



111022016000355

**SECURITIES AND EXCHANGE COMMISSION**

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Company Information

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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

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(Company's Full Name)

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

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

Y A M K I T S U N G
Contact Person

Contact Person

8 5 4 8 8 3 8
Company Telephone Number

Company Telephone Number

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Month *Day*
 Fiscal Year

Month

Day

Fiscal Year

S	E	C	17	Q
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FORM TYPE

FORM TYPE

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Month *Day*
 Annual Meeting

Month

Day

Annual Meeting

Secondary License Type, If Applicable

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Dept. Requiring this Doc.

Amended Articles Number/Section

Total No. of Stockholders

Total Amount of Borrowings

Domestic

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Foreign

To be accomplished by SEC Personnel concerned

[illegible]

File Number

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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, 2016

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 & Chief Financial Officer

Date _____

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 2016 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, carparking, laundry and rental of space.

The segment revenues and results are as follows:

	YTD 3rd Quarter Revenue – Peso ‘000	YTD 3rd Quarter Department Profit – Peso ‘000
Room	172,831	129,742
Food and Beverage	87,011	28,121
Other Operated Departments and rental	10,689	7,457

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 2016	30 September 2015
Current liquidity ratios	2.37	1.53
Solvency (Debt to equity)	0.17	0.40
Assets to equity ratios	1.17	1.40
Interest rate coverage ratio	NA	NA
Profitability ratios Profit/(Loss) before tax margin ratio	(14.23%)	1.67%
EBITDA (Earnings before interest, tax, depreciation and amortization) - Peso	(Php0.88) million.	Php20.93 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 increased by 0.84 during the period of review compared to the same period of last year due to higher current assets mainly from cash and other current assets and also reduction in accrued liabilities.

Debt to equity ratio measures a company financial leverage. It is derived by dividing total liabilities over equity. There is an improvement in this indicator as it fell from 0.4 to 0.17 as accounts payable has decreased significantly and also a drop in refundable deposit.

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. There is a decrease in this ratio due to lower equity as a result of loss this year.

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. The Company reported a loss of the first 9 months of this year.

EBITDA represents earnings before interest, tax, depreciation and amortization. This indicator measures the operating cash flow of a company. For the quarter under review, the Company has a negative EBITDA.

Balance Sheets Analysis:

Total assets decreased by about PhP229.1 million or 17% as compared to the same period of last year and decreased by PhP22. million or 1.9% as compared to end of last fiscal year. As compared to the end of last fiscal year, total assets decreased due to lower property and equipment balances by PhP23 million as a result of depreciation charges for the period. The significant variance as compared to same period of last year is due to reversal of Accounts Receivable Pagcor VAT in the last quarter of 2015 which cause the balance to drop.

Cash and short term notes:

This balance includes short-term fixed deposits with banks. This balance increased by PhP18.6 million (7.8%) relative to end of last fiscal year. Relative to the same period of last year, there is an increase of PhP27.1 million (11.7%). One of the reasons for the increase is due to a cash dividend of PhP4 million the Company received from its associate company during the third quarter 2016.

Accounts receivable – trade:

As compared to the end of last fiscal year, there is a fall of PhP24.2 million (35.1%) which is consistent with the lower revenue for the period under review. There is a drop of PhP228.6 million (83.6%) when compared to the same period of last year due to the reversal of Accounts Receivable Pagcor VAT in the 4th quarter of 2015 when the Company won the tax case at Supreme Court.

Provision for bad debts:

This balance increased by PhP0.64 million (126%) and PhP0.67 million (140%) versus same period of last year and end of last fiscal year. The reason is because there is a potential client with outstanding balance of PhP0.6 million outstanding due to bounced checks and the Company has filed a case against this client.

Deferred tax assets:

There is an increase of PhP1.7 million (19.5%) compared to end of last year due to higher provision for retirement benefits and bad debts.

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 to the end of last fiscal year, this balance dropped by PhP1.8 million (16.4%) as the related companies have repaid their outstanding balances.

Other current assets:

As compared to end of last fiscal year, there is an increment of PhP6.1 million (24%) and increased by PhP9.7 million (43.8%) versus same period of last year. The main reason for the increase is due to higher advances to suppliers for some capital expenditures like the new internet services and mock up room.

