,209,692)**	**-**	**-**		
	2024		-	-	-	-	-		
	2023		-	-	-	-	-		
▪ Loss on discounting	**2025**		**-**	**-**	**(6,067,463)**	**-**	**-**		
	2024		-	-	-	-	-		
	2023		-	-	-	-	-		
WCCCHI									
▪ Advances and settlements	**2025**	*d*	**(161,282,551)**	**-**	**-**	**-**	**176,511,423**	Noninterest-bearing	Unsecured
	2024		7,425,838	1,500	-	-	15,228,872		
	2023		(1,898,363)	-	-	-	7,804,535		
WMCHI									
▪ Advances and settlements	**2025**	*d*	**(10,512,944)**	**-**	**-**	**-**	**250,942,209**	Noninterest-bearing;	Unsecured
	2024		1,576,006	-	-	-	240,429,265		
	2023		257,980	-	-	-	242,005,271		
DIHCI									
▪ Advances	**2025**	*c*	**20,692,177**	**-**	**-**	**-**	**98,040,996**	Noninterest-bearing	Unsecured
	2024		77,348,819	750	-	-	77,348,069		
	2023		5,265,398	-	-	-	69,608,519		
WHMC									
▪ Advances	**2025**	*d*	**66**	**2,552,865**	**-**	**-**	**-**	Noninterest-bearing	Unsecured; impaired
	2024		-	2,552,799	-	-	-		
	2023		2,552,799	2,552,799	-	-	-		
WII									
▪ Equity security - at FVOCI	**2025**	*e*	**4,162,080**	**-**	**-**	**22,544,600**	**-**		
	2024		(1,560,780)	-	-	18,382,520	-		
	2023		-	-	-	19,943,300	-		
▪ Advances and settlements	**2025**	*c*	**(33,959,754)**	**33,884,406**	**-**	**-**	**-**	Noninterest-bearing	Unsecured; impaired
	2024		9,360	67,844,160	-	-	-		
	2023		67,834,800	67,834,800	-	-	-		

Forward

				Outstanding Balance					
Category/ Transaction	Year	*Note*	Amount of the Transaction	Due from a Related Party- net	Note Receivable	Equity Security - at FVOCI	Due to Related Parties	Terms	Conditions
TWGI									
▪ Advances	**2025**	*c*	**P33,910,513**	**P33,910,513**	**P -**	**P -**	**P -**		
	2024		-	-	-	-	-		
	2023		-	-	-	-	-		
GIRDI									
▪ Advances	**2025**	*f*	**1,720.129**	**-**	**-**	**-**	**2,445,388**	Noninterest-	Unsecured;
	2024		725,259	725,259	-	-	-	bearing	impaired
	2023		-	-	-	-	-		
WWGI									
▪ Advances	**2025**	*c*	**345,000**				**345,000**	Noninterest-	Unsecured;
	2024		-	-	-	-	-	bearing	impaired
	2023		-	-	-	-	-		
WHC									
▪ Advances	**2025**	*c*	**675,242**	**-**	**-**	**-**	**675,242**	Noninterest-	Unsecured;
	2024		-	-	-	-	-	bearing	impaired
	2023		-	-	-	-	-		
WPPHI									
▪ Advances	**2025**	*c*	**178,012**	**178,012**	**-**	**-**	**-**		
	2024		-	-	-	-	-		
	2023		-	-	-	-	-		
MBI									
▪ Advances	**2025**	*d*	**500**	**500**	**-**	**-**	**-**	Noninterest-	Unsecured;
	2024		-	-	-	-	-	bearing	impaired
	2023		-	-	-	-	-		
TOTAL	**2025**			**P70,526,296**	**P56,142,228**	**P22,544,600**	**P717,131,959**		
TOTAL	2024			P71,160,906	P112,950,334	P18,382,520	P536,034,728		

a. The transactions with WPI pertain to various noninterest-bearing and unsecured short-term advances which include WPI-allocated share in the common operating expenses.

b. In 2017, the Parent Company extended a loan to ALEC payable on December 31, 2018, and bear interest at 4% per annum. From 2018 to 2023, the Parent Company extended another interest-bearing loan at 4% per annum to ALEC. In 2024, the Parent Company extended another interest-bearing loan at 4% per annum to ALEC payable at the end of 2025. The related interest income recognized in profit or loss amounted to P4.35 million, P4.36 million, P3.06 million in 2024, 2023 and 2022, respectively (see Note 13).

   In 2025, the Parent Company and ALEC entered into a separate agreement governing the outstanding loans, which stipulates that the balances shall be non-interest-bearing effective December 2025. Concurrently, in a formal letter of commitment issued by ALEC management to the Parent Company, ALEC committed to settle the balances as follows: (i.) 50% upon the commencement of its commercial operations, and (ii.) 50% within the two (2) years from December 2025. As a result, the Parent Company recognized allowance for impairment losses amounting to P62. 21 million presented under "Others" account in the consolidated statements of profit or loss and other comprehensive income (see Note 12). Consequently, the Parent Company recognized loss on discounting amounting to P6.01 million (see Note 13).

   Further in 2018, the Parent Company and ALEC entered into a seven (7) year operating lease contract for use of hotel premises. The lease will commence once the planned soft opening of the podium building happens (see Note 1).

c. In the ordinary course of business, the Parent Company obtains noninterest-bearing, collateral-free cash and non-cash advances from related parties for shared corporate expenses. The above advances are due and demandable at any time.

In 2025, the Parent Company entered into an agreement with related parties. The outstanding balances under this agreement carry no fixed maturity date and are expected to be settled beyond the next twelve months; these receivables are presented as noncurrent assets.

d. The Parent Company has noninterest-bearing advances to WHMC for shared corporate expenses and working capital purposes.

   In 2025, the Parent Company entered into an agreement with WHMC. The outstanding balances under this agreement carry no fixed maturity date and are expected to be settled beyond the next twelve months; these receivables are presented as noncurrent assets.

e. In July and August 2005, the BOD approved the conversion of the Parent Company's net receivables from related parties amounting to P43.30 million into 86.71 million shares of stock of WII, an affiliate. The shares of WII are listed on the PSE. The fair market value of the shares based on closing market price as at December 31, 2025 and 2024 amounted to P22.54 million and P18.38 million, resulting in a valuation gain (loss) of P4.16 million, (P1.56) million, and nil in 2025, 2024 and 2023, respectively.

	2025	2024
Cost	**P12,250,470**	P12,250,470
Unrealized Gain		
Balance at beginning of year	**6,132,050**	7,692,830
Unrealized gain during the year	**4,162,080**	(1,560,780)
	10,294,130	6,132,050
	P22,544,600	P18,382,520

f. Starting May 2024, the Parent Company has a noninterest-bearing advances to GIRDI for shared corporate expenses.

   In 2025, the Parent Company entered into an agreement with GIRDI. The outstanding balances under this agreement carry no fixed maturity date and are expected to be settled beyond the next twelve months; these receivables are presented as noncurrent assets.

All outstanding related party transactions are generally settled in cash.

For purposes of consolidation, the following transaction was eliminated as at December 31, 2025 and 2024:

Category/ Transaction	Year	*Note*	Amount of the Transaction	Due from a Related Party - net	Note Receivable	Equity Security - at FVOCI	Due to Related Parties	Terms	Conditions
ARI									
▪ Advances	2025	*b*	**P7,202,974**	**P15,183,192**	**P -**	**P -**	**P -**	Noninterest-bearing	Unsecured
	2024		170,155	7,980,218	-	-	-		
	2023		2,430,371	5,265,398	-	-	-		

In the ordinary course of business, the Parent Company obtained noninterest-bearing, collateral-free cash and non-cash advances from ARI for shared corporate expenses and working capital purposes. The above advances are due on demand.

