COVER SHEET
For
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

1 6 6 8 7 8

COMPANY NAME

GRAND PLAZA HOTEL CORPORATION

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

10th Floor, The Heritage Hotel Manila, EDSA corner Roxas Boulevard, Pasay City

Form Type	Department requiring the report	Secondary License Type, If Applicable
AAFS		

COMPANY INFORMATION

Company's email Address	Company's Telephone Number/s	Mobile Number
	854-8838	

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

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Mr. Yam Kit Sung		854-8838	

CONTACT PERSON's ADDRESS

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

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

FOREIGN SERVICE OF THE
REPUBLIC OF THE PHILIPPINES

EMBASSY OF THE PHILIPPINES)
Consular Section) S.S.
Singapore)

CERTIFICATE OF AUTHENTICATION

I, **JANINA LOURDES S. BUSTOS, Vice Consul** of the Embassy of the Republic of the Philippines to Singapore, duly commissioned and qualified, do hereby certify that **MELISSA GOH** before whom the annexed instrument has been executed, to wit:

NOTARIAL CERTIFICATE SIGNED BY HO SUK TSING LESLIE

was at the time he/she signed the same **SINGAPORE ACADEMY OF LAW** and that his/her signature affixed thereto is genuine.

The Embassy assumes no responsibility for the contents of the annexed instrument.

IN WITNESS HEREOF, I have hereunto set my hand and affixed the seal of the Embassy of the Philippines in Singapore this day of **06 February 2020**

Service No.	:	2151
O.R. No.	:	*2378350*
Fee Paid	:	*$42.50*

The validity of this certification shall follow the validity of the attached/underlying document.

Janina Lourdes S. Bustos

JANINA LOURDES S. BUSTOS
Vice Consul

Re Philippines x1 - express

NC0K0Z0C8H

NOTARIAL CERTIFICATE

TO ALL TO WHOM these presents shall come

I, Ho Suk Tsing Leslie, NOTARY PUBLIC duly admitted, authorised to practise in the Republic of Singapore, DO HEREBY CERTIFY

THAT the document "**SECURITIES AND EXCHANGE COMMISSION - SEC FORM 17-A**" hereunto annexed was signed and executed by **KWEK EIK SHENG** and **YAM KIT SUNG** the persons named and mentioned in the said document for and on behalf of **GRAND PLAZA HOTEL CORPORATION**.

IN FAITH AND TESTIMONY whereof I the said notary have subscribed my name and set and affixed my seal of office at Singapore, this 6th day of February 2020.

REPUBLIC OF SINGAPORE
NOTARY PUBLIC

Leslie

NOTARY PUBLIC
SINGAPORE

NOTARY PUBLIC
Ho Suk Tsing
Leslie
N2019/0099
1 Apr 2019 – 31 Mar 2020
SINGAPORE

By virtue of Rule 8(3)(c) of the Notaries Public Rules, a Notarial Certificate must be authenticated by the Singapore Academy of Law in order to be valid.

SAL SINGAPORE ACADEMY OF LAW

To verify the issuance of this ***Authentication Certificate***, go to *Legalisation.sal.sg* or scan QR code:

Verification code: 97166707

This ***Authentication Certificate*** only certifies the authenticity of the signature and the capacity of the person who signed the Notarial Certificate.

This ***Authentication Certificate*** is not valid if the seal of the Singapore Academy of Law is removed or altered in any way whatsoever. This Certificate does not authenticate or confirm the content of the Document attached to the annexed Notarial Certificate.

Authentication	
1. **Country:**	Singapore
2. **This public document has been signed by:**	Ho Suk Tsing Leslie
3. **Acting in the capacity of:**	Notary Public
4. **Bears the seal/stamp:**	Notary Public
Certified	
5. **Authentication Cert No.:**	AC0K1105ZA
6. **At:**	Singapore Academy of Law
7. **The:**	6th February 2020
8. **By:**	Melissa Goh, Deputy Director, SAL
9. **SAL Certification Seal:**	10. **Signature:**

SINGAPORE ACADEMY OF LAW
CERTIFICATION SEAL

Melissa

Securities and Exchange Commission
Electronic Records Management Division
8 FEB 17 2020 ICTD
BY:
RECEIVED SUBJECT TO REVIEW OF FORM AND CONTENTS

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

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

1. For the fiscal year ended 31 December 2019

2. SEC Identification Number 166878 3. BIR Tax Identification No. 000-460-602-000

4. Exact name of issuer as specified in its charter GRAND PLAZA HOTEL CORPORATION ("Company")

5. City of Pasay, Philippines
Province, Country or other jurisdiction of incorporation or organization

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

7. 10/F, The Heritage Hotel Manila, Roxas Blvd. Cor. EDSA Ext., Pasay City 1300
Address of principal office Postal Code