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.

Compared to end of last year, there is fall in this balance by PhP22.3 million (3.7%) and the decrease in balance is due to depreciation charges for the year.

Accounts payable:

There is a drop of PhP8.2 million (20.5%) relative to end of last fiscal year which is consistent with the lower revenue. There is a significant variance relative to same period of last year of PhP211.8 million (86.9%) due to the reversal of Accounts Payable VAT in 4th quarter 2015 as the Company won the tax case in Supreme Court.

Accrued liabilities:

Accrued liabilities decreased by PhP3.3 million (4%) versus same period as last year as this is consistent with lower revenue.

Refundable Deposit:

This account represents refundable deposits to tenants. There is a drop of PhP4.5 million (12.8%) versus same period of last year as the variance is due to a refund of security deposit to a potential tenant after forfeiting about PhP4.4 million.

Income Tax Payable:

Income tax payable has changed to receivable of PhP11.3 million due to loss for the first 9 months of this year.

Reserves:

Reserves decreased by PhP6.7million (84.2%) compared to same period of last year due to the reversal of provision at end of 2015 and offset by new provision made during the year 2016.

Income Statement Analysis For the 9 Months Ended 30 September 2016

Revenue:

Total revenue decreased by PhP50.1 million (15.6%) versus same period last year. The main reason for the fall is due to lower room and food and beverage (F&B) revenue.

Rooms division recorded a fall in occupancy from 59% in last year to 48% in this year. However, Average Room Rate has fell from PhP2,962 to PhP2,879. The combined effect is a drop in Revenue Per Available Room (Revpar) by 20%. The newly opened hotels and are posing a threat to our hotel and in addition, residential condominium are also offering daily rates so this eat into hotel industry business.

Food and Beverage (F&B) business recorded a drop in revenue of PhP8.6 million or 9.1% as compared to the same period of last year. Total covers dropped by 6,246 (4.5%) This unfavorable variance is mainly due to the fall in revenue from Riviera, Banquet and Lobby Lounge outlets. Average Food Check has decreased by PhP18 (3.2%) versus same period of last year. Riviera revenue dropped by about PhP1.0 million (2.2%) compared to the same period of last year and the fall is mainly from dinner meal period. Banquet showed a drop of PhP3.3 million (11.3%) versus same period last year.

Cost of Sales:

Cost of sales for F&B registered a decrease of PhP3.2 million or 9.6% % as compared to last year which is consistent with the lower F&B revenue.

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.

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 of PhP24.2 million or 8.2% as compared to the same period of last year. The saving is mainly derived from energy cost saving by PhP4.3 million (8.2%) versus same period of last year and also saving in property maintenance cost and administration and general division. Property and maintenance has reduction in expenses by PhP1.7 million and Administration and General a reduction of PhP3.2 million versus same period of last year.

Net Operating Income:

This is derived after deducting operating expenses from gross operating profit. The Company registered a net operating loss of PhP30.8 million versus last year same period of operating loss of PhP8.7 million.

Non-operating income:

This indicator decreased by PhP3.4 million (24.2%) as a result of lower exchange gain this year of PhP5.2 million versus last year of PhP8.7 million.

Profit/(Loss) after tax:

Loss after tax this year is PhP13.4 million versus same period last year of profit PhP4.3 million.

Income Statement Analysis For Third Quarter Ended 30 September 2016

Revenue:

Total revenue decreased by PhP10.8 million (11.8%) versus same period last year. The main reason for the fall is mainly from Rooms Division.

Room division recorded a drop in revenue from PhP59.5 million to PhP49.3 million or 17.1% as a result of lower occupancy and room rate.

F&B division revenue decreased marginally by PhP1 million (3.5%).

Cost of Sales:

Cost of sales for F&B registered a decrease of 11.2% as compared to last year which is consistent with the lower F&B revenue.

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.

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 of PhP2.9 million or 3.1% as compared to the same period of last year.

Net Operating Income:

This is derived after deducting operating expenses from gross operating profit.

Non-operating income:

This indicator decreased by PhP1.5 million due to lower exchange gain this year.