Further, the Parent Company has entered into an operating lease with ARI for use of the latter's land. This noncancellable operating lease commenced on November 1, 2011 and has a term of 20 years with escalation rate of 5% per annum. Also, the contract provides for two (2) months of free rental.

11. Equity

Common Shares

Details of the common stock of the Parent Company as at December 31 are as follows:

	2025	2024
Authorized - P1 par value	**P1,200,000,000**	P1,200,000,000
Issued	**346,100,578**	346,100,578
Outstanding	**344,747,520**	344,747,520

Date of Registration/Listing	Securities
December 5, 1986	1,760,000 common shares
January 26, 1998	73,351,197 common shares This is after SEC approval on October 16, 1997 of the change in authorized capital stock from 1,777,400 no par value common shares to 6,595,214 common shares with P1 par value per share.
May 19,1999	19,970,461 common shares These represented dividends declared which was approved by the SEC on March 24, 1999.
May 28, 2012	246,248,212 common shares Dividend declared after SEC approval on May 28, 2012 of the increase in authorized capital stock from P310.00 million to P1.21 billion (including P10.00 million preferred shares).

On July 14, 2014, the BOD approved the amendment of the entitlement ratio of stock rights offering from 0.58 common share for every one share held to 1 common share to every one share held.

As at December 31, 2025 and 2024 the Parent Company has 152,692,263 shares held by held by the public or 44.29% of the total outstanding capital stock and a total of 208 and 206 stockholders, respectively. The Parent Company has not sold any unregistered securities for the past 5 years.

Other Information

In February 1993, common shares of the Parent Company representing 75% of the total issued outstanding shares previously held by Acesite Limited (BVI) (ALB), were pledged by ALB in favor of Equitable PCI Bank Hong Kong Group (EPCIB) for the latter's loan to an affiliate of ALB.

On February 17, 2003, EPCIB foreclosed the said shares and sold them to WPI as a block sale in the PSE. ALB contested the foreclosure, and on February 20, 2003, filed a case for the annulment of the sale, with application for issuance of a writ of preliminary injunction and a prayer for a temporary restraining order with the Regional Trial Court (RTC) of Makati City. On August 15, 2003, the RTC of Makati City granted ALB's request for preliminary injunction upon posting of the necessary injunction bond.

On June 3, 2004, for failure of ALB to post the full amount of the injunction bond, the RTC of Makati City ordered the stock transfer agent of the Parent Company to transfer the 74,889,231 shares to EPCIB and, in accordance with the Deed of Assignment of Shares of Stock dated February 17, 2003, the shares were transferred to WPI. Subsequently, ALB filed a motion for reconsideration of the order dissolving the writ of injunction issued by the RTC of Makati City.

On June 24, 2004, at the annual stockholders' meeting of the Parent Company pursuant to the order of the SEC, WPI, as the registered majority stockholder of record, elected new directors to serve as such until the next annual stockholders' meeting.

On August 10, 2004, the Court of Appeals (CA) gave due course to EPCIB's petition and set aside the questioned Orders on ALB request for preliminary injunction bond. On the same date, ALB filed a Motion for Reconsideration which the CA denied on November 24, 2004.

On December 22, 2004, ALB questioned the said Resolutions of the CA by filing a Petition for Review on Certiorari at the Supreme Court (SC). On January 19, 2005, the SC denied the Petition for Review on Certiorari on the decision and resolution of the CA dated August 10, 2004 and November 24, 2004, respectively, for failure of ALB to state the material date showing when notice of judgment thereof was received. On March 1, 2005, ALB filed a motion for reconsideration of the said denial by the SC. The petition for reconsideration filed by ALB has been denied with finality by the SC on March 14, 2005.

In March 2006, ALB commenced proceedings in Hong Kong against EPCIB and WPI to pursue its claim. In view of the Memorandum of Agreement signed in July 2011, ALB forever renounces its claim against WPI and EPCIB.

Preferred Shares

The Parent Company's authorized and unissued preferred shares as at December 31, 2025 and 2024 amounted to P10.00 million, consisting of 20,000 shares with a par value of P500 per share.

The Parent Company's preferred shares have the following attributes:

a. non-voting;
b. non-convertible to common shares;
c. redeemable at a premium of 5%; and
d. entitled to cumulative dividends of 9% per annum.

Treasury Stock

On November 13, 2007, the BOD approved the creation of a share buyback program involving the Parent Company's common stock. As at December 31, 2025 and 2024, the Parent Company has bought back 1,353,058 shares for a total cost of P12.04 million.

Retained Earnings
In accordance with Section 42 of the Revised Corporation Code of the Philippines, stock corporations are prohibited from retaining surplus profits in excess of one hundred (100%) percent of their paid-in capital stock, except: (1) when justified by definite corporate expansion projects or programs approved by the BOD; or (2) when the corporation is prohibited under any loan agreement with any financial institution or creditor, whether local or foreign, from declaring dividends without its/his consent, and such consent has not yet been secured; or (3) when it can be clearly shown that such retention is necessary under special circumstances obtaining in the corporation, such as when there is need for special reserve for probable contingencies.

The Group has retained earnings in excess of the one hundred percent of its paid-in capital stock. The excess unappropriated retained earnings after adjustments of the Group amounted to P750.82 million and P843.60 million as at December 31, 2025 and 2024, respectively.

As at December 31, 2025 and 2024, no appropriation has been made.

On June 11, 2026, the Parent Company's Board of Directors approved the appropriation of retained earnings amounting to P764 million for the reconstruction of the hotel. The project is estimated to resume construction in 2028, with expected completion within 24 months thereafter. The appropriated retained earnings will be reversed back to unappropriated retained earnings as project milestones are completed and matching capital expenditures are officially incurred by the Parent Company.

12. Other Costs and Expenses

This account consists of:

	Note	**2025**	2024	2023
Bad debts expense	*4, 10*	**P62,209,692**	P13,197,084	P -
Taxes and licenses		**15,997,324**	11,223,078	14,068,860
Security and other services		**6,683,302**	9,424,986	6,802,012
Professional fees		**2,534,316**	6,947,161	1,409,593
Data processing		**670,726**	1,261,265	1,324,555
Directors' fees		**668,235**	740,127	-
Head office and corporate costs		**636,075**	10,249,469	1,787,928
Share in common operating expenses		**255,968**	11,272,689	-
Repairs and maintenance		**174,106**	201,591	1,054,107
Communications		**166,939**	40,737	258,452
Advertising		**82,040**	120,294	276,891
Supplies	*5*	**59,250**	107,133	99,731
Transportation and travel		**41,689**	48,570	147,160
Representation and entertainment		**12,275**	856,037	573,152
Insurance		**-**	5,996,671	5,344,707
Other services		**-**	-	339,597
Rent		**-**	-	289,474
Meeting expenses		**-**	-	628,036
Miscellaneous		**545,562**	379,980	72,494
		P90,737,499	P72,066,872	P34,476,749

Share in common operating expenses pertains to allocated corporate costs incurred by the Parent Company and chargeable by the Immediate Parent Company (see Note 10).