8. Tel No. (632) 854-8838 ; Fax No. (632) 854-8825
Issuer's telephone number, including area code

9 N/A
Former name, former address, and former fiscal year, if changed since last report.

10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Stock	**87,318,270** (Inclusive of 33,600,901 treasury shares)

11. Are any or all of these securities listed on a Stock Exchange.

Yes [x] No [ ]

If yes, state the name of such stock exchange and the classes of securities listed therein:

Stock Exchange : Philippine Stock Exchange
Securities : Common Shares

12. Check whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and

141 of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports);

Yes [x] No [ ]

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

Yes [x] No [ ]

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

The share price of the Company as of 14 January 2020 is PhP11.90 and the total voting stock held by non-affiliates of the Company is 7,330,283. Therefore, the aggregate market value of the voting stock held by non-affiliates of the Company is PhP87,230,367.70

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

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

Yes [ ] No [ ]

DOCUMENTS INCORPORATED BY REFERENCE

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

(a) Any annual report to security holders;
(b) Any proxy or information statement filed pursuant to SRC Rule 20 and 7.1(b);
(c) Any prospectus filed pursuant to SRC Rule 8.1-1.

PART I – BUSINESS & GENERAL INFORMATION

ITEM 1. BUSINESS

General

The Company was registered with the Securities and Exchange Commission on 9 August 1989 primarily to own, lease or manage one or more hotels, inns or resorts, all adjuncts and accessories thereto and all other tourist oriented businesses as may be necessary in connection therewith.

The Company owns The Heritage Hotel Manila, a deluxe class hotel which offers 467 rooms and deluxe facilities such as restaurants, ballrooms, and a casino.

The hotel opened on 2 August 1994 and the Company has continued to own and operate the hotel since then.

For the fiscal year ended 31 December 2019, the Company reported a net profit after tax of about PhP2.3 million as against loss after tax of PhP23.10 million in 2018 and loss after tax of PhP75.28 million in 2017.

There is no bankruptcy, receivership or similar proceedings involving the Company. There are no material reclassifications, mergers, and consolidation involving the Company, nor purchases or sales of a significant amount of assets not in the ordinary course of business of the Company.

The Company's main source of income is revenue from the hotel operations. The market for the hotel services varied. The bulk of the room guests are corporate clients from various countries. The majority of the room guests are Americans, Japanese, Koreans, Filipinos and guests from Southeast Asian nations, while food and beverage guests are mainly Filipinos.

Competitive Position

The main competitors of The Heritage Hotel Manila are Sofitel Philippine Plaza Manila, Hotel Jen Manila, Pan Pacific Manila, Diamond Hotel Philippines, New World Manila Bay Manila and Microtel Inn & Suites (Mall of Asia).

Based on information made available to us, for the year 2019, our Heritage Hotel occupancy was 64% versus competitor's occupancy of 75%. Our Average Room Rate was PhP2,984 while competitor rate was PhP5,572. The resultant Revpar of our Hotel was PhP1,909 versus competitor of PhP4,179.

Raw Materials and Services

The hotel purchases its raw material for food and beverage ("F&B") from both local and foreign suppliers. The top 3 suppliers for raw materials are JC Seafood Supplies, Sofia Seafood and Erickel Enterprises.

Dependence on Single Customer

The Company's main source of income is revenue from the operations of the Heritage Hotel. The operations of the hotel are not dependent on a single or a few customers.

Related Party Transactions

The Company in the normal course of business has entered into transactions with its related parties, principally consisting of cash advances. These advances are shown as “Due to related company”, “Due to immediate holding company”, and “Due to intermediate holding company” in the balance sheets.

The Company also leases its hotel site from a related company. The lease contract on the hotel site requires the Company to deposit PhP78 million to answer for any and all unpaid obligations that the Company may have under said contract.

On 11 August 2014, the Company and the related company, Harbour Land Corp. (“**HLC**”), agreed to amend the Lease Contract to increase the rent from PhP10,678,560 to PhP17,797,608 effective 1 January 2014 and to extend the lease contract from 2015 to 2040 for a period of another 25 years with no escalation of rent for the first 5 years but on the 6th year, HLC will propose a revision depending on the market condition.

The Company has entered into a Management Contract with Elite Hotel Management Services Pte. Ltd.’s Philippines Branch for the latter to act as the hotel’s administrator. Under the terms of the agreement, the Company is required to pay monthly basic management and incentive fees based on a certain percentage of revenue and gross operating profit.