Profit after tax:

As a result, loss after tax fell from PhP2.1 million in 2015 to PhP7.7 million in 2016.

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 2016.

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 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 is void because the assessments did not comply with the requirements of law and lacked factual and legal basis.

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 Dstraint 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 Commissioner of Internal Revenue 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 furnish 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 18 March 2016, the Company received a Notice of Resolution from the CTA with regards to the Company's Motion for Partial Reconsideration with Amended Formal Offer of Evidence. The CTA granted the Company's Motion and the Company has 30 days from receipt of the Notice to file our Memorandum.

However, on 6 April 2016, the Company received a Manifestation and Motion filed by the BIR. The BIR moved for a setting of a hearing for the comparison and marking of its documentary evidence on 13 April 2016. Within 5 days after the hearing, the BIR will be filing its Formal Offer of Documentary Evidence (FOE). In view of this Motion, the BIR has asked for the deferment of the parties' respective Memorandum until after the CTA has resolved its offer of evidence.

On 6 September 2016, our counsel received a Resolution from the CTA decided not to file a Legal Memorandum and instead opted to adopt the arguments raised in its earlier Answer. As such, the case is now submitted to CTA for decision.

On 27 June 2016, our counsel attended the hearing to verify the documents with BIR were original. Then on 12 July 2016, counsel received the BIR FOE and counsel will prepare reply to FOE by 17 July 2016.

On 8 June 2016, management of Company was informed by Metropolitan Bank & Trust Company (the "Bank") via email, that the BIR has issued a Warrant of Garnishment with Warrant No. 125-2015-011 dated 2 June 2016 against the Corporation ("Warrant"). Pursuant to the Warrant, the BIR seeks to garnish the Company's deposits with the Bank, 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 Company was also informed by the Lank Bank of the Philippines (the "Bank"), that the BIR has issued a Warrant of Garnishment with Warrant No. 125-2015-011 against the Corporation ("Warrant"). 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 Bank, which are currently in the amount of PhP71,718.54 as may be necessary to satisfy the alleged tax deficiency of the Company.

The BIR issued the Warrant in connection with the BIR's tax deficiency assessment against the Company in the aggregate amount of PhP506,028,228.24, as deficiency income tax, withholding tax on compensation, and value added tax for the taxable year 2008.

The Warrant relates to the previous disclosure of the Company regarding a Collection Letter that the Company received from the BIR on 12 December 2013 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.

As previously disclosed by the Company, a Petition for Review has been earlier filed with the Court of Tax Appeals on 20 February 2015 to question the validity of the collection proceedings initiated by the Commissioner of Internal Revenue, and the matter is currently being litigated at the Court of Tax Appeals.

Other than the above tax case, 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 2016, it holds bulk of its cash and cash equivalent in Philippines peso. The United States dollars are used to settle foreign obligations. As such, the Company does not have currency risk exposure.

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 2016 is Peso25 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 2016, the Company has Peso393 million current assets and Peso165 million current liabilities so the current assets are able to cover its liability.

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 Australian and New Zealand Bank (ANZ), DBS Bank Hong Kong 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 Sept 2016	30 Sept 2016	31 December 2015	31 December 201
	Carrying amount	Fair value	Carrying amount	Fair value
Cash and cash equivalents	257,872,467	257,872,467	239,183,149	239,183,149
Receivables net	62,106,689	62,106,689	86,718,089	86,718,089
Due from/(to) related party net	(5,634,176)	(5,634,176)	6,068,762	6,068,762
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	110,549,251	110,549,251	122,099,451	12,099,451

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, 2016 and 2015***(With comparative figures for the year ended December 31, 2015)***(In Philippine Pesos)**