Miscellaneous includes recruitment expense, donations, and employee association dues.

13. Financing Income (Charges) - net

This account consists of:

	Note	**2025**	2024	2023
Interest income	*10*	**P4,354,938**	P4,362,336	P3,063,281
Bank charges		**(1,354)**	(2,091)	(2,887)
Loss on discounting	*10*	**(6,067,463)**	-	-
Other Income		**72,877**	124,524	-
		(P1,641,002)	P4,484,769	P3,060,394

14. Retirement Benefits Liability

The Group has a funded, noncontributory retirement plan (the Plan) covering substantially all of its regular employees with at least five years of continuous service. The retirement benefits are based on percentage of the employees' 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 Plan.

The latest independent actuarial valuation of the Plan was as at December 31, 2025, which was prepared using the projected unit credit method. The Plan is administered by independent trustees (the Retirement Plan Trustee) with assets held consolidated from those of the Company.

Under the existing regulatory framework, Republic Act (R.A.) 7641, *The Retirement Pay Law*, requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

The Plan is registered with the Bureau of Internal Revenue (BIR) as a tax-qualified plan under Republic Act (R.A.) No. 4917, As Amended, *Retirement Pay Law*.

The Plan exposes the Group to actuarial risks, such as longevity risk, interest rate risk and market (investment) risk.

<u>Investment Risk</u>
The present value of the defined benefit plan liability is calculated using a discount rate determined by reference to government bond yields; if the return on plan asset is below this rate, it will result in remeasurement loss and may create a plan deficit.

<u>Interest Risk</u>
A decrease in the government bond interest rate will increase the plan liability.

Longevity Risk
The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.

Salary Risk
The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.

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

2025	**FVPA**	**DBO**	**Retirement Benefits Liability**
At January 1	**P2,545,625**	**(P9,134,208)**	**(P6,588,583)**
Included in Profit or Loss			
Current service cost	**-**	**(668,365)**	**(668,365)**
Net interest income (cost)	**156,047**	**(559,927)**	**(403,880)**
	156,047	**(1,228,292)**	**(1,072,245)**
Included in OCI			
Remeasurement gains:			
1. Actuarial gains (losses) arising from:			
▪ Financial assumptions	**-**	**34,981**	**34,981**
▪ Demographic assumptions	**-**	**12,238**	**12,238**
▪ Experience adjustments	**-**	**207,747**	**207,747**
2. Return on plan assets excluding interest income	**(35,477)**	**-**	**(35,477)**
	(35,477)	**254,966**	**219,489**
Other			
Benefits paid	**(144,459)**	**144,459**	**-**
At December 31	**P2,521,736**	**(P9,963,075)**	**(P7,441,339)**

2024	FVPA	DBO	Retirement Benefits Liability
At January 1	P3,412,720	(P9,342,420)	(P5,929,700)
Included in Profit or Loss			
Current service cost	-	(706,472)	(706,472)
Net interest income (cost)	206,128	(564,282)	(358,154)
	206,128	(1,270,754)	(1,064,626)
Included in OCI			
Remeasurement gains:			
1. Actuarial gains (losses) arising from:			
▪ Financial assumptions	-	77,721	77,721
▪ Demographic assumptions	-	428,087	428,087
▪ Experience adjustments	(100,065)	-	(100,065)
2. Return on plan assets excluding interest income	-	-	-
	(100,065)	505,808	405,743
Benefits paid	(973,158)	973,158	-
At December 31	P2,545,625	(P9,134,208)	(P6,588,583)

Retirement benefits expense is included in "Personnel" account in the consolidated statements of profit or loss and other comprehensive income.

The personnel account comprises the following:

	2025	2024	2023
Salaries and wages	**P15,951,483**	P17,964,512	P23,034,906
Retirement benefits expense	**1,072,245**	1,064,626	1,163,168
Other employee benefits	**3,773,921**	3,534,392	827,824
	P20,797,649	P22,563,530	P25,025,898

The Group's plan assets consist of the following:

	2025	2024	2023
Cash and cash equivalents	**P656,792**	P1,007,527	P1,622,102
Debt instruments - government bonds	**1,820,506**	1,514,630	1,771,361
Others	**127,826**	105,292	19,257
	2,605,124	P2,627,449	P3,412,720
Accrued trust fees payable	**(83,388)**	(81,824)	-
	P2,521,736	P2,545,625	P3,412,720

Asset-liability Matching
The Retirement Plan Trustee has 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 benefit liability under the Plan before they become due. For this reason, the amount and timing of contributions to the Plan are at the Group's discretion. However, in the event a benefit claim arises and the Plan is insufficient to pay the claim, the shortfall will then be due and payable from the Group to the employee. Hence, there is no expected contribution to the Plan in 2026.

The December 31 actuarial valuation uses these principal actuarial assumptions at the reporting date:

	2025	2024
Discount rate	**6.17%**	6.04%
Future salary increases	**3.00%**	3.00%

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 8.12 years and 7.96 years as at December 31, 2025 and 2024, respectively.

Maturity analysis of the benefit payments over the period of 10 years as at December 31 follows:

	Carrying Amount	Contractual Cash Flows	Within 1 Year	Within 1 - 5 Years	Within 6 - 10 Years
2025	**P9,963,075**	**P8,286,713**	**P374,411**	**P4,441,666**	**P3,470,636**
2024	P9,134,208	P8,022,962	P324,150	P3,980,769	P3,718,043
2023	P9,373,044	P10,174,206	P374,690	P3,947,591	P5,851,925

Sensitivity Analysis
Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have increased (decreased) the DBO by the amounts shown below:

2025	**+ 1%**	**- 1%**
Discount rate	**(P852,582)**	**P962,039**
Expected rate of salary increases	**990,256**	**(897,641)**

2024	+ 1%	- 1%
Discount rate	(P804,520)	P909,128
Expected rate of salary increases	938,522	(851,602)

2023	+ 1%	- 1%
Discount rate	(P858,568)	P975,548
Expected rate of salary increases	1,004,493	(905,517)

15. Income Taxes

The components of the income tax benefit are as follows:

	2025	2024	2023
Current	**P3,354**	P698,427	P33,255
Deferred	**(27,290,698)**	(5,159,618)	(5,298,315)
	(P27,287,344)	(P4,461,191)	(P5,265,060)

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

	2025	2024	2023
Loss before income tax benefit	**(P128,671,284)**	(P81,705,331)	(P80,189,103)
Statutory tax rate for income tax expense	**20%/25%**	20%/25%	20%/25%
Income tax benefits	**(P32,167,821)**	(P20,426,333)	(P19,496,920)
Additions to (reductions in) income tax due to the effects of:			
Unrecognized deferred tax asset on NOLCO and MCIT	**8,133,931**	13,515,755	15,133,597
Nondeductible expenses	**40,904**	232,759	3,809
Interest income already subjected to final tax	**(1,088,735)**	(4,523)	(770,953)
Other	**(2,205,623)**	2,221,151	-
	(P27,287,344)	(P4,461,191)	(P5,130,467)

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

December 31, 2025	**Balance January 1, 2025**	**Recognized in Profit or Loss**	**Recognized in OCI**	**Balance December 31, 2025**
Deferred tax liability:				
Revaluation surplus on property and equipment	**P198,757,340**	**(P4,892,150)**	**P10,014,526**	**P203,879,716**
Deferred tax assets:				
Retirement benefits liability	**1,647,146**	**268,061**	**(54,873)**	**1,860,334**
Unrealized foreign exchange loss	**(2,491)**	**3,726**	**-**	**1,235**
Allowance for uncollectible accounts	**1,599,883**	**22,126,761**	**-**	**23,726,644**
	3,244,538	**22,398,548**	**(54,873)**	**25,588,213**
	P195,512,802	**(P27,290,698)**	**P10,069,399**	**P178,291,503**

