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**SECURITIES AND EXCHANGE COMMISSION**

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Company Information

SEC Registration No. 0000166878

Company Name GRAND PLAZA HOTEL CORPORATION DOING BUSINESS UNDER THE NAME OF THE HERITAGE HOTEL MANILA

Industry Classification

Company Type Stock Corporation

Document Information

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COVER SHEET

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S.E.C. Registration Number

GRAND PLAZA HOTEL CORPORATION

(Company's Full Name)

10 FLR HERITAGE HOTEL EDSA EXT

PASAY CITY

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

854-8838 MS. BERNARDO

Contact Person

854-8838

Company Telephone Number

Month

Day

Month

Day

Fiscal Year

17-Q

FORM TYPE

Month

Day

Month

Day

Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total No. of Stockholders

Total Amount of Borrowings

Domestic

Foreign

Top be accomplished by SEC Personnel concerned

LCU

CASHIER

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1 For the quarterly period ended September 30, 2019

2. Commission identification number _____ 3. BIR Tax Identification No.
000-460-602-000

GRAND PLAZA HOTEL CORPORATION

4. Exact name of issuer as specified in its charter

PHILIPPINES

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

6. Industry Classification Code: _____ (SEC Use Only)

10F, The Heritage Hotel Manila, Roxas Blvd. cor. EDSA, Pasay City 1300

7. Address of issuer's principal office

Tel. No. (632) 854-8838

Fax No. (632) 854-8825

8. Issuer's telephone number, including area code

N.A.

9. Former name, former address and formal fiscal year if changed since last report

10. Securities registered pursuant to Sections 8 & 12 of the Code, or Sections 4 & 8 of the RSA

Title of each Class

Number of shares of common
Stock outstanding and amount
Of debt outstanding

COMMON SHARES

87,318,270*

*includes 33,600,901 treasury shares

11. Are any or all of the securities listed on Stock Exchange?

Yes [☒] No [☐]

If yes, state the name of such Stock Exchange and the class/es of securities listed therein:

PHILIPPINE STOCK EXCHANGE, INC.

COMMON

12. Indicate by check mark whether the registrant:

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

Yes [X] No []

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

Yes [X] No []

PART I – FINANCIAL INFORMATION

Item 1 Financial Statements

Financial Statements and, if applicable, Pro-forma Financial Statements meeting the requirements of SRC Rule 68, Form and Content of Financial Statements, shall be furnished as specified therein.

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

Furnish the information required by Part III, Paragraph (A)(2)(b) of "Annex C"

PART II – OTHER INFORMATION

The issuer may, at its option, report under this item any information not previously reported in a report in SEC Form 17-C. If disclosure of such information is made under this Part II, it need not be repeated in a report on Form 17-C which would otherwise be required to be filed with respect to such information or in a subsequent report on Form 17-Q.

SIGNATURES

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

Issuer: YAM KIT SUNG

Signature and Title: General Manager

Date: 16/24/2019

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements Required Under SRC Rule 68.1

- Please see attached financial statements for interim Balance Sheets, Statements of Income, Statements of Changes in Equity and Statements of Cash flows.

Notes to Financial Statements

Summary of significant accounting policies

The financial statements of the Company have been prepared in accordance with Philippine generally accepted accounting principles (GAAP) and are denominated in Philippine pesos. The preparation of financial statements in accordance with Philippine GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates. The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies.

The same accounting policies and methods of computation are followed in the interim financial statements for the year 2019 as compared with the most recent annual financial statements.

Seasonality or Cyclicity of Interim Operations

All segments of the business are in its normal trading pattern.

Material Items

There are no material items affecting assets, liabilities, equity, net income or cash flows that are unusual because of their nature, size or incidents.

Estimates

There are no changes in estimates of amounts reported in prior interim periods of the current financial year or changes in estimates of amounts reported in prior financial years that have a material effect in the current interim period.

Issuances of Debts and Equity

There are no issuances, repurchases and repayments of debts and equity securities.

Dividends

There were no dividends declared in the current interim period.

Segment Revenue and Results

Statement of Financial Accounting Standard No. 31, “Segment Reporting”, which becomes effective for financial statements covering periods beginning on or after January 1, 2001, requires that a public business enterprise report financial and descriptive information about its reportable segments. Operating segments are components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision-maker in deciding how to allocate resources and in assessing performance.

The Company organized its business into 3 main segments:

- Room Division – Business derived from the sale of guestrooms.
- Food and Beverage Division – Business derived from the sale of food and beverage at various restaurants.
- Other Operated Departments and Rental – Business derived from telephone department, business center, car parking, laundry and rental of space.

The segment revenues and results are as follows:

	YTD 3rd Quarter Revenue – Peso ‘000	YTD 3rd Department Profit – Peso ‘000
Room	198,159	152,429
Food and Beverage	86,051	29,969
Other Operated Departments and Rental	10,648	7,531

Subsequent Events

None

Composition of Company

There are no changes in the composition of the Company during the interim period, including business combinations, acquisition or disposal of subsidiaries and long-term investments, restructurings and discontinuing operations.

Contingent assets or liabilities

There are no changes in contingent assets or liabilities since the last annual balance sheet date.

Contingencies

There are no material contingencies and any other events or transactions that are material to an understanding of the current interim period.

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

The top 5 Key Performance Indicators of the Company are as follows:

	30 September 2019	30 September 2018
Current liquidity ratios	2.19	2.30
Solvency (Debt to equity)	0.29	0.20
Assets to equity ratios	1.29	1.20
Profitability ratios Profit/(loss)before tax margin ratio	(0.05%)	(0.71%)
EBITDA (Earnings/(loss) before interest, tax, depreciation and amortization) - Peso	19.5 million	5.5 million

Note: The Company has no loans due to third party or related parties.