ASSETS	Unaudited September 30, 2016	Unaudited September 30, 2015	Audited Dec. 31, 2015
Current Assets			
Cash and short-term notes	257,872,467.72	230,728,507.43	239,183,149.17
Accrued interest receivable	128,797.81	69,622.47	75,691.81
Accounts receivable - trade	44,769,316.42	273,319,659.86	68,908,961.25
Accounts receivable - others	18,367,649.28	18,276,609.15	18,291,150.64
Provision for bad debts	(1,159,073.88)	(512,909.16)	(482,022.16)
Deferred tax assets/(liabilities)	10,705,439.02	10,061,161.30	8,958,812.22
Input tax	-	-	-
Advances to associated/related companies	9,198,923.29	14,864,597.58	11,000,050.00
Advances to immediate holding company	2,628,160.42	1,831,067.16	1,866,901.20
Inventories	12,375,917.20	14,895,271.93	12,340,792.12
Prepaid expenses	6,840,752.68	6,559,234.39	5,512,516.63
Creditable withholding tax	-	-	45,092.00
Other current assets	31,856,983.21	22,141,194.93	25,690,667.46
Advances to/from THHM	-	-	-
Total Current Assets	393,585,333.18	592,234,017.04	391,391,762.34
Property and Equipment	568,645,636.52	601,172,944.11	590,922,342.52
Investment in Stock of Associated Company	50,080,011.97	51,699,594.02	52,613,701.21
Deposit on Lease Contract	78,000,000.00	78,000,000.00	78,000,000.00
Loans Receivable	15,500,000.00	15,500,000.00	15,500,000.00
Other Assets			
Miscellaneous investments and deposits	8,781,608.50	5,085,790.50	8,781,608.50
Others	1,010,000.00	1,010,000.00	1,010,000.00
Total Other Assets	9,791,608.50	6,095,790.50	9,791,608.50
Total Assets	1,115,602,590.17	1,344,702,345.67	1,138,219,414.58

GRAND PLAZA HOTEL CORPORATION**Balance Sheets****September 30, 2016 and 2015***(With comparative figures for the year ended December 31, 2015)***(In Philippine Pesos)**

LIABILITIES AND STOCKHOLDERS' EQUITY	Unaudited September 30, 2016	Unaudited September 30, 2015	Dec. 31, 2015
Current Liabilities			
Accounts payable	31,710,466.60	243,535,484.92	39,928,030.38
Accrued liabilities	78,838,785.93	82,177,716.19	82,171,420.81
Rental payable	-	-	-
Due to associated/related companies	17,461,259.66	5,644,588.99	6,798,189.83
Advances from immediate holding company - net	-	-	-
Refundable deposit	31,096,032.42	35,692,910.00	30,373,107.77
Deferred rental	-	-	-
Dividend payable	-	-	-
Income tax payable	(11,308,836.08)	(6,289,692.81)	(2,150,644.88)
Other current liabilities	16,498,300.20	16,635,052.23	17,229,838.11
Reserves	1,263,320.33	8,016,459.52	385,235.66
Total Current Liabilities	165,559,329.06	385,412,519.04	174,735,177.68
Long - Term Liabilities			
Total Long - Term Liabilities	-	-	-
Capital Stock			
Authorized - 115,000,000 shares in March 31, 2009 and December 31, 2008 at P10.00 par value per share			
Capital stock	873,182,699.00	873,182,699.00	873,182,699.00
Premium on capital stock	11,965,903.78	11,965,903.78	11,965,903.78
Paid-in capital in excess of par - Warrants	2,691,613.81	2,691,613.81	2,691,613.81
Treasury stock	(1,680,020,370.00)	(1,680,020,370.00)	(1,680,020,370.00)
Retained earnings/(deficit) - beginning	1,748,238,826.41	1,742,466,748.82	1,742,466,748.82
Retained profit/(loss) for the period	(13,440,975.80)	4,307,193.32	5,772,077.59
Dividend declared	-	-	-
Working Capital Contribution	-	-	-
Reserves / net Actuarial Loss	7,425,563.90	4,696,037.90	7,425,563.90
Total Stockholders' Equity	950,043,261.11	959,289,826.63	963,484,236.90
Total Liabilities and Stockholders' Equity	1,115,602,590.17	1,344,702,345.67	1,138,219,414.58

GRAND PLAZA HOTEL CORPORATION

Income Statements

For the years ended September 30, 2016 and 2015

(With comparative figures for the year ended December 31, 2015)

(In Philippine Pesos)