Policy on Related Party Transactions

In compliance with SEC Memorandum Circular No. 10, Series of 2019 on the Rules on Material Related Party Transactions for Publicly-Listed Companies which took effect on 27 April 2019, the Company adopted its Material Related Party Transactions Policy (“**Material RPT Policy**”) on 24 October 2019.

Under the Company’s Material RPT Policy, the term “related parties” is defined as “the reporting Company's directors, officers, substantial shareholders and their spouses and relatives within the fourth civil degree of consanguinity or affinity, legitimate or common-law, if these persons have control, joint control or significant influence over the reporting Company. It also covers the reporting Company's parent, subsidiary, fellow subsidiary, associate, affiliate, joint venture or an entity that is controlled, jointly controlled or significantly influenced or managed by a person who is a related party”. Any related party transaction/s, either individually, or in aggregate over a 12-month period with the same related party, amounting to 10% or higher of the Company’s total assets based on the Company’s latest audited financial statement shall be deemed as a Material Related Party Transaction (“**Material RPT**”) which is covered by the Material RPT Policy.

Under the Company’s Material RPT Policy, the following approvals shall be required for transactions deemed as Material RPTs:

a. Approval of individual Material RPTs

All individual Material RPTs shall be approved by at least two-thirds (2/3) vote of the Board of Directors, with at least a majority of the independent directors voting to approve the Material RPT. In case that a majority of the independent directors' vote is not secured, the Material RPT may be ratified by the vote of the stockholders representing at least two-thirds (2/3) of the outstanding capital stock.

b. Approval of aggregate RPT transactions

For aggregate RPT transactions within a twelve (12)-month period that breaches the materiality threshold of ten percent (10%) of the Company's total assets, the same board approval would be required for the transaction/s that meets and exceeds the materiality threshold covering the same related party.

Directors with personal interest in the transaction are mandated to abstain from participating in discussions and voting on the same. In case they refuse to abstain, their attendance shall not be counted for the purposes of assessing the quorum and their votes shall not be counted for purposes of determining approval.

In accordance with the Company's Material RPT Policy and the relevant rules and regulations of the SEC on Material RPTs, the Company is required to submit the following reports and disclosures to the SEC:

a. A summary of material related party transactions entered into during the reporting year which shall be disclosed in the Company's Integrated Annual Corporate Governance Report (I-ACGR) to be submitted annually every May 30.

b. Advisement Report in the form prescribed by the SEC of any Material RPT filed within three calendar days from the execution date of the transaction. The Advisement Report shall be signed by the Company's Corporate Secretary or authorized representative.

c. At a minimum, the disclosures in both (a) and (b) above shall include the following information:

   i. complete name of the related party;

   ii. relationship of the parties;

   iii. execution date of the Material RPT;

   iv. financial or non-financial interest of the related parties;

   v. type and nature of transaction as well as a description of the assets involved;

   vi. total assets (consolidated assets, if the reporting company is a parent company);

   vii. amount or contract price;

   viii. percentage of the contract price to the total assets of the reporting Company;

   ix. carrying amount of collateral, if any;

   x. terms and conditions;

   xi. rationale for entering into the transaction; and

   xii. the approval obtained (i.e., names of directors present, name of directors who approved the Material RPT and the corresponding voting percentage obtained).

Section 5.2 of the Company's Revised Manual on Corporate Governance requires all material information to be publicly and timely disclosed through the appropriate mechanisms of the PSE and submitted to the SEC. Such information includes, among others, related party transactions. All such information should be disclosed.

In compliance with the 2015 Implementing Rules and Regulations of the Securities Regulation Code ("**SRC Rules**"), the Company must disclose the following details for a related party contract:

a. the nature of the related party relationship;
b. the type of transaction (e.g. supply or services contract, loans, guarantees);
c. the total amounts payable and receivable in the transaction from or to the related party; and
d. the elements of the transaction necessary to understand the listed company's financial statements.

The Company must also disclose its transactions in which related persons, such as directors, officers, substantial shareholders or any of their immediate families have a direct material interest, such as the related person's beneficial ownership of the counterparty or share in the profits, bonus, or commissions out of the transaction.

No disclosure is needed for any transaction where:

a. The transaction involves services at rates or charges fixed by law or governmental authority;

b. The transaction involves services as a bank depository of funds, transfer agent, registrar, trustee under a trust indenture, or similar services;

c. The amount involved in the transaction or a series of similar transactions has an aggregate value of less than PhP2,500,000; or

d. The interest of the person arises solely from the ownership of securities of the registrant and the person receives no extra or special benefit that was not shared equally (pro rata) by all holders of securities of the class.