December 31, 2024	Balance January 1, 2024	Recognized in Profit or Loss	Recognized in OCI	Balance December 31, 2024
Deferred tax liability:				
Revaluation surplus on property and equipment	P203,649,490	(P4,892,150)	P -	P198,757,340
Deferred tax assets:				
Retirement benefits liability	1,482,424	266,158	(101,436)	1,647,146
Unrealized foreign exchange loss	(3,801)	1,310	-	(2,491)
	1,478,623	267,468	(101,436)	1,644,655
	P202,170,867	(P5,159,618)	P101,436	P197,112,685

December 31, 2023	Balance January 1, 2023	Recognized in Profit or Loss	Recognized in OCI	Balance December 31, 2023
Deferred tax liability:				
Revaluation surplus on property and equipment	P208,827,941	(P5,178,451)	P -	P203,649,490
Deferred tax assets:				
Retirement benefits liability	1,481,643	123,665	(122,884)	1,482,424
Unrealized foreign exchange loss	-	(3,801)	-	(3,801)
	1,481,643	119,864	(122,884)	1,478,623
	P207,346,298	(P5,298,315)	P122,884	P202,170,867

Deferred tax assets in respect of possible future taxable benefit arising from NOLCO and MCIT are not recognized because management has assessed that the future taxable profits will not be available against which the Group can utilize the benefits thereon.

Details of the Parent Company's NOLCO are as follows:

Year Incurred	Amount	Applied	Expired	Balance	Expiry Year
2025	P47,300,845	P -	P -	P47,300,845	2028
2024	51,616,868	-	-	51,616,868	2027
2023	18,627,924	-	-	18,627,924	2026
2022	14,483,139	-	(14,483,139)	-	2025
2021	59,520,608	-	-	59,520,608	2026
	P191,549,384	P -	(P14,483,139)	P177,066,245	

Details of the Subsidiary's NOLCO are as follows:

Year Incurred	Amount	Applied	Expired	Balance	Expiry Year
2025	P3,012,113	P -	P -	P3,012,113	2028
2024	2,440,125	-	-	2,440,125	2027
2023	2,435,932	-	-	2,435,932	2026
2022	2,460,132	-	(2,460,132)	-	2025
	P10,348,302	P -	(P2,460,132)	P7,888,170	

Details of the Parent Company's MCIT are as follows:

Year Incurred	Amount	Applied	Expired	Balance	Expiry Year
2025	P3,356	P -	P -	P3,356	2028
2024	611,539	-	-	611,539	2027
2023	33,255	-	-	33,255	2026
2021	35,425	-	(35,425)	-	2025
	P683,575	P -	(P35,425)	P648,150	

16. Loss Per Share

Loss per share (LPS) is computed by dividing the net loss for the year by the weighted average number of outstanding shares of common stock during the year.

	2025	2024	2023
Net loss	**(P73,081,129)**	(P78,500,613)	(P74,555,391)
Weighted average number of outstanding shares of common stock (net of treasury stock)	**344,747,520**	344,747,520	344,747,520
LPS - basic/diluted	**(P0.21)**	(P0.23)	(P0.22)

There are no potential dilutive common shares for the years ended December 31, 2025, 2024 and 2023.

17. 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 consist of cash and cash equivalents, trade and other current receivables, note receivable, due from a related party, equity securities - at FVOCI, other deposits (presented under "Other noncurrent assets"), trade and other current payables (excluding statutory payables), due to related parties and retention payables. The main purpose of these financial instruments is to finance the Group's operations.

The main risks arising from the financial instruments of the Group are credit risk, liquidity risk, market risk and equity price risk. The Group's management reviews and approves policies for managing each of these risks, as summarized below.

Credit Risk
Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's trade and other current receivables. There has been no change to the Group's exposure to credit risk or the manner in which it manages and measures the risk since prior financial year.

The Group trades only with recognized, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. The Group grants advances to its related parties after the BOD reassesses the Group's strategies for managing credits and views that they remain appropriate for the Group's circumstances.

The amounts presented in the consolidated statements of financial position are net of allowances for impairment losses on receivables, estimated by the Group's management based on prior experience and their assessment of the current economic environment.

With respect to credit risk from other financial assets of the Group, which comprise of cash and cash equivalents, trade and other current receivables, note receivable, due from a related party, and other deposits, the exposure of the Group to credit risk arises from the default of the counterparty, with maximum exposure equal to the carrying amount of these financial instruments.

At the reporting date, other than the trade and other current receivables and due from a related party, there were no significant concentrations of credit risk.

The tables below show the credit quality of the Group's financial assets (amounts are in thousands):

	2025		
	At Amortized Cost		
	12-month ECL	**Lifetime ECL - not credit impaired**	**Lifetime ECL - credit impaired**
Grade A	**P92,731**	**P -**	**P -**
Grade B	**68,334**	**-**	**-**
Grade C	**95,318**	**-**	**-**
Gross carrying amount	**256,383**	**-**	**-**
Loss allowance	**(95,318)**	**-**	**-**
Carrying amount	**P161,065**	**P -**	**P -**

	2024		
	At Amortized Cost		
	12-month ECL	Lifetime ECL - not credit impaired	Lifetime ECL - credit impaired
Grade A	P108,195	P -	P -
Grade B	93,500	-	-
Grade C	33,108	-	-
Gross carrying amount	234,803	-	-
Loss allowance	(33,108)	-	-
Carrying amount	P201,695	P -	P -

The credit grades used by the Group in evaluating the credit quality of its receivables to customers and other parties are the following:

Grade A financial assets pertain to financial assets that are neither past due nor impaired which have good collection status. These financial assets are those which have high probability of collection, as evidenced by counterparties having ability to satisfy their obligations.

Grade B financial assets are those past due but not impaired financial assets and with fair collection status. These financial assets 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.

Grade C financial assets are those which have continuous default collection issues. These financial assets have counterparties that are most likely not capable of honoring their financial obligations

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	**2025**	2024
Cash and cash equivalents*		**P4,366**	P20,813
Trade and other current receivables	*4*	**12,191**	22,339
Note receivable	*10*	**56,142**	112,950
Due from related parties	*10*	**70,526**	71,161
Other deposits	*8*	**183,683**	182,310
		326,908	409,573
Less allowance for impairment losses	*4, 10*	**95,318**	33,108
		P231,590	P376,465

**Excluding cash on hand*

Cash and cash equivalents consist of:

	2025	2024
Cash on hand	**P43,810**	P70,000
Cash in banks	**4,366,371**	20,813,077
	P4,410,181	P20,883,077

Cash in banks earn interest based on prevailing deposit rates.

Related interest income recognized in profit or loss amounted to P0.01 million, P0.02 million, and P0.01 million in 2025, 2024, and 2023 respectively.