	Unaudited Year-to-date September 30, 2016	Unaudited Year-to-date September 30, 2015	Audited Full Year Dec. 31, 2015
Revenue			
Rooms	172,831,268.14	215,104,925.06	287,584,011.45
Food & Beverage	87,011,294.44	95,705,156.51	137,481,963.95
Other Operated Depts.	3,648,317.76	3,480,480.33	4,767,442.12
Rental Income/Others	7,040,648.19	6,321,312.09	17,518,267.02
Total Revenue	270,531,528.53	320,611,873.99	447,351,684.54
Cost of Sales			
Food & Beverage	30,966,931.08	34,261,963.68	51,006,642.13
Other Operated Depts.	1,971,896.97	2,432,738.82	3,500,550.49
Total Cost of Sales	32,938,828.05	36,694,702.50	54,507,192.62
Gross Profit	237,592,700.48	283,917,171.49	392,844,491.92
Operating Expenses	268,409,031.15	292,630,216.59	403,940,699.35
Net Operating Income	(30,816,330.67)	(8,713,045.10)	(11,096,207.43)
Non-operating Income/(Loss)			
Interest Income	4,164,047.27	3,890,003.09	8,946,562.90
Dividend Income	-	-	-
Gain/(Loss) on Disposal of Fixed Assets	(211,183.09)	-	(1,166,747.47)
Exchange Gain/(Loss)	5,280,175.25	8,728,342.41	9,357,404.62
Share in Net Income/(Loss) of Associated Co.	1,466,310.77	1,458,357.10	2,372,464.30
Other Income	-	-	3,986,875.00
Total Non-Operating Income	10,699,350.20	14,076,702.60	23,496,559.35
Net Income/(Loss) Before Tax	(20,116,980.47)	5,363,657.50	12,400,351.92
Provision for Income Tax	(6,676,004.71)	1,056,464.18	6,628,274.33
Net Income/(Loss) After Tax	(13,440,975.76)	4,307,193.32	5,772,077.59
Earnings per share	(0.25)	0.08	0.11
Dilluted earnings per share	(0.25)	0.08	0.11

Notes:

In Sept 30, 2016 total shares outstanding is 53,717,369 net of 33,600,901 treasury shares

GRAND PLAZA HOTEL CORPORATION
Income Statements
For the 3rd quarters ended September 30, 2016 and 2015
(In Philippine Pesos)

	Unaudited 3rd Quarter September 30, 2016	Unaudited 3rd Quarter September 30, 2015
Revenue		
Rooms	49,395,526.76	59,540,822.91
Food & Beverage	27,421,189.90	28,419,665.70
Other Operated Depts.	1,210,478.61	1,073,396.71
Rental Income/Others	2,458,593.04	2,207,775.06
Total Revenue	80,485,788.31	91,241,660.38
Cost of Sales		
Food & Beverage	9,595,545.00	10,704,373.03
Other Operated Depts.	692,857.36	951,085.30
Total Cost of Sales	10,288,402.36	11,655,458.33
Gross Profit	70,197,385.95	79,586,202.05
Operating Expenses	89,062,910.31	91,973,877.03
Net Operating Income	(18,865,524.36)	(12,387,674.98)
Non-operating Income/(Loss)		
Interest Income	1,457,751.77	1,321,418.99
Dividend Income	-	-
Gain/(Loss) on Disposal of Fixed Assets	(211,183.09)	-
Exchange Gain/(Loss)	5,551,910.19	6,983,858.53
Share in Net Income/(Loss) of Associated Co.	608,683.70	616,522.81
Other Income	-	-
Total Non-Operating Income	7,407,162.57	8,921,800.33
Net Income/(Loss) Before Tax	(11,458,361.79)	(3,465,874.65)
Provision for Income Tax	(3,706,814.20)	(1,270,519.94)
Net Income/(Loss) After Tax	(7,751,547.59)	(2,195,354.71)

GRAND PLAZA HOTEL CORPORATION

Statements of Changes in Equity

For the years ended September 30, 2016 and 2015

(With comparative figures for the year ended December 31, 2015)

(In Philippine Pesos)