In compliance with the provisions of the Corporation Code, a contract of the Company with one or more of its directors or officers must be ratified by the vote of the stockholders representing at least two-thirds (2/3) of the outstanding capital stock if any of the following conditions are absent:

a. The presence of such director in the board meeting in which the contract was approved was not necessary to constitute a quorum for such meeting.

b. The vote of such director was not necessary for the approval of the contract.

Full disclosure of the adverse interest of the directors or officers involved must be made at the stockholders' meeting and the contract must be fair and reasonable under the circumstances.

Furthermore, the Company must comply with the provision of the Corporation Code which requires a contract between two or more corporations having interlocking directors, where (i) the interest of the interlocking director in one corporation is substantial and his interest in the other corporation is merely nominal, and (ii) any of the following conditions are absent:

a. The presence of such director in the board meeting in which the contract was approved was not necessary to constitute a quorum for such meeting.

b. The vote of such director was not necessary for the approval of the contract.

to be ratified by the vote of the stockholders representing at least two-thirds (2/3) of the outstanding capital stock of the corporation where the interlocking director's interest is nominal. Similarly, full disclosure of the adverse interest of the interlocking director/s involved must be made at the stockholders' meeting and the contract must be fair and reasonable under the circumstances. Stockholdings exceeding twenty (20%) percent of the outstanding capital stock shall be considered substantial for purposes of interlocking directors.

Patents, Trademarks, Etc.

The Company registered the tradename "The Heritage Hotel Manila" with the Intellectual Property Office on 12 July 2000 under registration number 41995105127. Under current laws, the registration is valid for a term of 20 years, or up to 12 July 2020. The registration is renewable for another 10 years.

The Company is also authorized to use "The Heritage Hotel Manila" as its business name under its Articles of Incorporation.

The Company does not hold any other patent, trademark, copyright, license, franchise, concession or royalty agreement.

Government Approval and Regulation

The hotel applies for Department of Tourism ("**DOT**") accreditation annually. The accreditation is based on the 2012 Rules and Regulations to Govern the Accreditation of Accommodation Establishments of the DOT. The DOT inspects the hotel to determine whether the hotel meets the criteria of the DOT. The DOT certificate of accreditation will expire on 30 November 2020.

The Company is not aware of any new government regulation that may have a material impact on the operations of the Company during the fiscal year covered by this report.

Development Activities

The Company did not undertake any development activities during the last three fiscal years.

Number of Employees

The hotel employed a total of 303 employees for the year ended 31 December 2019. Out of the 303 employees, 176 are regular employees and 127 are casual employees.

The number of employees per type of employment is, as follows:

	REGULAR	CASUAL	TOTAL
Hotel Operating Staff (All operating dept)	115	89	204
Management/Admin/Security (A&G Dept)	26	28	54
Sales & Marketing	17		17
Repairs & Maintenance	18	10	28
Total	176	127	303

Barring any unforeseen circumstance, for the year 2020, the Company will maintain more or less the same number of employees as in year 2019.

There are no existing collective bargaining agreements between the Company and its employees.

ITEM 2. PROPERTIES

The Company leases its hotel site from HLC, a related company. The hotel site is located at the corner of Roxas Blvd. and EDSA Extension, Pasay City.

The lease for the hotel site is for a period of 25 years renewable for another 25 years. The lease commenced on 1 January 1990. The Company has renewed its lease effective 1 January 2014 for another 25 years with monthly rental of PhP1,483,134.

The annual rental expenses for the hotel site and is PhP17,797,608 million.

The Company has no intention of acquiring additional property within the next 12 months.

ITEM 3. LEGAL PROCEEDINGS

(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 Distraint 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.

On 2 December 2019, the CTA En Banc issued a Notice of Resolution that since both CIR and the Corporation decided not to have the case mediated by the Philippine Mediation Center – Court of Tax Appeals, the mediation proceedings are terminated and the case is submitted for decision by the CTA En Banc.

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 which had not been previously disclosed.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of the security holders during the fourth quarter of the fiscal year covered by this report.

In the 15 May 2019 annual stockholders' meeting, the following were elected as directors of the Company:

Tan Kian Seng;
Bryan Cockrell;
Eddie Yeo Ban Heng;
Wong Kok Ho;
Antonio Rufino
Mia Gentugaya; (independent director); and
Rene Y. Soriano; (independent director)

Please refer to the discussion in item 9 of this report.

PART II – OPERATIONAL AND FINANCIAL INFORMATION

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The common shares of the Company are listed on the Philippine Stock Exchange.

The following are the high and low share prices of the Company for the year 2019 and 2018:

Amount in Peso:

	HIGH	LOW	HIGH	LOW
	Year 2019	Year 2019	Year 2018	Year 2018
First Quarter	12.48	9.52	16.00	10.54
Second Quarter	11.86	9.83	15.90	11.98
Third Quarter	12.48	9.70	12.60	11.00
Fourth Quarter	14.00	10.54	11.32	8.00

The last recorded trade of the shares of the Company during the fiscal year covered by this report occurred on 27 December 2019. The share price was PhP10.66.