Current liquidity ratio is derived by dividing the current assets with the current liabilities. This indicator measures the liquidity of the Company in the short-term. The current ratio has decreased by 0.11 during the period of review compared to the same period of last year due to increase in current liabilities of Php9 million (0.05%) consist of increase in related party transactions and hotel lease liability which is due to adoption of new accounting standard for lease in 2019.

Debt to equity ratio measures a company financial leverage. It is derived by dividing total liabilities over equity. There is an increase in this ratio by 0.09 which is a result of higher liabilities and lower equity. The recognition of lease liability of Php70.2 million this year significantly affect this ratio.

Assets/Equity ratio measures the proportion of equity used to finance assets of the company and it is derived by dividing total assets to equity. This ratio increased by 0.09 compared to the same period last year due to application of new accounting standards PFRS 16 – Leases effective January 1, 2019 and recognized Php68.6 million right-of-use asset as of September 2019.

Profit before tax margin ratio is computed by dividing the profit before tax against the total revenue. This ratio measures whether the Company is able to contain its expenses in relation to the revenue. This ratio decreased by 0.66% during the period of review compared to same period last year due to in prior year, there was an exchange gain of Php17.1million while this year was an exchange loss of Php2.7million.

EBITDA represents earnings before interest, tax, depreciation and amortization. This indicator measures the operating cash flow of a company. For the period under review, EBITDA showed a positive EBITDA of Php19.5 million compared to Php5.5 million EBITDA in prior year.

Balance Sheets Analysis:

Total assets increased by about Php35.2 million (3.3%) as compared to the same period of last year and increased by Php67.2 million (6.5%) as compared to end of last fiscal year. The increase is mainly due to application of PFRS 16 – Leases with recognition of Php68.6 million right-of-use asset.

Cash and short term notes:

This balance includes short-term fixed deposits with banks. As compared to the same period of last year, cash has increased by Php13.5 million (5%) and increased by Php23.9 million (9%) versus end of last fiscal year. The higher cash balance is due to collection of trade receivables and lesser capital expenditure during the 9 months of 2019.

Accounts receivable – trade:

This balance decreased by Php17.6 million (40%) compared to the same period last year and Php11.4 million (30%) decreased versus end of last fiscal year. The substantial decrease is due to faster collection of the accounts outstanding from customers.

Deferred tax assets:

This is the recognition of the deferred tax on the exchange gain/(loss), provision for bad debts, net operating loss carried over (NOLCO) and provision for retirement benefits. There is an increase of Php2.2 million (10%) which is due to NOLCO since December 2018.

Advances to associated/related companies:

The Company, in its normal course of business, has entered into transactions with its related parties, principally consisting of cash advances.

The Company leases its hotel site from an associated company. The Company has also entered into a management agreement with Elite Hotel Management Services Pte. Ltd., a related company, for the latter to operate the Hotel.

Under the terms and conditions of the agreement, the Company has to pay monthly basic management and incentive fees based on a percentage of the hotel's revenue and gross operating profit.

As compared with the same period last year, there is a decrease of Php3 million (68%) due to repayment of related companies' transactions as at September 2019.

Prepaid Expenses:

The balances increased by PhP3.7 million (110%) due to renewal of various insurances and subscriptions.

Property and Equipment:

Property and equipment are carried at cost. Depreciation is provided under the straight-line method over the estimated useful lives of the assets ranging from 5 to 50 years. Major improvements are charged to property accounts while maintenance and repairs which do not improve the lives of the assets are expensed as incurred.

There is a drop in this balance by PhP30.9 million (6%) compared to same period of last year. Depreciation expenses of PhP25 million were recorded as of September 2019.

Right-of-Use Asset:

The company adopted the new accounting standard for Leases and able to recognized PhP68.6 million assets as of September 2019.

Investment in stock of associated company:

Compared to same period last year, there is a decrease in the account of PhP2.1 million (4%) due to the dividend received amounting to PhP1.6 million in June 2019 and decrease in share of 2019 income from associated company.

Accounts payable:

There is a decrease in this balance by PhP1.7 million (4%) versus last year same period for settlement of various trade payables during the year.

Accrued Liabilities:

There is a decrease of PhP5 million (7%) in this account versus last year same period of review due to settlement of various accrued expenses.

Due to associated/related company:

Compared to the same period of last year, this balance increased by PhP3.7 million (15%) as the Company has not settled its outstanding obligation with related companies.

Income tax payable:

Income tax payable showed a negative balance of PhP11.3 million as compared to negative PhP8.7 million last 2018 due to lower operating loss this year versus last year.

Hotel Lease Liability:

Recognition of PhP13.9 million and PhP56.2 million as current and non-current hotel lease liability respectively in conformity with PFRS 16 – Leases as of September 2019.

Reserves:

Reserves decreased by PhP0.3 million (30%) against end of last fiscal year due to usage of reserves this year.

Income Statement Analysis for the 9 Months Ended 30 September 2019

Revenue:

Total revenue decreased by PhP3.6 million (1%) versus same period last year. Room revenue and Other Operated Department income improved by PhP3.3 million (22%) but offset of the decrease of PhP7 million (8%) Food and Beverage revenue compared to September 2018.

Rooms division recorded an increase in occupancy from 58.6% in 2018 to 59.48% in 2019. The average room rate of PhP2,711 showed marginal fall. Consequently, the RevPar showed minimal improvement of 1% compared to September 2018. Online Travel Agents (OTA) is still the main driver of room business in which this segment grew by 58% versus 2018. However, this growth is offset by negative growth in other segments.