The aging analysis of the Group's financial assets are as follows (in thousands):

		Neither Past	**Past Due but not Impaired**					**Past Due**
December 31, 2025	**Total**	**Due nor Impaired**	**< 30 Days**	**30 - 60 Days**	**61 - 90 Days**	**91 - 120 Days**	**> 120 Days**	**and Impaired**
Cash and cash equivalents*	**P4,410**	**P4,410**	**P -**	**P -**	**P -**	**P -**	**P -**	**P -**
Trade and other current receivables	**45,300**	**45,300**	**-**	**-**	**-**	**-**	**-**	**33,108**
Note receivable	**56,142**	**118,352**	**-**	**-**	**-**	**-**	**-**	**62,210**
Due from a related parties	**70,526**	**70,526**	**-**	**-**	**-**	**-**	**-**	**-**
Other deposits	**183,683**	**183,683**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**P258,619**	**P422,271**	**P -**	**P -**	**P -**	**P -**	**P -**	**P95,318**

December 31, 2024	Total	Neither Past Due nor Impaired	Past Due but not Impaired < 30 Days	30 - 60 Days	61 - 90 Days	91 - 120 Days	> 120 Days	Past Due and Impaired
Cash and cash equivalents*	P20,813	P20,813	P -	P -	P -	P -	P -	P -
Trade and other current receivables	55,447	22,339	-	-	-	-	-	33,108
Note receivable	112,950	112,950	-	-	-	-	-	-
Due from a related parties	182,310	182,310	-	-	-	-	-	-
Other deposits	7,540	7,540	-	-	-	-	-	-
Total	P379,060	P345,952	P -	P -	P -	P -	P -	P33,108

**Excluding cash on hand*

Information on the Group’s receivables that are impaired as at December 31, 2025 and 2024 and the movements in the impairment losses are disclosed in Notes 4 and 10 to the consolidated financial statements.

The main considerations for impairment assessment include whether any payments are overdue or if there are any known difficulties in the cash flows of the counterparties. The Group assesses impairment in two ways: individual assessment and collective assessment.

The Group determines allowance for each significant receivable on an individual basis. Among the items that the Group considers in assessing impairment is the inability to collect from the counterparty based on the contractual terms of the receivables. Receivables included in the specific assessment are the accounts that have been endorsed to the legal department, non-moving accounts receivable, accounts of defaulted agents and corporate accounts.

For collective assessment, allowances are assessed for receivables that are not individually significant and for individually significant receivables where there is no objective evidence yet of individual impairment. Impairment losses are estimated by taking into consideration the age of the receivables, past collection experience and other factors that may affect collectability.

The total impairment losses on the financial assets recognized in the consolidated statements of profit or loss and other comprehensive income amounted to P62.21 million, P13.20 million, and nil in 2025, 2024, and 2023, respectively (see Notes 4 and 10), which were determined and measured through the Group’s individual assessment procedures.

Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due because of an inability to liquidate assets or obtain adequate funding. The Group’s exposure to liquidity risk arises primarily from mismatches of the maturities of the financial assets and financial liabilities. There has been no change to the Group’s exposure to liquidity risk or the manner in which it manages and measures the risk since prior financial year.

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

Ultimate responsibility for liquidity risk management rests with the BOD, which has built 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's approach to managing liquidity risk is to ensure, as far as possible, that it will always have adequate funding available at all times to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group manages liquidity risk by maintaining adequate reserves, continuously monitoring forecasts 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.

The following tables summarize the maturity profile of the Group's financial liabilities based on contractual undiscounted payments (in thousands):

			Contractual Undiscounted Payments			
December 31, 2025	***Note***	**Total Carrying Amount**	**Total**	**On Demand**	**Less than 1 Year**	**1 to 5 Years**
Trade and other current payables*	*9*	**P230,575**	**P230,575**	**P -**	**P230,575**	**P -**
Due to related parties	*10*	**717,132**	**717,132**	**717,132**	**-**	**-**
Retention payables		**93,536**	**93,536**	**93,536**	**-**	**-**
		P1,041,243	**P1,041,243**	**P810,668**	**P230,575**	**P -**

**Excluding statutory payables*

			Contractual Undiscounted Payments			
December 31, 2024	*Note*	Total Carrying Amount	Total	On Demand	Less than 1 Year	1 to 5 Years
Trade and other current payables*	*9*	P334,635	P334,635	P -	P334,625	P -
Due to related parties	*10*	536,035	536,035	536,035	-	-
Retention payables		88,488	88,488	88,488	-	-
		P959,158	P959,158	P624,523	P334,625	P -

**Excluding statutory payables*

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, foreign 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. The Group is not significantly exposed to changes in interest and foreign currency exchange rates.

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, 2025 and 2024.

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 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 security - at FVOCI and macroeconomic forecast for 2025 and 2024. This analysis assumes an increase of 10% for 2025 and 2024 and a decrease of 10% for 2025 and 2024 of the equity price of the Group's equity security - at FVOCI. All other variables are held constant. There are no fair value change in other comprehensive income in 2025 and 2024.

Fair Value Measurement
The carrying amount of cash and cash equivalents, trade and other current receivables, note receivable, due from a related party, trade and other current payables (excluding statutory payables) and due to related parties approximate their fair values due to the short-term maturity of these instruments.

The discussions on the fair value of equity security - at FVOCI are disclosed in Note 10 to the consolidated financial statements.

The discussions on the fair value of property and equipment are disclosed in Note 7 to the consolidated financial statements.

The carrying values of other deposits and retention payables approximate their fair value because these are not subject to significant risk of change in value.

The approximation of the fair values of the Group's financial assets and liabilities are based on Level 3, except for equity securities - at FVOCI which is based on Level 1 of the fair value hierarchy.

18. 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. The Group's overall strategy remains unchanged since prior financial year.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust its capital structure, the Group may adjust the dividend payments to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or process in 2025 and 2024. For purposes of the Group's capital management, capital includes all equity items that are presented in the consolidated statements of changes in equity, except for revaluation surplus on property and equipment, retirement benefits reserve and fair value reserve.

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

19. Significant Contingencies

Legal Cases
The Group is also a defendant in other legal and labor cases which are still pending resolution. Management and its legal counsels believe that the outcome of these cases will not have any material effect on the Group's consolidated financial position and results of operations.

20. Summary of Material Accounting Policies

Changes in Accounting Policies
The accounting policies set out below have been applied consistently to all years presented in these separate financial statements, except for the changes in accounting policies as follows:

Amendments to a Standard
The accounting policies adopted in the preparation of the Group's separate financial statements are consistent with those of the previous financial year, except for the adoption of the following new and amended accounting pronouncements which became effective January 1, 2025. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Unless otherwise indicated, adoption of these new standards did not have an impact on the consolidated financial statements of the Group.

The nature and impact of each new standard and amendment are described below:

- *Lack of Exchangeability (Amendments to PAS 21, The Effects of Changes in Foreign Exchange Rates)*
  The amendments clarify that a currency is exchangeable into another currency when a company is able to obtain the other currency within a time frame that allows for a normal administrative delay and through a market or exchange mechanism in which an exchange transaction would create enforceable rights and obligations.

  When a currency is not exchangeable, a company needs to estimate a spot rate. The objective in estimating the spot rate is to reflect the rate at which an orderly exchange transaction would take place at the measurement date between market participants under prevailing economic conditions. The amendments do not specify how to estimate the spot exchange rate to meet the objective and an entity can use an observable exchange rate without adjustment or another estimation technique.

  The amendments require new disclosures to help users assess the impact of using an estimated exchange rate on the financial statements, including the nature and financial impacts of the currency not being exchangeable, the spot exchange rate used, the estimation process, and risks to the company because the currency is not exchangeable.