Holders of Securities

The Company has only one class of shares, i.e., common shares. The total outstanding common shares as of 31 December 2019 is 87,318,270 inclusive of 33,600,901 treasury shares.

As of 31 December 2019, the number of shareholders of the Company is 16,242.

The list of the top 20 shareholders is as follows:

	NAME OF SHAREHOLDER	NO. OF SHARES	% OF SHAREHOLDING (EXCLUDING TREASURY SHARES)
01	The Philippine Fund Limited	28,655,932	53.35%
02	Zatrio Pte Ltd	17,727,149	33.00%
03	PCD Nominee Filipino	3,869,853	7.20%
04	PCD Nominee Non-Filipino	236,567	0.44%
05	Alexander Sy Wong	34,505	0.06%
06	Cabanatuan Electric Corporation	8,569	0.02%
07	Asia Overseas Transport Co. Inc.	7,614	<0.01%
08	Yam Kit Seng	7,000	<0.01%
09	Yam Poh Choo	7,000	<0.01%
10	Phoon Lin Mui	7,000	<0.01%
11	Yam Kum Cheong	7,000	<0.01%
12	School of St. Anthony	6,557	<0.01%
13	Rogelio Roleda Lim	5,361	<0.01%
14	Lucas M. Nunag	4,290	<0.01%
15	Mary Dee Chinjen	4,002	<0.01%
16	Palawan Pawn Shop Inc	4,002	<0.01%

17	Natividad Kwan	3,983	<0.01%
18	Julie's Franchise Corp	3,817	<0.01%
19	Nationwide Distributors Inc.	3,672	<0.01%
20	Fee Lina Naquines	3,529	<0.01%
	Total	50,608,113	94.21%

Dividends

No dividends were declared for FY2019 and FY2018.

Dividend Policy

The nature of the dividend, the dividend payment date and the amount of the dividend are determined and approved by the Company's Board of Directors.

Recent Sales of Unregistered Securities

The Company does not have any unregistered securities.

ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

(A) Full Fiscal Year

Top 5 Key Performance Indicators of the Company for the last 3 years:

	2019	2018	2017
Current ratio (Solvency ratio)	**2.49**	2.77	2.47
Debt/Equity	**0.44**	0.19	0.21
Assets/Equity	**1.45**	1.19	1.21
Profit/(Loss) before tax margin ratio	**(0.17%)**	(4.5%)	(20.4%)
Adjusted Profit/(Loss) before tax margin ratio (Exclude impairment loss)	**(0.17%)**	(4.5%)	(9.1%)
Earnings before interest, tax, depreciation & amortization (EBITDA) Peso	**55.18 million**	(2.99 million)	(44.64 million)
Adjusted EBITDA (Exclude impairment loss)	**55.18 million**	(2.99 million)	(9.84 million)

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

Current 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 fell by

0.29 (10.4%) compared to the same period of last year. Current liabilities has increased from PhP143.1 million to PhP181.6 million or 26.9% over prior year while current assets have risen by PhP66.5 million or 17.2% only. The increase in current assets is mainly due to higher cash balances and receivables while liabilities increased due to higher accounts payable and other current liabilities.

Debt to equity ratio measures a company's financial leverage. It is derived by dividing total liabilities over equity. This ratio increased significantly by 0.25 (131.5%) versus last year and this is a result of adoption of IFRS 16 on accounting for lease. With this new accounting standard, the Corporation has to recognize a Right-of-Use liability and this amount to PhP207.5 million.

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 an increase by 0.26 this year versus last year. The higher ratio is mainly due to higher cash balances, accounts receivables and higher property and equipment balance from right-of-use asset.

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 significantly lower loss of PhP0.7 million this year as compared to 2018 loss of PhP19 million.

EBITDA is a measure of the company profitability without interest, depreciation and, taxes. This ratio has improved significantly from negative PhP2.99 million to a positive PhP55.18 million. This is due to higher revenue and operating loss has reduced to PhP2million from PhP39.5 million.

Management is not aware of:

a. Any known trends or any known demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the Company’s liquidity increasing or decreasing in any material way. The Company is not having or anticipate having within the next 12 months any cash flow or liquidity problems; and the Company is not in default or breach of any note, loan, lease or other indebtedness or financing arrangement requiring it to make payments. There is no significant amount of the Company’s trade payables that have not been paid within the stated trade terms.

b. Any events that will trigger direct or contingent financial obligations that is material to the Company, including any default or novation of an obligation.

c. All material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Company with unconsolidated entities or other persons created during the reporting period.

d. There are no material commitments for capital expenditures.

e. 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 or revenues or income from continuing operations should be described.