F&B business segment showed a decrease of PhP7 million (8%) relative to 2018. The significant decline of PhP7.2 million (15%) of Riviera Café revenue is the main cause of overall negative growth in F&B revenue. Banquet revenue was almost the same as 2018.

Cost of Sales:

Overall cost of sales recorded a slight decrease of PhP0.95 million (3%) against same period of last year due to better control in purchasing and food costing.

Gross Profit:

Gross profit is derived after deducting cost of sales from gross revenue. Gross profit as compared to last year is lower due to lower revenue from F&B.

Operating Expenses:

Operating expenses include among others, payroll and related expenses, utilities, depreciation charges, rental and other fixed expenses. There is a drop in operating expenses by PhP6.8 million (2%). Administrative and general expenses, Operations and Maintenance Cost, Sales and Marketing expenses contribute for total of PhP1.5 million (16.9%) decreased compared to same period of 2018. Utilities cost has increased by PhP2.3 million (5%) due to higher rates for water and gas.

However, there is an increase of PhP1.5 million due to the impact of the PFRS 16 – Leases this year. The company recorded as of September 2019 total depreciation expense for hotel lease asset of PhP11.4 million and interest expense of PhP3.4 million compare to same period last year of Rent Expense of PhP13.3 million.

Net Operating Income:

This is derived after deducting operating expenses from gross operating profit. An improvement of PhP4.1 million (19%) compared to same period last year from a loss of PhP21.2 million to loss of PhP17.1 million.

Non-operating income:

This indicator showed decrease of PhP19.9 million over same period last year and this is due to an exchange loss of PhP2.7 million versus last period of an exchange gain of PhP17.1 million. The loss is due to translation differences from the holding of United States dollars' deposit. Peso has strengthen from Php54.3 to PhP52.1:US\$ from 2018 to 2019 so when the company translates its US\$ to Peso, it recorded an unrealized exchange loss.

Profit after tax:

The company recorded loss of PhP9.2 million this year compare to PhP2.2 million gain for the same period last year.

Income Statement Analysis for Third Quarter Ended 30 September 2019

Revenue:

Total revenue decreased by PhP3.7 million (4%) versus same period last year. The main reason for the decline in revenue earned from food and beverage business segment.

Room division recorded increase in revenue from PhP66.9 million to PhP67.4 million (1%).

F&B division revenue decreased by PhP4.5 million (13%) against same period last year.

Cost of Sales:

Cost of sales for F&B during third quarter is lower than PhP1.6 million (15%) compared same quarter last year which is consistent with the lower revenue.

Gross Profit:

Gross profit is derived after deducting cost of sales from gross revenue. Gross profit as compared to last year same quarter is lower by 2%.

Operating Expenses:

Operating expenses include among others, payroll and related expenses, utilities, depreciation charges, rental and other fixed expenses. There is a decrease in operating expenses by PhP2.0 million (2%) compared to same quarter last year.

Net Operating Income:

This is derived after deducting operating expenses from gross operating profit. This quarter showed a higher loss of PhP3.7 million compared to a loss of PhP3.6 million in prior year.

Non-operating income:

This indicator decreased by PhP1.9 million (72%) compared to last quarter period of review due to lower exchange gain.

Profit after tax:

The Company registered a net income after tax of PhP0.6 million this quarter.

There are no material event(s) and uncertainties known to management that would address the past and would have an impact on the future operations of the following:

- Any known trends, demands, commitments, events or uncertainties that will have a material impact on the Company's liquidity.
- Any material commitments for capital expenditures, the general purpose of such commitments and the expected sources of funds for such expenditures.
- Any known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues/income from continuing operations.
- Any significant elements of income or loss that did not arise from the Company's continuing operations.
- The causes for any material change(s) (5% or more) from period to period in one or more line items (vertical and horizontal) of the Company's financial statements.
- Any seasonal aspects that had a material effect on the financial condition or results of operations.

Management is not aware of any event that may trigger direct or contingent financial obligations that is material to the Company, including any default or acceleration of an obligation. Management is not aware of any material off-balance sheet transaction, arrangement, obligation (including contingent obligations), and other relationships of the Company with unconsolidated entities or other persons that were created during the first 9 months of 2019.

PART II – OTHER INFORMATION

Tax matter:

(1) Grand Plaza Hotel Corporation versus Commissioner of Internal Revenue (“BIR”) – Court of Tax Appeal (“CTA”) Case No. 8992

This case is a Petition for Review with the CTA to invalidate the tax deficiency assessment in relation to year 2008 ("Deficiency Tax Case").

On 20 February 2015, the Company filed a Petition for Review with the CTA to invalidate the collection proceedings of the BIR. The Petition is based on the Company's position, as advised by tax counsel, that the collection proceedings initiated by the Commissioner of Internal Revenue (“CIR”) is void because the assessment, from which the collection proceedings arose, did not comply with the requirements of law and lacked factual and legal bases.

The Deficiency Tax Case seeks to have the CTA review the Collection Letter that the Company received from the BIR on 12 December 2013. As far as the Company is aware, the Collection Letter was issued by the BIR in connection with a Formal Letter of Demand for alleged deficiency income tax, value added tax, expanded withholding tax, withholding tax on compensation and documentary stamp tax for the year 2008, in the aggregate amount of PhP508,101,387.12 consisting of PhP262,576,825.03 for basic tax, and interest of PhP245,524,562.09 from 20 January 2009 to 30 September 2013.