	Unaudited September 30, 2016	Unaudited September 30, 2015	Audited Dec. 31, 2015
Balance - beginning	963,484,236.90	954,982,633.31	954,982,633.31
Prior period adjustment			
Balance - as adjusted	963,484,236.90	954,982,633.31	954,982,633.31
Net income for the period	(13,440,975.80)	4,307,193.32	5,772,077.59
Dividends	-	-	-
Retirement of shares	-	-	-
<i>Reserves/Net Actuarial Loss</i>	-	-	2,729,526.00
Buyback of shares	-	-	-
Balance - end	<u>950,043,261.10</u>	<u>959,289,826.63</u>	<u>963,484,236.90</u>

GRAND PLAZA HOTEL CORPORATION**Cash Flow Statements****For the years ended September 30, 2016 and 2015***(With comparative figures for the year ended December 31, 2015)***(In Philippine Pesos)**

	Unaudited Year-to-date September 30, 2016	Unaudited Year-to-date September 30, 2015	Audited Full Year Dec. 31, 2015
Cash flows from operating activities			
Net income	(13,440,975.76)	4,307,193.32	5,772,077.59
Adjustments to reconcile net income to net cash provided by operating activities			
Prior period adjustments	-	-	-
Depreciation and amortization	29,936,945.50	29,645,871.64	39,558,870.76
Equity in net income of associated company	(1,466,310.77)	(1,458,357.10)	(2,372,464.30)
Provision for bad debts	1,159,073.88	512,909.16	482,022.16
Changes in operating assets and liabilities			
(Increase) decrease in			
Accrued interest receivable	(53,106.00)	(57,124.31)	(63,193.65)
Accounts receivable - trade	23,657,622.67	5,112,307.97	209,523,006.58
Accounts receivable - others	(76,498.64)	596,283.04	581,741.55
Deferred income tax	(1,746,626.80)	2,336,978.33	3,439,327.41
Input tax	-	-	-
Advances to associated company	1,801,126.71	(3,864,247.58)	300.00
Advances to immediate holding company	(761,259.22)	(460,828.22)	(496,662.26)
Inventories	(35,125.08)	(902,042.77)	1,652,437.04
Prepaid expenses	(1,328,236.05)	(1,855,460.72)	(808,742.96)
Creditable withholding tax	45,092.00	63,738.00	18,646.00
Other current assets	(6,166,315.75)	(7,330,459.52)	(10,879,932.05)
Advances to/from THHM	-	-	-
Increase (decrease) in			
Accounts payable	(8,217,563.78)	(13,552,998.95)	(217,160,453.49)
Accrued liabilities	(3,332,634.88)	8,169,075.25	8,162,779.87
Notes payable	-	-	-
Rental payable	-	-	-
Due to associated company	10,663,069.83	(445,653.54)	707,947.30
Advances from immediate holding company - net	-	-	-
Advances from intermediate holding company	-	-	-
Refundable deposit	722,924.65	(17,580,728.31)	(22,900,530.54)
Deferred rental - Pagcor	-	-	-
Dividend payable	-	-	-
Output tax	-	-	-
Income tax payable	(9,158,191.20)	(8,092,169.81)	(3,953,121.88)
Other current liabilities	(731,537.91)	(495,731.97)	99,053.91
Reserves	878,084.67	5,158,046.97	(2,473,176.89)
	<u>22,349,558.08</u>	<u>(193,399.12)</u>	<u>8,889,932.14</u>
Cash flows from investing activities			
Acquisition of property and equipment - net	(7,660,239.50)	(6,156,156.16)	(5,818,553.69)
Dividend (declared)/received	4,000,000.00	-	-
(Receipts)/Refund of deposit on lease contract	-	-	-
(Receipts)/Payments relating to other assets	-	-	(3,695,818.00)
Retirement of treasury stocks	-	-	-
Buyback of shares - net	-	-	-
Reserves / Net Actuarial Loss	-	-	2,729,526.00
	<u>(3,660,239.50)</u>	<u>(6,156,156.16)</u>	<u>(6,784,845.69)</u>
Cash flows from financing activities			
Increase/(Decrease) in reserves	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Net increase in cash and short-term notes	18,689,318.58	(6,349,555.28)	2,105,086.45
Cash and short-term notes, Beginning	<u>239,183,149.17</u>	<u>237,078,062.72</u>	<u>237,078,062.72</u>
Cash and short-term notes, Ending	<u><u>257,872,467.75</u></u>	<u><u>230,728,507.44</u></u>	<u><u>239,183,149.17</u></u>