  Comparative information is not restated and the effect of initially applying the amendments are adjusted to the opening balance of retained earnings, or to the cumulative amount of translation differences if the company uses a presentation currency other than its functional currency.

  The standard has no impact on the Group's financial reporting.

Standards Issued but Not Yet Adopted

A number of new and amended standards are effective for annual periods beginning after January 1, 2025. However, the Group has not early adopted the following new or amended standards in preparing these financial statements. Except as otherwise indicated, none of these are expected to have a significant impact on the Group's financial statements.

Effective January 1, 2026

- Amendments to the Classification and Measurement of Financial Instruments (Amendments to PFRS 9, *Financial Instruments,* and PFRS 7, *Financial Instruments: Disclosures*)

- Annual Improvements to PFRS Accounting Standards - Volume 11

  a. Hedge Accounting by a First-time Adopter (Amendments to PFRS 1, *First-time Adoption of International Financial Reporting Standards*)
  b. Gain or Loss on Derecognition (Amendments to PFRS 7)
  c. Introduction, Disclosure of Difference Between Fair Value and Transaction Price, and Credit Risk Disclosures (Amendments to Guidance on implementing PFRS 7)
  d. Derecognition of Lease Liabilities and Transaction Price (Amendments to PFRS 9)
  e. Determination of 'De Facto Agent' (Amendments to PFRS 10, *Consolidated Financial Statements*)
  f. Cost Method (Amendments to PAS 7)

- Contracts Referencing Nature-dependent Electricity (Amendments to PFRS 9 and PFRS 7)

Effective January 1, 2027

- PFRS 17, *Insurance Contracts*
- PFRS 18, *Presentation and Disclosure in Financial Statements*

  PFRS 18 will replace PAS 1, *Presentation of Financial Statements*, and aims to provide greater consistency in presentation of the income and cash flow statements, and more disaggregated information.

  A More Structured Income Statement

  PFRS 18 promotes a more structured income statement. It introduces a newly defined 'operating profit or loss' and 'profit or loss before financing and income tax' subtotals, and a requirement for all income and expenses to be classified into three new distinct categories – operating, investing, and financing – based on a company's main business activities. PFRS 18 also requires companies to analyze their operating expenses directly on the face of the income statement – either by nature, by function or on a mixed basis. Companies need to choose the presentation method that provides the 'most useful structured summary' of those expenses. New disclosures apply if any operating expenses are presented by function.

Management-defined Performance Measures
PFRS 18 provides a definition for management-defined performance measures (MPMs) and introduces specific disclosure requirements. MPMs are subtotals of income and expenses that are used in public communications outside the financial statements, communicate management's view of an aspect of the financial performance of the entity as a whole and are not a required subtotal or a common income and expense subtotal listed in PFRS 18. For each MPM presented, companies will need to explain in a single note to the financial statements why the measure provides useful information and how it is calculated, and to reconcile it to an amount determined under PFRS Accounting Standards.

Greater Disaggregation of Information
PFRS 18 provides enhanced guidance on how companies group information in the financial statements, including newly defined roles of the primary financial statements and the notes, principles of aggregation and disaggregation based on shared and non-shared characteristics, and specific guidance for labelling and describing items in a way that faithfully represents an item's characteristics.

PFRS 18 also now requires goodwill to be presented as a line item in the statement of financial position. Consequential amendments to PAS 7, *Statement of Cash Flows*, require the use of the operating profit or loss subtotal as the starting point when presenting operating cash flows under the indirect method and eliminate the options for classifying interest and dividend cash flows.

PFRS 18 also amends PAS 33, *Earnings per Share*, to permit companies to disclose additional amounts per share using as numerator a required income and expenses total or subtotal, a common subtotal listed in PFRS 18 or an MPM disclosed by the entity.

PFRS 18 applies for annual reporting periods beginning on or after January 1, 2027, with earlier application permitted. It applies retrospectively in accordance with PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*. Specific reconciliations are required to be disclosed. Eligible entities including venture capital organizations, mutual funds and some insurers will be allowed to change their election for measuring investments in associates and joint ventures from equity method to fair value through profit or loss. As at December 31, 2025, the Group has not yet determined the impact of the standard.

- PFRS 19, *Subsidiaries without Public Accountability: Disclosures*

Deferred Local Implementation

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to PFRS 10 and PAS 28, *Investments in Associates and Joint Ventures*)

Amendments to IFRS not yet adopted by the FSRSC as part of PFRS Accounting Standards

- Translation to a Hyperinflationary Presentation Currency (Amendments to IAS 21)
- Disclosures about Uncertainties in the Financial Statements (Amendments to Illustrative Examples on IFRS 7, IFRS 18, IAS 1, IAS 8, IAS 36, *Impairment of Assets*, and IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*

Current versus Noncurrent Classification
The Group presents assets and liabilities in the statements of financial position based on current and noncurrent classification. An asset is current when it is: (a) expected to be realized or intended to be sold or consumed in the normal operating cycle; (b) held primarily for the purpose of trading; (c) expected to be realized within 12 months after the reporting period; or (d) cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

A liability is current when: (a) expected to be settled in the normal operating cycle; (b) it is held primarily for trading; (c) it is due to be settled within 12 months after the reporting period; or (d) there is no right at the end of the reporting period to defer the settlement of the liability for at least 12 months after the reporting period.

The Group classifies all other assets and liabilities as noncurrent. Deferred tax assets and liabilities are classified as noncurrent.

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 or minus, for an item not at Fair Value Through Profit or Loss (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 Group's cash and cash equivalents, trade and other current receivables, note receivable and due from a related party.

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, 2025 and 2024, 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.

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.

Classification and Measurement of Financial Liabilities
<u>Financial Liabilities</u>
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, 2025 and 2024, other financial liabilities at amortized cost include trade and other current payables (excluding statutory payables), due to related parties and retention payables in the consolidated statement of financial position (see Notes 9, 10 and 17). 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 Assets
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 contractual rights to receive cash flows from the asset have expired;
- the Group retains the contractual 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; or
- the Group has transferred its contractual right to receive cash flows from the asset or 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.

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, 2025 and 2024, 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 statements 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 nonfinancial 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.

<u>Impairment of Financial Assets</u>
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.

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

The Group determines and presents operating segments based on the information that is internally provided to the BOD, who is the Group's chief operating decision maker. The Group assessed that its hotel operations represent one segment. Accordingly, the Group does not present segment information in these consolidated financial statements.

Inventories
Inventories are stated at the lower of cost and NRV. Cost comprises all cost of purchase and other direct costs incurred in bringing the inventories to their present location and condition. Cost is determined using the weighted average method.

NRV represents the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale. NRV of operating supplies and engineering and maintenance supplies is the estimated replacement cost.

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 prepayment 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 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. For land which is acquired as part of business combination, it is originally measured at deemed cost (fair value at the acquisition date). No depreciation is provided on land.

Measurement Subsequent to Recognition
Operating equipment is carried at cost less accumulated depreciation and accumulated impairment losses, if any.

Hotel building and furniture, fixtures and equipment are carried at revalued amounts, being the fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Fair values are determined through the appraisal of 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.

Any increase in the carrying amount resulting from a revaluation (revaluation increase) is recognized in OCI and accumulated in equity. However, the increase shall be recognized in profit or loss to the extent that the increase reverses a revaluation decrease of the same asset previously recognized in profit or loss.