On 24 July 2015, the Company received a Warrant of Distrainment and/or Levy dated 24 July 2015 from the BIR ("Warrant"). The Warrant relates to the tax case for year 2008. Considering that a Petition for Review has been earlier filed with the CTA on 20 February 2015 to question the validity of the collection proceedings initiated by the CIR and that the matter is currently being litigated at the CTA, the Company has taken appropriate legal measures to ensure that such Warrant is not implemented during the course of the trial proceedings.

During the CTA hearing on 21 September 2015, the Company presented 2 witnesses and they were able to finish their testimonies on the same day. The BIR, on the other hand, did not present any witnesses and opted to submit the case for the resolution of the CTA.

On 6 November 2015, the Company filed its Formal Offer of Documentary Evidence. In two Resolutions dated 04 January 2016 and 11 March 2016 respectively, the CTA admitted in evidence the Company's documentary exhibits.

On 15 April 2016, the Company filed its Memorandum with the CTA.

Meanwhile, on 8 June 2016, management of the Company was informed by Metropolitan Bank & Trust Company ("Metrobank") via email, that the BIR has issued a Warrant of Garnishment with Warrant No. 125-2015-011 dated 2 June 2016 against the Company in connection with the Deficiency Tax Case. Pursuant to the Warrant, the BIR seeks to garnish the Company's deposits with Metrobank, which are currently in the amount of PhP499,049.64, as may be necessary to satisfy the alleged tax deficiency of the Company.

In addition, on 10 June 2016, management of the Company was also informed by the Lank Bank of the Philippines ("Land Bank"), that the BIR has issued a Warrant of Garnishment with Warrant No. 125-2015-011 against the Company in connection with the Deficiency Tax Case. To date, the Company has not received the original Warrant from the BIR. Pursuant to the Warrant, the BIR seeks to garnish the Company's deposits with the Land Bank, which are currently in the amount of PhP71,718.54 as may be necessary to satisfy the alleged tax deficiency of the Company.

In a Manifestation dated 01 September 2016, the CIR informed the CTA that it will adopt its arguments in its Answer as its Memorandum.

Thus, on 6 September 2016, the Company's tax counsel received a Resolution from the CTA stating that the case has been submitted for decision.

On 7 March 2017, the Company filed an Urgent Motion to Allow Payment of Taxes with the CTA. This is with respect to the Warrant of Garnishment with Land Bank. The Company uses this bank account for its tax payments.

On 24 August 2017, the Company withdrew its "Urgent Motion to Allow Payment of Taxes" with CTA and instead requested the CTA to submit the case for decision. On 31 August 2017, CTA granted the withdrawal of the Motion and submitted the case for decision.

On 4 July 2018, the CTA rendered its Decision.

In the Decision, the CTA held that it does not have jurisdiction to entertain the Petition. It explained that the CTA only has jurisdiction to review decisions of the CIR involving disputed assessments, and not those assessments which have become final and executory. The CTA held that due to the Company's failure to file a protest within the reglementary period, the assessment became final, executory, and demandable. In light of the foregoing, the CTA held that it had no jurisdiction to entertain the Petition.

The Company filed a Motion for Reconsideration ("MR") on 19 July 2018. In its MR, the Company argued that: (i) the CTA has jurisdiction to review collection proceedings initiated by the CIR pursuant to its powers under Section 7(A)(1) of the National Internal Revenue Code; and (ii) the tax deficiency assessment of the CIR is void for failure to indicate a due date for payment and thus, the absence of a protest does not render the assessment final and executory because no rights can emanate from a void assessment.

Amended Decision

On 30 October 2018, the Company received the CTA's Amended Decision granting the Company's MR. Thus, the CTA annulled and set aside the CIR's assessment against the Company for deficiency income tax, withholding tax on compensation, expanded withholding tax, documentary stamp taxes, and value-added tax, in the total amount of PhP508,101,387.12 for taxable year 2008.

In its Amended Decision, the CTA held that it had jurisdiction to review collection proceedings by the CIR pursuant to its powers under Section 7(a)(1) of the Tax Code, and in particular, "other matters" arising under the National Internal Revenue Code. The CTA held that while there is no disputed assessment, it can assume jurisdiction over the Petition under "other matters".

After a careful scrutiny of the Formal Letter of Demand and Final Assessment Notice, the CTA held that the same was not valid for failure to indicate a definite due date for payment by the taxpayer, which negates the CIR's demand for payment.

MR filed by CIR

On 20 November 2018, the MR filed by the CIR seeks to pray for a reconsideration of the Amended Decision and to uphold the Decision dated 4 June 2018 on the following grounds:

- (1) The "other matters" clause of Section 7 of Republic Act No. 9282 does not include assessment cases.
- (2) A challenge to the collection procedure under "other matters" cannot reach back and examine an undisputed assessment.
- (3) Even assuming that the present case falls under the scope of "other matters", the Petition was filed out of time.

The Corporation filed its Comment to the CIR's MR on 12 December 2018 and prayed that the same be denied for lack of merit. On 14 March 2019, the CTA issued a decision denying the CIR Motion for Reconsideration as the Court finds no cogent reasons to reverse or modify the Amended Decision.

On 21 March 2019, the CIR filed an appeal to the CTA En Banc to set aside the Amended Decision. On 19 June 2019, the Corporation received a notice from the CTA En Banc to file its comments to the Petition of CIR. The Corporation filed its comment on 20 June 2019. There is no decision as at 30 September 2019.

Other than the above tax cases, to the best knowledge and/or information of the Company, neither itself nor any of its affiliates and subsidiaries have been involved during the past five (5) years in any material legal proceedings affecting/involving the Company, its affiliates or subsidiaries, or any material or substantial portion of their property before any court of law or administrative body in the Philippines or elsewhere.