Please see attached chart for the relationship between the Company and its ultimate parent company.

Results of Operations:

Revenue and Net Income/(loss) After Tax ("NIAT") of the Company during the last 3 years are as follows:

YEAR	REVENUE – PHP'000	NIAT – PHP'000
2019	**441,315**	**2,369**
2018	413,796	(23,185)
2017	382,786	(75,281)

2019 Results of Operations

For the year under review 2019, the Company reported a 6.7% growth in total revenue and reported a net income after tax after 3 years of losses. There is also no impairment loss in 2019.

Revenue:
Room revenue improved from PhP267.4 million to PhP292.2 million or 9.2% growth over prior year. This is due to an increase in occupancy from 59% to 64% and Average Room Rate has also increased from PhP2,690 to PhP2,725. Consequently, the Revpar registered an increase of PhP151 or 9.2% over 2018. Several key market segments such as Third Party Intermediary, Unmanaged Premium showed strong growth of 50% and 87% respectively over the prior year. However, this increment is offset by lower contribution from Wholesale and Association market segments.

Food and Beverage ("F&B") showed a minor improvement from PhP132.0 million to PhP134.3 million or 1.7% over 2018. The improvement in F&B mainly comes from Banquet and Lobby Lounge while offset by the lower contribution from Riviera. Banquet has a strong year especially in November and December 2019 due to major events and South East Asian Games held in Manila. Banquet increased its revenue from PhP47.7 million to PhP53.1 million or 17.4%.

Cost of sales and services:
F&B cost of sales increased by PhP1.9 million or 4.5%. This is consistent with the higher F&B revenue.

Selling and Administrative Expenses:
Selling and Administrative expenses mainly consist of management and incentive fees, salaries, credit card commission, dues and subscription, property operation, maintenance, depreciation, insurance and impairment loss. This balance fell by PhP30.2 million or 9.8% versus same period last year. The main reason for the decrease is due to absence of lease rental expense amounting to PhP17.7 million, lower professional fee by PhP26.4 million but offset by higher management fee of PhP1.6 million which is consistent with the higher revenue and GOP. In addition, depreciation also increased by about PhP6 million and insurance by PhP2.5 million.

Other income/(expenses):
There is a decrease in this item by PhP33.5 million (163%) relative to last year and this due to a foreign exchange loss of PhP7.8 million this year versus last year exchange gain of PhP11.7 million. During the year 2019, the Peso has strengthen against the US dollar so when the Company translates its US deposits to Peso, it suffer an unrealized exchange loss. In addition, the Company also has to recognize interest expense of PhP14.4 million this year due to adoption of new accounting standard on lease.

2018 Results of Operations

For the year 2018, the Company reported revenue of PhP413.7 million as compared to PhP382.7 million in 2017. The Company recorded a loss after tax of PhP23.1 million this year versus a loss of PhP75.2 million in 2017. The better result is due to higher revenue and there is no impairment loss in year 2018 while in year 2017, there was an impairment loss of about PhP34.8 million.

Revenue:
Room revenue recorded an improvement from PhP236.5 million in 2017 to PhP267.4 million in current year or increase of PhP30.9 million (13.1%). The improvement is driven by higher room occupancy of 59% in 2018 compared to 52% in 2017. The hotel strategy for 2018 was to work on the occupancy so the average room rate was reduced in accordance to market. Average room rate fell by PhP15 (0.5%) as compared to prior year. However, the overall Revpar showed an improvement of PhP188 (13%). The Philippines economy continued to show positive growth in 2018 and Asian Development Bank (ADB) forecast the GDP to grow 6.4%. This positive growth also translates to higher tourist arrival. For the first 3 quarters of 2018, tourist arrivals increased by 8.3% or 5.4 million compared to the same period in 2017.

Food and Beverage (F&B) revenue registered an improvement of PhP3.2 million (2.5%). The increased in room occupancy also bring about higher breakfast revenue for the F&B sector and room service and lobby lounge. Room service improved significantly from PhP4.2 million to PhP5.8 million or 38% over last year. Lobby lounge also showed promising improvement from PhP11.2 million to PhP13.4 million or 20% growth over prior year.

Cost of sales and services:
Cost of sales and services registered a drop of PhP2.2 million (5%) over 2017 even though revenue has increased by 2.5%. This is due to better control over purchases.

Gross Operating Income:
Gross profit showed an increase by PhP33.1 million (14.1%) due to higher revenue.