GRAND PLAZA HOTEL CORPORATION
Cash Flow Statements
For the 3rd quarters ended September 30, 2016 and 2015
(In Philippine Pesos)

	Unaudited 3rd Quarter September 30, 2016	Unaudited 3rd Quarter September 30, 2015
Cash flows from operating activities		
Net income	(7,751,547.59)	(2,195,354.71)
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	10,004,069.77	9,920,132.24
Equity in net income of associated company	(608,683.70)	(616,522.81)
Provision for bad debts	1,159,073.88	512,909.16
Changes in operating assets and liabilities		
(Increase) decrease in		
Accrued interest receivable	(47,743.91)	(50,049.08)
Accounts receivable - trade	7,321,474.92	683,912.58
Accounts receivable - others	14,542.25	(132,898.99)
Deferred income tax	1,404,677.65	1,840,519.71
Input tax	-	-
Advances to associated company	4,167,264.42	(1,168,749.99)
Advances to immediate holding company	(58,212.00)	(119,365.12)
Inventories	(371,236.05)	649,215.93
Prepaid expenses	(2,562,535.98)	(3,033,153.95)
Creditable withholding tax	-	-
Other current assets	288,411.94	(4,763,159.34)
Advances to/from THHM	-	-
Increase (decrease) in		
Accounts payable	1,940,301.71	2,987,901.87
Accrued liabilities	1,091,643.77	5,019,838.42
Notes payable	-	-
Rental payable	-	-
Due to associated company	(776,566.11)	(1,240,189.49)
Advances from immediate holding company - ne	-	-
Advances from intermediate holding company	-	-
Refundable deposit	(1,291,424.74)	926,338.31
Deferred rental - Pagcor	-	-
Dividend payable	-	-
Output tax	-	-
Income tax payable	(7,366,124.53)	(4,934,996.56)
Other current liabilities	(52,317.63)	183,198.12
Reserves	690,921.60	835,889.74
	<u>7,195,989.67</u>	<u>5,305,416.04</u>
Cash flows from investing activities		
Acquisition of property and equipment - net	(3,863,693.53)	(2,323,191.71)
Dividend (declared)/received	4,000,000.00	-
(Receipts)/Refund of deposit on lease contract	-	-
(Receipts)/Payments relating to other assets	-	-
Retirement of treasury stocks	(0.01)	-
Buyback of shares	-	-
	<u>136,306.46</u>	<u>(2,323,191.71)</u>
Cash flows from financing activities		
Increase/(Decrease) in reserves	-	-
	<u>-</u>	<u>-</u>
Net increase in cash and short-term notes	7,332,296.14	2,982,224.33
Cash and short-term notes, Beginning	<u>250,540,171.60</u>	<u>227,746,283.11</u>
Cash and short-term notes, Ending	<u><u>257,872,467.74</u></u>	<u><u>230,728,507.44</u></u>

Grand Plaza Hotel Corporation
Aging Report As At 30 September 2016

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	1,081,415	1,256,320	3,262,870	586,420	366,000	79,067	6,632,093	25.86%
Credit card	1,299,412						1,299,412	5.07%
PAGCOR						8,936,199	8,936,199	34.84%
Company - local	65,400	1,081,484	91,245	67,396		1,363,735	2,669,260	10.41%
Overpayment						(45,484)	(45,484)	-0.18%
Permanent accounts	6,957	30,212	16,258	46,957	41,817	945,047	1,087,248	4.24%
Embassy & government	321,893	5,373	94,000	52,500		45,606	519,372	2.02%
Travel Agent - Local	76,160	348,936	79,840				504,936	1.97%
Temporary credit	103,450	60,394	412,177	42,000	742,980	808,050	2,169,051	8.46%
Travel Agent - Foreign	260,063	829,777	528,321	208,891	34,840	16,540	1,878,432	7.32%
TOTAL	3,214,750	3,612,496	4,484,711	1,004,164	1,185,637	12,148,760	25,650,519	100.00%
%	12.53%	14.08%	17.48%	3.91%	4.62%	47.36%	100.00%	