Financial Risk Exposure:

In the context of the current global financial condition, the Securities and Exchange Commission sent us a memorandum to companies on 29 October 2008, which requires companies to make a self-assessment or evaluation to determine whether any of the items below are applicable. If applicable, these items must be disclosed in the interim financial report on SEC Form 17-Q ("Quarterly Report"):

1. The qualitative and quantitative impact of any changes in the financial risk exposures of GPHC, particularly on currency, interest, credit, market and liquidity risks, that would materially affect its financial condition and results of operation, and a description of any enhancement in the Company's risk management policies to address the same.
2. A description of the financial instruments of the Company and the classification and measurements applied for each. If material in amount, provide detailed explanation or complex securities particularly on derivatives and their impact on the financial condition of the Company.
3. The amount and description of the Company's investments in foreign securities.
4. The significant judgments made in classifying a particular financial instrument in the fair value hierarchy.
5. An explanation of how risk is incorporated and considered in the valuation of assets or liabilities.
6. A comparison of the fair values as of date of the recent interim financial report and as date of the preceding interim period, and the amount of gain or loss recognized for each of the said periods.
7. The criteria used to determine whether the market for a financial instrument is active or inactive, as defined under Philippine Accounting Standard 39 – Financial Instruments.

The Board of Directors (BOD) has overall responsibility for the establishment and oversight of the Company's risk management framework. The BOD has established the Executive Committee, which is responsible for developing and monitoring the Company's risk management policies. The committee identifies all issues affecting the operations of the Company and reports regularly to the BOD on its activities.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. All risks faced by the Company are incorporated in the annual operating budget. Mitigating strategies and procedures are also devised to address the risks that inevitably occur so as not to affect the Company's operations and detriment forecasted results. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit Committee directly interfaces with the internal audit function, which undertakes reviews of risk management controls and procedures and ensures the integrity of internal control activities which affect the financial management system of the Company. The results of procedures performed by Internal Audit are reported to the Audit Committee.

Credit Risk

Credit risk represents the risk of loss the Company would incur if credit customers and counterparties fail to perform their contractual obligations. The Company's credit risk arises principally from the Company's trade receivables.

Exposure to credit risk is monitored on an ongoing basis, credit checks being performed on all clients requesting credit over certain amounts. Credit is not extended beyond authorized limits, established where appropriate through consultation with a professional credit vetting organization. Credit granted is subject to regular review, to ensure it remains consistent with the clients' current credit worthiness and appropriate to the anticipated volume of business.

The investment of the Company's cash resources is managed so as to minimize risk while seeking to enhance yield. The Company's holding of cash and money market placements expose the Company's to credit risk of the counterparty if the counterparty is unwilling or unable to fulfill its obligations and the Company consequently suffers financial loss. Credit risk management involves entering into financial transactions only with counterparties with acceptable credit rating. The treasury policy sets aggregate credit limits of any one counterparty and annually reviews the exposure limits and credit ratings of the counterparties.

Receivables balance is being monitored on a regular basis to ensure timely execution of necessary intervention efforts. As of balance sheet date, there were no significant concentrations of credit risk.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk by forecasting projected cash flows and maintaining a balance between continuity of funding and flexibility. Treasury controls and procedures are in place to ensure that sufficient cash is maintained to cover daily operational and working capital requirements. Management closely monitors the Company's future and contingent obligations and sets up required cash reserves as necessary in accordance with internal requirements.

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other market prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Company is subject to various market risks, including risks from changes in room rates, interest rates and currency exchange rates.

Room Rates

The risk from room rate changes relates to the Company's ability to recover higher operating costs through price increases to customers, which may be limited due to the competitive pricing environment that exists in the Philippine hotel industry and the willingness of customers to avail of hotel rooms at higher prices.

The Company minimizes its exposure to risks in changes in room rates by signing contracts with short period of expiry so this gives the Company the flexibility to adjust its room rates in accordance to market conditions.

Interest Rate Risk

The Company has no interest-bearing debt obligations to third parties. As such, the Company has minimal interest rate risk.

Foreign Currency Risk

Foreign assets and financing facilities extended to the Company were mainly denominated in Philippine Peso. As such, the Company's foreign currency risk is minimal.

The Company functional currency is Philippines peso. As at 30 September 2019, it holds bulk of its cash and cash equivalent in Philippines peso. The United States dollars are used to settle foreign obligations.

The Company does not have any third party loans so it has no interest rate risk. The Company in the ordinary course of business extends credit to its customers. Exposure to credit risk is monitored on an ongoing basis, credit review being performed for clients requesting for credit limit. The total exposure to trade receivables as at 30 September 2019 is PhP26.8 million.

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk by forecasting projected cash flows and maintaining a balance between continuity of funding and flexibility. As at 30 September 2019, the Company has PhP418 million current assets and

PhP190 million current liabilities so the current assets are able to cover its current liabilities.

The Company does not invest in any other financial instruments. Any surplus funds are placed in short-term fixed deposits with local bank like Metropolitan Bank and Trust Co. and foreign bank like DBS Singapore and United Overseas Bank Singapore.

The Company also does not invest in foreign securities.

The fair values together with the carrying amounts of the financial assets and liabilities shown in the balance sheet date are as follows:

	30 September 2019	30 September 2019	31 December 2018	31 December 2018
	Carrying amount	Fair value	Carrying amount	Fair value
Cash and cash equivalents	283,443,677	283,443,677	259,497,028	259,497,028
Receivables net	24,010,570	24,010,570	37,137,932	37,137,932
Due from/(to) related party net	(20,802,103)	(20,802,103)	(25,705,090)	(25,705,090)
Loan receivable	15,500,000	15,500,000	15,500,000	15,500,000
Lease deposit	78,000,000	78,000,000	78,000,000	78,000,000
Accounts payable & accrued expenses	111,129,208	111,129,208	99,735,293	99,735,293

The following summarizes the methods and assumptions used in estimating the fair values of financial instruments reflected in the above table:

Cash and cash equivalent – the carrying amount approximates the fair value due to its short maturity.