Property operations and maintenance:
This pertains mainly to cost incurred in maintaining the hotel building. This expense has dropped by PhP2.2 million (15.2%) over the same period of last year.

Administrative Expenses:
Administrative expenses mainly consist of management and incentive fees, salaries, credit card commission, dues and subscription, property operation, maintenance and energy. This item registered a drop of PhP6.9 million (2.9%). The 2 key items that contributed to this fall are depreciation charges decreased by PhP6.8 million (15.7%) and impairment loss on property and equipment by a decrease of PhP34.7 million (100%). There is no impairment in

this year. The 2 variances are offset by higher salaries and wages by PhP4 million (6.5%) and professional fees PhP24.8 million (>100%),

Other income/(expenses):
There is an increase in this item by PhP11 million (115%) relative to last year and this due to a significantly higher in foreign exchange gain of PhP11.7 million this year versus last year of PhP1.7 million. The weaker Peso helps to bring about a higher exchange gain when the Company translates its US$ deposit.

Income Tax Expense:
Although the Company is in a loss position, the Company has a tax expense of PhP4.1 million due to higher non-tax deductible items.

2017 Results of Operations

For the year 2017, the Company reported revenue of PhP382.7 million as compared to PHP368.5 million in 2016. The Company recorded a loss after tax of PhP75.2 million this year versus a loss of PhP13.2 million in 2016 and this significantly higher loss is due to recognition of impairment loss of PhP34.8 million in 2017.

Revenue:
Room revenue recorded an improvement from PhP230.2 million in 2016 to PhP236.5 million in current year or increase of PhP6.3 million (2.7%). The improvement is driven by higher room occupancy of 52.6% in 2017 compared to 48.7% in 2016. The hotel benefited from the increase in tourism as Philippines is the Chair of ASEAN meeting this year. Increase in travelling helped to boost the occupancy of the hotel. However, due to competition from newer hotels, Average Room Rate fell from PhP2,872 to PhP2,740 or PhP132 (4.5%).

Food and Beverage (F&B) revenue registered an improvement of PhP5.3 million (4.2%). The increased in room occupancy also bring about higher breakfast revenue for the F&B sector and in addition, banquet reported a growth of PhP10 million (25%) over the prior year.

Cost of sales:
Cost of sales for F&B registered no significant movement over 2016 even though revenue has increased by 4.2%. This is due to better cost of expenses. Cost of sales for other operated departments has decreased by PhP1.0 million (35%) which is consistent with the decrease in revenue.

Gross Profit:
Gross profit showed an increase by PhP15.2 million (4.7%) due to higher revenue.

Selling Expenses:
Selling expenses consist of property operation, maintenance, energy and conservation, salaries, transport charges and commission. As compared to the prior year, there is an increase in this balance by PhP13.9 million (8%). One of the main reason for the increment is due to higher energy cost which increased by PhP10 million (15%) compared to the same period of last year. Property operation and maintenance costs also increased by PhP3.5 million (19%) versus 2016 as a result of higher maintenance to the building due to age.

Administrative Expenses:

Administrative expenses mainly consist of management and incentive fees, salaries, credit card commission and dues and subscription. There is an increase of PhP51 million (2.8%) relative to last year. Included in this year is impairment loss amounting to PhP34.7 million while there was no impairment loss in 2016. In addition, salaries and wages are higher in 2017 compared to 2016 as there were reversal of over-accruals in 2016.

Other income/(expenses):
There is a drop in this item by PhP8.6 million (47%) relative to last year and this due to a drop in foreign exchange gain by PhP9 million.

Income Tax Expense:
Due to a loss before tax in 2017, the Company has a tax benefit of PhP3.1 million.

Financial Conditions:

The total assets and liabilities of the Company for the last 3 years are as follows:

YEAR	ASSETS - PHP'000	LIABILITIES – PHP'000
2019	**1,240,450**	**382,723**
2018	1,023,837	164,716
2017	1,063,846	186,224

2019 Financial Conditions

Total assets for the year 2019 increased by PhP217 million (21.2%) as compared to 2018 while total liabilities also increased by PhP218 million (132%). The main reason for the increase in both assets and liabilities is due to the adoption of IFRS 16 on accounting for leases in 2019. Due to this new accounting standard, the Corporation has to recognize a Right-of-Use asset and liability.

Assets/Liabilities and Equity:

- Cash and cash equivalents: This balance consists of cash and fixed deposits placed with banks. Cash increased by PhP55 million (21.2%) versus end of last fiscal year. The improvement in trading coupled with less capital expenditure for the year caused cash balance to show a healthy increase of 21.2%.