Any decrease in the carrying amount resulting from a revaluation (revaluation decrease) is recognized in profit or loss. However, the decrease shall be recognized in OCI to the extent of any credit balance existing in the revaluation surplus in respect of that asset. The decrease recognized in OCI reduces the amount accumulated in equity.

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.

Depreciation
Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

	Number of Years
Hotel building	15 - 50
Furniture, fixtures and equipment	3 - 5

The useful lives and depreciation method are reviewed at each reporting date to ensure that such useful lives and depreciation method are consistent with the expected pattern of economic benefits from those assets.

Fully depreciated assets are retained in the accounts until they are no longer in use and no further charge for depreciation is made in respect of those assets.

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

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 accumulated depreciation 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 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 pre-tax 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 cash-generating unit 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 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.

Revenue Recognition

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; 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.

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

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.

Foreign Currency Transactions and Translations

Transactions in foreign currencies are translated into PHP using the exchange rates prevailing at the dates of such transactions. Monetary assets and liabilities denominated in foreign currencies are translated to their PHP equivalents using the rates of exchange prevailing at the reporting date.

Foreign exchange gains or losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as 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 was determined.

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 non-monetary benefits, among others, are measured on an undiscounted basis and are expensed as the related service is provided.

Retirement Benefits Costs

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 PUCM. 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.

Remeasurements 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 reserves under equity. The Group determines the net interest expense on the net defined benefit liability for the period by applying the discount rate used to measure the DBO at the beginning of the annual period to the then net defined benefit liability, taking into account any changes in the net defined liability 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>Capital Stock</u>
Capital stock is classified as equity. Incremental costs directly attributable to the issuance of capital stock and share options are recognized as deduction from equity, net of any tax effects.

Preferred share capital is classified as equity if it is non-redeemable, or redeemable only at the option of the Parent Company, or if the dividend payments are discretionary. Dividends thereon are recognized as distributions within equity upon approval by the BOD of the Parent Company.

<u>Retained Earnings</u>
Retained earnings include accumulated results of operations as reported in the consolidated statement of profit or loss and other comprehensive income less any dividends declared. Dividends are recorded in the period in which the dividends are approved by the BOD.

<u>Treasury Stock</u>
The Group’s shares which are reacquired and held by the Group are deducted from equity and accounted for at weighted average cost. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Group’s shares. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to or from retained earnings.

(LPS) EPS

Basic EPS/LPS 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/LPS is computed in the same manner as the aforementioned, except that all outstanding convertible preferred shares are 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 recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that a transfer of economic benefits will be required to settle the obligation.

Contingent liabilities are not recognized as liabilities, but are disclosed in the consolidated financial statements unless the possibility of an outflow of resources is remote. Contingent assets are not recognized but are disclosed in the consolidated financial statements when an inflow of economic benefits is probable.

Events After the Reporting Period

The Group identifies post-yearend 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 on conditions that existed at the end of a reporting period (adjusting events) are recognized in the consolidated financial statements. Events that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

COVER SHEET

for

AUDITED FINANCIAL STATEMENTS

SEC Registration Number

7199

COMPANY NAME

ACESITE (PHILS.) HOTEL CORPORATION AND SUBSIDIARIES

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

8th Floor, Waterfront Manila Hotel and Casino, United Nations Avenue corner Maria Orosa Street, Ermita, Manila

Form Type	Department requiring the report	Secondary License Type, If Applicable
AFS21	N/A	N/A

COMPANY INFORMATION

Company's email Address	Company's Telephone Number/s	Mobile Number
acesitemph@waterfronthotels.net	09985948516	N/A

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
208	December 2	December 31

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
		N/A	

CONTACT PERSON's ADDRESS

8th Floor, Waterfront Manila Hotel and Casino, United Nations Avenue corner Maria Orosa Street, Ermita, Manila

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.

ACESITE (PHILS.) HOTEL CORPORATION AND SUBSIDIARIES

AS OF DECEMBER 31, 2025

Ratio	Formula	**2025**	2024
Current ratio	Total Current Assets divided by Total Current Liabilities Total Current Assets P48,150,432 Divided by: Total Current Liabilities 948,901,941 Current ratio **0.05**	**5%**	29%
Acid test ratio	Quick assets (Total Current Assets less Inventories and Other Current Assets) divided by Total Current Liabilities Total Current Assets P48,150,432 Less: Inventories 762,424 Other current assets 30,822,136 Quick assets P16,565,872 Divided by: Total Current Liabilities 948,901,941 Acid test ratio **0.02**	**2%**	26%
Solvency ratio	Net Income After Tax plus Non-cash Expenses divided by Total Liabilities Net Income After Tax (P107,451,404) Add: Non-Cash Expenses 19,568,600 After-tax Net Operating Income (87,882,804) Divided by: Total Liabilities 1,228,170,541 Solvency ratio **-0.07**	**-7%**	-5%
Debt-to-equity ratio	Total Liabilities divided by Shareholder's Equity Total Liabilities P1,228,170,541 Divided by Shareholder's Equity 1,640,454,518 Debt-to-equity ratio **0.75**	**75%**	68%
Asset-to-equity ratio	Total assets divided by Shareholder's Equity Total assets P2,868,625,059 Divided by: Shareholder's Equity 1,640,454,518 Asset-to-equity ratio **1.75**	**175%**	168%
Return on equity	Net loss divided by Shareholder's Equity Net Loss (P107,451,404) Divided by: Shareholder's Equity 1,640,454,518 Return on Equity **-0.07%**	**-7%**	-5%

Ratio	Formula		**2025**	2024
Return on assets	Net Income divided by Average Total Assets		**-4%**	-3%
	Net Loss	(P107,451,404)		
	Divided by: Average Total Asset			
	Beginning Balance, asset	P2,877,481,928		
	Add: Ending Balance, asset	_2,868,625,059		
		5,746,106,987		
	Divided by:	2,873,053,494		
	Return on asset	**-0.04%**		