Receivables/ due from related party/ loan receivable/ lease deposit/ accounts payable and accrued expenses/ due to related party – current receivables are reported at their net realizable values, at total amount less allowances for uncollectible amounts. Current liabilities are stated at amounts reasonably expected to be paid within the next 12 months

or operating cycle. Due from/to related party and loan receivable are payable on demand. In the case of lease deposit, the fair value approximates the carrying amount.

GRAND PLAZA HOTEL CORPORATION**Balance Sheets****September 30, 2019***(with comparative figures for the year ended December 31, 2018)***(In Philippine Pesos)**

ASSETS	Unaudited September 30, 2019	Unaudited September 30, 2018	Audited Dec. 31, 2018
Current Assets			
Cash on hand and in bank			
Cash and investments in short term notes	283,443,677	269,941,724	259,497,028
Accrued interest receivable	830,797	873,816	890,005
Accounts receivable - trade	26,816,482	44,503,209	38,261,903
Accounts receivable - others	2,030,268	1,957,629	2,092,395
Provision for bad debts	(2,805,912)	(2,006,890)	(3,216,363)
Deferred tax assets/(liabilities)	25,049,585	22,829,487	20,612,954
Input tax		-	
Advances to associated/related companies	1,455,215	4,522,700	979,804
Advances to immediate holding company	5,616,229	4,463,694	4,690,087
Inventories	7,793,712	8,527,184	9,229,655
Prepaid expenses	7,086,896	3,370,476	2,515,829
Creditable withholding tax		-	726,708
Other current assets	60,965,868	59,664,209	59,888,421
Advances to/from THHM		-	
Total Current Assets	418,282,817	418,647,238	396,168,426
Property and Equipment	457,201,037	488,136,267	480,111,099
Right-of-use Assets	68,687,843	-	-
Organization and Pre-operating Expenses	-	-	-
Investment in Stock of Associated Company	49,456,887	51,595,261	50,055,035
Deposit on Lease Contract	78,000,000	78,000,000	78,000,000
Loans Receivable	15,500,000	15,500,000	15,500,000
Other Assets			
Miscellaneous investments and deposits	8,582,719	8,582,719	8,582,719
Others	1,010,000	1,010,000	1,010,000
Total Other Assets	9,592,719	9,592,719	9,592,719
Total Assets	1,096,721,302	1,061,471,484	1,029,427,279

GRAND PLAZA HOTEL CORPORATION
Balance Sheets
September 30, 2019
(with comparative figures for the year ended December 31, 2018)
(In Philippine Pesos)

LIABILITIES AND STOCKHOLDERS' EQUITY	Unaudited September 30, 2019	Unaudited September 30, 2018	Audited Dec. 31, 2018
Current Liabilities			
Accounts payable	39,301,732	41,074,909	36,670,634
Accrued liabilities	71,827,476	76,849,404	63,064,659
Rental payable	-	-	4,760,860
Due to associated/related companies	27,873,547	24,138,071	26,684,894
Advances from immediate holding company - net		-	
Advances from intermediate holding company		-	
Refundable deposit	29,609,107	29,265,321	27,277,349
Deferred rental - Pagcor & JIMEI		-	
Due to City e-Solutions <i>(formerly CDL Hotels Int'l Ltd)</i>			
Due to Byron		-	
Dividend Payable		-	
Hotel Lease Liability	13,976,089	-	
Income tax payable	(11,367,861)	(8,725,302)	(7,335,087)
Other current liabilities	18,480,274	17,919,704	17,865,090
Reserves	920,403	1,038,787	1,317,752
Total Current Liabilities	190,620,768	181,560,894	170,306,151
Long - Term Liabilities			
Deferred rental - Pagcor	-	-	-
Hotel Lease Liability	56,224,054		-
Total Long - Term Liabilities	56,224,054	-	-
Stockholders' Equity			
Authorized - 115,000,000 shares in March 31, 2009 and December 31, 2008 at P10.00 par value per share			
Paid - in Capital	873,182,699	873,182,699	873,182,699
Premium on capital stock	11,965,904	11,965,904	11,965,904
Paid-in capital in excess of par - Warrants	2,691,614	2,691,614	2,691,614
Treasury stock	(1,680,020,370)	(1,680,020,370)	(1,680,020,370)
Retained earnings - beginning	1,636,546,759	1,659,732,664	1,659,732,664
Net income for the period	(9,244,647)	2,289,016	(23,185,905)
Dividend declared		-	
Working Capital Contribution		-	
Reserves / net Actuarial Loss	14,754,522	10,069,063	14,754,522
Total Stockholders' Equity	849,876,481	879,910,590	859,121,128
Total Liabilities and Stockholders' Equity	1,096,721,302	1,061,471,484	1,029,427,279

GRAND PLAZA HOTEL CORPORATION
Income Statements
For Year-to-date ended September 30, 2019 and 2018
(In Philippine Pesos)

	Unaudited September 30, 2019	Unaudited September 30, 2018
Revenue		
Rooms	198,159,384	195,773,921
Food & Beverage	86,051,748	93,069,096
Other Operated Depts.	3,842,073	3,402,573
Rental Income/Others	6,806,721	6,304,425
Total Revenue	294,859,926	298,550,015
Cost of Sales		
Food & Beverage	28,126,080	29,227,862
Other Operated Depts.	2,061,817	1,895,107
Total Cost of Sales	30,187,897	31,122,969
Gross Profit	264,672,029	267,427,046
Operating Expenses	281,801,088	288,685,813
Net Operating Income	(17,129,058)	(21,258,767)
Non-operating Income		
Interest Income	5,203,154	5,500,314
Dividend Income	-	-
Gain/(Loss) on Disposal of Fixed Assets	-	(746,743)
Exchange Gain/(Loss)	(2,757,226)	17,106,852
Share in Net Income/(Loss) of Associated Co.	1,001,852	1,309,752
Other Income	-	226,208
Total Non-Operating Income	3,447,780	23,396,383
Net Income/(Loss) Before Tax	(13,681,278)	2,137,616
Provision for Income Tax	(4,436,631)	(151,401)
Net Income/(Loss) After Tax	(9,244,647)	2,289,016
Basic earnings per share	(0.17)	0.04
Dilluted earnings per share	(0.17)	0.04

Notes:

In Sept 30, 2019 and 2018 total shares outstanding is 53,717,369 net of 33,600,901 treasury shares

GRAND PLAZA HOTEL CORPORATION
Income Statements
For the 3rd Quarter Ended 30 September 2019 and 2018
(In Philippine Pesos)

	Unaudited September 30, 2019	Unaudited September 30, 2018
Revenue		
Rooms	67,491,390	66,975,622
Food & Beverage	29,271,870	33,784,475
Other Operated Depts.	1,338,865	1,330,406
Rental Income/Others	2,124,685	1,856,652
Total Revenue	<u>100,226,810</u>	<u>103,947,155</u>
Cost of Sales		
Food & Beverage	9,646,346	11,296,914
Other Operated Depts.	729,097	630,288
Total Cost of Sales	<u>10,375,443</u>	<u>11,927,202</u>
Gross Profit	89,851,367	92,019,953
Operating Expenses	<u>93,572,796</u>	<u>95,636,003</u>
Net Operating Income	<u>(3,721,429)</u>	<u>(3,616,050)</u>
Non-operating Income		
Interest Income	1,347,792	2,231,909
Dividend Income	-	-
Gain/(Loss) on Disposal of Fixed Assets	-	-
Exchange Gain/(Loss)	2,716,732	3,427,579
Share in Net Income/(Loss) of Associated Co.	421,136	475,225
Other Income	-	226,208
Total Non-Operating Income	<u>4,485,660</u>	<u>6,360,920</u>
Net Income/(Loss) Before Tax	764,231	2,744,871
Provision for Income Tax	<u>91,352</u>	<u>667,314</u>
Net Income/(Loss) After Tax	<u><u>672,879</u></u>	<u><u>2,077,556</u></u>
Basic earnings per share	<u><u>0.01</u></u>	<u><u>0.04</u></u>
Dilluted earnings per share	<u><u>0.01</u></u>	<u><u>0.04</u></u>

Notes:

In Sept 30, 2019 and 2018 total shares outstanding is 53,717,369 net of 33,600,901 treasury shares

GRAND PLAZA HOTEL CORPORATION
Statements of Changes in Equity
For Year-to-date ended September 30, 2019 and 2018
(In Philippine Pesos)

	Unaudited September 30, 2019	Unaudited September 30, 2018
Balance - beginning	859,121,128	877,621,574
Net income for the period	(9,244,647)	2,289,016
Dividends	-	-
Retirement of shares	-	-
Buyback of shares	-	-
Balance - end	849,876,481	879,910,590

GRAND PLAZA HOTEL CORPORATION
Cash Flow Statements
For Year-to-date ended September 30, 2019 and 2018
(In Philippine Pesos)

	Unaudited September 30, 2019	Unaudited September 30, 2018	Audited Dec. 31, 2018
Cash flows from operating activities			
Net income	(9,244,647)	2,289,016	(23,185,905)
Adjustments to reconcile net income to net cash provided by operating activities			
Other Comprehensive Income(loss)	-	-	4,685,459
Depreciation and amortization	36,518,263	26,761,946	36,560,148
Equity in net income of associated company	(1,001,852)	(1,309,752)	(1,769,526)
Provision for bad debts	2,805,912	2,006,890	3,216,363
Changes in operating assets and liabilities			
(Increase) decrease in			
Accrued interest receivable	59,208	(711,075)	(727,264)
Accounts receivable - trade	8,229,058	41,884,681	48,125,987
Accounts receivable - others	62,127	(79,977)	(214,743)
Deferred income tax	(4,436,631)	(151,401)	2,065,132
Input tax	-	-	-
Advances to associated/related companies	(475,411)	(107,485)	3,435,410
Advances to immediate holding company	(926,142)	(768,638)	(995,031)
Inventories	1,435,942	(300,273)	(1,002,744)
Prepaid expenses	(4,571,067)	1,515,013	2,369,660
Creditable withholding tax	726,708	-	(726,708)
Other current assets	(1,077,447)	(25,582,427)	(25,806,639)
Advances to/from THHM	-	-	-
Increase (decrease) in			
Accounts payable	2,631,098	(5,000,241)	(9,404,515)
Accrued liabilities	8,762,817	5,602,571	(8,182,174)
Notes payable	-	-	-
Rental payable	(4,760,860)	(4,760,860)	-
Due to associated companies	1,188,653	(7,549,196)	(5,002,373)
Advances from immediate holding company - net	-	-	-
Advances from intermediate holding company	-	(187,004)	(187,004)
Refundable deposit	2,331,758	1,786,359	(201,612)
Deferred rental - Pagcor	-	-	-
Dividend Payable	-	-	-
Hotel Lease Liability	13,976,089	-	-
Income tax payable	(4,032,774)	(3,257,888)	(1,867,673)
Other current liabilities	615,185	714,218	659,604
Reserves	(397,349)	531,211	810,176
	<u>48,418,638</u>	<u>33,325,688</u>	<u>22,654,026</u>
Cash flows from investing activities			
Acquisition of property and equipment - net	(2,160,227)	(6,035,213)	(7,808,247)
Right-of-use Assets - net	(80,135,817)	-	-
Dividend (declared)/received	1,600,000	-	2,400,000
(Receipts)/Refund of deposit on lease contract	-	-	-
(Receipts)/Payments relating to other assets	-	198,890	198,890
Retirement of treasury stocks	-	-	-
Buyback of shares - net	-	-	-
	<u>(80,696,044)</u>	<u>(5,836,323)</u>	<u>(5,209,357)</u>
Cash flows from financing activities			
Increase/(Decrease) in Hotel Lease Liability	56,224,054	-	-
	<u>56,224,054</u>	<u>-</u>	<u>-</u>
Net increase in cash and short-term notes	<u>23,946,649</u>	<u>27,489,364</u>	<u>17,444,668</u>
Cash and short-term notes, Beginning	<u>259,497,028</u>	<u>242,452,360</u>	<u>242,452,360</u>
Cash and short-term notes, Ending	<u><u>283,443,677</u></u>	<u><u>269,941,724</u></u>	<u><u>259,897,028</u></u>