ANNEX A

RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION FOR THE REPORTING PERIOD ENDED DECEMBER 31, 2025

ACESITE (PHILS.) HOTEL CORPORATION AND SUBSIDIARIES

8th Floor, Manila Pavilion Hotel
United Nations Avenue, Ermita, Manila

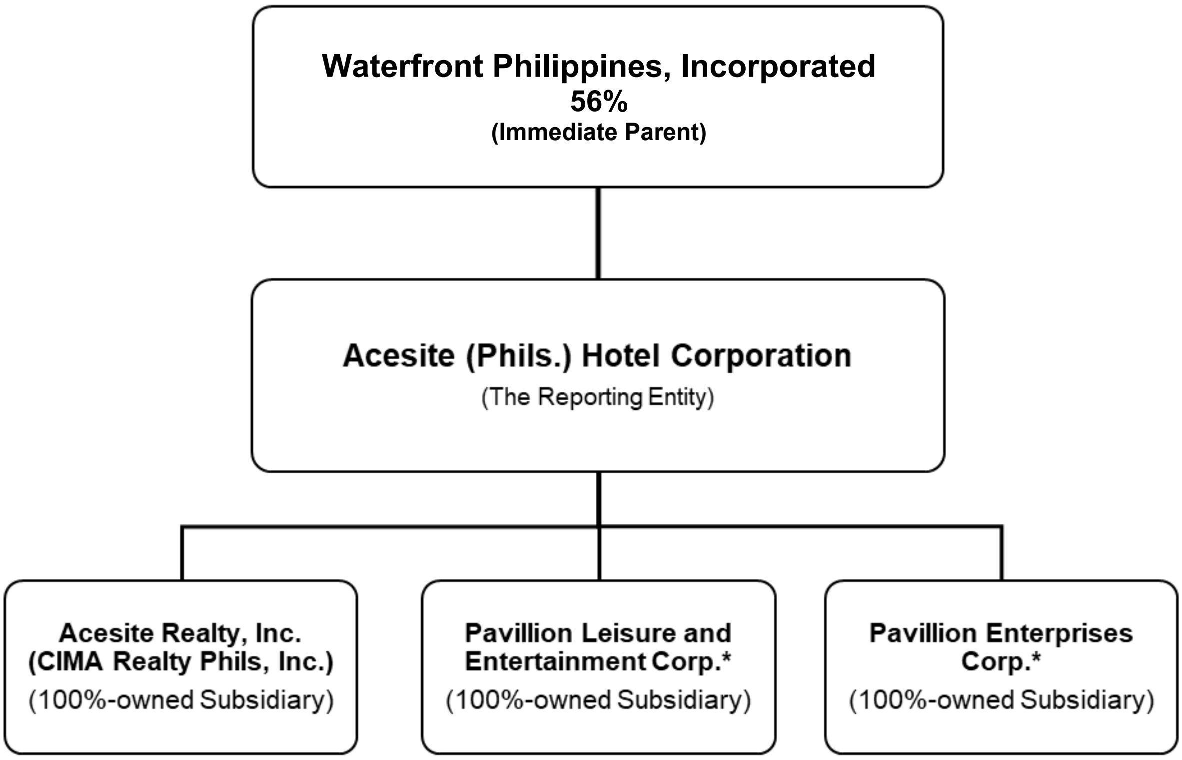
Unappropriated Retained Earnings, beginning of the reporting period	**P1,108,677,509**
Unappropriated Retained Earnings, as adjusted	**1,108,677,509**
Add/Less: Net loss	**(110,735,310)**
Adjusted Net Income	**(110,735,310)**
Add: Category D: Non-actual losses recognized in profit or loss during the reporting period (net of tax)	
Depreciation on revaluation increment (after tax)	**14,676,450**
Add: Category F: Other items that should be excluded from the determination of available for dividend distribution	
Net movement of deferred tax asset not considered in the reconciling items under the previous categories	**21,797,233**
Total Retained Earnings, end of the reporting period available for dividend	**P1,034,415,882**

ACESITE (PHILS.) HOTEL CORPORATION AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE OF EXTERNAL AUDITOR FEE-RELATED INFORMATION
DECEMBER 31, 2025

	2025	2024
Total Audit Fees		
Audit of financial statements	**P570,000**	P550,000
Total non-audit services fees:		
Financial statement word processing	Included in the audit fee	Included in the audit fee
Audit and non-audit fees of related parties:		
Audit fees		-
Non-audit services	Included in the audit fee	Included in the audit fee
Total fees	**P570,000**	P550,000

ANNEX B

ACESITE (PHILS.) HOTEL CORPORATION AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE REQUIRED UNDER THE REVISED SRC RULE 68
Map of Conglomerate



*dormant entities

ACESITE (PHILS.) HOTEL CORPORATION AND SUBSIDIARIES

Table of Contents

Supplementary Schedules
Required Under the Revised Securities Regulation Code Rule 68
December 31, 2025

ACESITE (PHILS.) HOTEL CORPORATION AND SUBSIDIAIRIES
SCHEDULE A - FINANCIAL ASSETS
DECEMBER 31, 2025

Name of Issuing Entity and Association of Each Issue	Number of shares or Principal Amount of Bonds and Notes	Amount Shown in the Statement of Financial Position	Value Based on Market Quotation at End of Reporting Period	Income Received and Accrued
Cash		P4,410,181	P4,410,181	
Trade and other current receivables - net		12,191,474	12,191,474	
Note receivable		56,142,228	56,142,228	P4,354,938
Equity securities - at fair value through other comprehensive income	86,710,000	22,544,600	22,544,600	
	P86,710,000	**P95,288,483**	**P95,288,483**	**P4,354,938**

See Notes 4, 10 and 18 of Notes to the Consolidated Financial Statements.

ACESITE (PHILS.) HOTEL CORPORATION AND SUBSIDIARIES
SCHEDULE B - AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (Other than Related Parties)
DECEMBER 31, 2025

Name and Designation of Debtor	Balance at Beginning of Period	Additions	Amounts Collected	Amounts Written Off	Current	Noncurrent	Balance at End of Period
Acesite Leisure and Entertainment Corp. (ALEC)	**P112,950,334**	**P11,469,049**	**P -**	**P -**	**P -**	**P -**	**P124,419,383**

See Note 10 of Notes to the Consolidated Financial Statements.

ACESITE (PHILS.) HOTEL CORPORATION AND SUBSIDIARIES
SCHEDULE C - AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING CONSOLIDATION OF FINANCIAL STATEMENTS
DECEMBER 31, 2025

Name and Designation of Debtor	Balance at Beginning of Period	Additions	Amounts Collected	Amounts Written Off	Current	Noncurrent	Balance at End of Period

Nothing to report

ACESITE (PHILS.) HOTEL CORPORATION AND SUBSIDIARIES
SCHEDULE D - LONG-TERM DEBT
DECEMBER 31, 2025

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

Nothing to report

ACESITE (PHILS.) HOTEL CORPORATION AND SUBSIDIARIES
SCHEDULE E - INDEBTEDNESS TO RELATED PARTIES
DECEMBER 31, 2025

Name of Related Party	Balance at Beginning of Period	Balance at End of Period
Waterfront Philippines, Inc. (Parent Company)	P203,028,522	**P188,171,701**
Waterfront Cebu City Casino Hotel, Incorporated	15,228,873	**176,511,423**
Waterfront Mactan Casino Hotel, Incorporated	240,429,265	**250,942,209**
Davao Insular Hotel Company, Inc.	77,348,069	**98,040,996**
Grand Ilocandia Resort and Development, Inc.	-	**2,445,388**
Waterfront Wellness Group, Inc	-	**345,000**
Waterfront Horizon Corporation	-	**675,242**
	P536,034,729	**P717,131,959**

See Note 10 of Notes to the Consolidated Financial Statements.

ACESITE (PHILS.) HOTEL CORPORATION AND SUBSIDIARIES
SCHEDULE F - GUARANTEES OF SECURITIES OF OTHER ISSUERS
DECEMBER 31, 2025

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

ACESITE (PHILS.) HOTEL CORPORATION AND SUBSIDIARIES
SCHEDULE G - CAPITAL STOCK
DECEMBER 31, 2025

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	1,200,000,000	346,100,578	1,353,058	192,045,057	10,000	152,692,263
Preferred shares	10,000,000	-	-	-	-	-
	1,210,000,000	**346,100,578**	**1,353,058**	**192,045,057**	**10,000**	**152,692,263**

See Note 11 of Notes to the Consolidated Financial Statements.

Contingent liabilities are not recognized as liabilities, but are disclosed in the separate financial statements unless the possibility of an outflow of resources is remote. Contingent assets are not recognized but are disclosed in the separate financial statements when an inflow of economic benefits is probable.

Events After the Reporting Period
The Company identifies post-yearend events as events that occurred after the reporting date but before the date when the separate financial statements were authorized for issue. Any post-yearend 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. Events that are not adjusting events are disclosed in the notes to the separate financial statements when material.