GRAND PLAZA HOTEL CORPORATION
Cash Flow Statements
For Year-to-date ended September 30, 2019 and 2018
(In Philippine Pesos)

	Unaudited September 30, 2019	Unaudited September 30, 2018
Cash flows from operating activities		
Net income	672,879	2,077,556
Adjustments to reconcile net income to net cash provided by operating activities		
Other Comprehensive Income(loss)	-	-
Depreciation and amortization	12,264,640	8,771,666
Equity in net income of associated company	(421,136)	(475,225)
Provision for bad debts	2,805,912	2,006,890
Changes in operating assets and liabilities		
(Increase) decrease in		
Accrued interest receivable	350,263	(440,677)
Accounts receivable - trade	13,332,712	(1,692,533)
Accounts receivable - others	(791,102)	(306,999)
Deferred income tax	91,352	667,314
Input tax	-	-
Advances to associated/related companies	(555,046)	748,271
Advances to immediate holding company	(57,036)	(237,300)
Inventories	(255,382)	(432,897)
Prepaid expenses	(4,076,726)	1,054,659
Creditable withholding tax	-	-
Other current assets	29,261	1,526,900
Advances to/from THHM	-	-
Other Assets	-	-
Increase (decrease) in		
Accounts payable	5,410,790	3,132,177
Accrued liabilities	(640,453)	3,749,831
Notes payable	-	-
Rental payable	-	(4,760,860)
Due to associated companies	3,134,832	(8,284,724)
Advances from immediate holding company - net	-	-
Advances from intermediate holding company	-	-
Refundable deposit	964,806	384,960
Deferred rental - Pagcor	-	-
Dividend Payable	-	-
Hotel Lease Liability	211,877	-
Income tax payable	(1,150,533)	(1,343,398)
Other current liabilities	220,176	879,304
Reserves	(1,317,136)	77,142
	<u>30,224,950</u>	<u>7,102,057</u>
Cash flows from investing activities		
Acquisition of property and equipment - net	(2,160,227)	(2,126,671)
Right-of-use Assets - net	(0)	-
Dividend (declared)/received	-	-
(Receipts)/Refund of deposit on lease contract	-	-
(Receipts)/Payments relating to other assets	-	198,890
Retirement of treasury stocks	-	-
Buyback of shares - net	-	-
	<u>(2,160,227)</u>	<u>(1,927,781)</u>
Cash flows from financing activities		
Increase/(Decrease) in Hotel Lease Liability	(3,574,487)	-
	<u>(3,574,487)</u>	<u>-</u>
Net increase in cash and short-term notes	24,490,236	5,174,277
Cash and short-term notes, Beginning	<u>258,953,441</u>	<u>264,767,447</u>
Cash and short-term notes, Ending	<u><u>283,443,677</u></u>	<u><u>269,941,724</u></u>

Grand Plaza Hotel Corporation
Aging Report As At 30 Sept 2019

Customer Type	0 to 8 days	9 to 30 days	31 to 60 days	61 to 90 days	91 to 120 days	Over 120 days	Total	%
Airlines	528,120	1,620,146	2,722,488	2,524,283	36,397	794,550	8,225,984	33.41%
Credit card	3,237,435						3,237,435	13.15%
Company - local	-	399,150	256,218	293,585	10,921	273,038	1,232,912	5.01%
Permanent accounts	9,375	8,350	19,426		18,536	1,581,451	1,637,138	6.65%
Embassy & government	631,999				2,754,195		3,386,194	13.75%
Travel Agent - Local	72,800	371,300	214,800	848,414	2,400	3,395	1,513,109	6.15%
Temporary credit	90,600	658,155	5,000	2,496,649		991,195	4,241,599	17.23%
Travel Agent - Foreign	138,407	580,465	425,652				1,144,524	4.65%
TOTAL	4,708,736	3,637,566	3,643,584	6,162,931	2,822,449	3,643,629	24,618,895	100.00%
%	19.13%	14.78%	14.80%	25.03%	11.46%	14.80%	100.00%	