- Accounts receivables – net: This balance increased from PhP78 million to PhP88.3 million or 13.2% higher than prior year. The higher room revenue in November and December due to major events in Manila increase the revenue and consequently, accounts receivables also increased.

- Due from related parties: This balance fell by PhP0.124 million or 62.1% versus same period last year as the related companies have settled some of its outstanding liabilities to the Company.

- Inventories: Inventories consist mainly of F&B, general supplies and engineering supplies. There is a drop in this balance by PhP1.7 million (18.4%) and this is due to lower inventories in beverage and general supplies.

- Prepaid expenses and other current assets: This consist mainly of prepaid insurance, prepaid income tax and input tax. This balance increased from PhP23.5 million to PhP26.6 million. The increase in prepaid income tax and reduction in input tax are the cause of the variance.

- Investment in associate: There is a drop in this balance by PhP0.2 million and this is mainly due to the dividends received amounting to PhP1.6 million.

- Deferred tax assets –net: Deferred tax assets are due to retirement benefits, impairment loss, exchange gain/loss and actuarial gain on defined benefit plan. This year, the balance increased by PhP7.5 million (40.3%) as a result of higher retirement benefit and actuarial loss.

- Other noncurrent assets: This balance mainly consists of lease deposit, advances to suppliers/contractors and miscellaneous investment and deposits. The balance as compared to last year increased by PhP4.1 million (4.6%) as a result of higher advances to suppliers/contractors. This pertains to some capital expenditures that are still work in progress and had not been capitalized yet.

- Accounts payable and accrued expenses: There is an increase of PhP23.6 million 35.1% versus prior year. Trade payables increased by PhP20.8 million (64.5%) due to increase in revenue. In addition, accrued liabilities PhP4.3 million (42.1%) as a result of higher commissions and other accrued expenses.

- Due to related parties: As at end of year 2019, this balance has increased by PhP4.7 million (14.9%) as the Company has not settled its outstanding liability with related companies.

- Lease liability – current portion and non-current portion: As discussed earlier, this is due to the adoption of IFRS 16 on accounting of lease. As a result, we have to recognize a Right-of-use liability amounting to PhP3.5 million in current portion and PhP28.4 million for non-current portion.

- Accrued retirement benefits liability: This balance increased by PhP7.9 million or 37.6% from prior year. The increment is mainly due to actuarial loss of PhP5.3 million versus a gain in 2018 of PhP6.6 million.

2018 Financial Conditions

Total assets for the year decreased by PhP40 million (3.7%) while total liabilities decreased by PhP22 million (11.08%). The fall in total assets is mainly due to decrease in property and equipment, receivables (net) and other assets.

Assets/Liabilities and Equity:

- Cash and cash equivalents: This balance consists of cash and fixed deposits placed with banks. Cash increased by PhP17 million (7%) versus end of last fiscal year. The Company holds cash deposit at banks in US$ and the Philippines peso has depreciated from PhP50.05: US$1 as at year end 2017 to PhP53.02:US$1 as at year end 2018. This equates to a depreciation of PhP2.97 or 5.9%. As such, when the Company translates the US$ deposit to Peso, it has a higher balance.

- Accounts receivables net: This balance decreased by PhP24.3 million (23.7%) versus end of last year. This is mainly a result of lower city ledger balance by PhP32 million (47%) due to higher collection from customers this year end and offset by higher other receivables.

- Inventories: This balance increased from PhP8.2 million to PhP9.2 million or 12.1% compared to the same period of last year. The higher balance is mainly due to higher food inventory which is consistent with higher F&B revenue.

- Prepayments and other current assets: This balance registered an increment of PhP3.3 million (16.3%) relative to same period of last year. The increment is due to higher prepaid tax, input and creditable withholding taxes.

- Property and equipment –net: As compared to the same period of last year, there is a fall in this balance by PhP28.7 million (5.6%). The drop is due to depreciation charges for the year offset by additions and disposal of fixed assets. There is no impairment loss for this year.

- Deferred tax assets: Deferred tax assets is lower this year by PhP4 million (17.6%) due to the absence of impairment loss. In 2017, there was an impairment loss of PhP34.8 million.

- Other assets: This balance decreased from PhP93.2 million to PhP88.9 million or 4.6%. The variance is due to a reclassification of construction-in-progress to property and equipment.

- Accounts payable and accrued expenses: This balance fell by PhP10.2 million (13.1%) as a result of lower dues and subscription due to reversal of old accruals and lower amount for unreleased checks at year end.

- Due to related parties: This balance has dropped by PhP5.2 million (14.2%) over the same period of last year and this is due to settlement of outstanding liabilities with related parties at year end.

- Other current liabilities: Other current liabilities decreased by PhP1.6 million (8.8%) due to lower accounts payable for distributable service charges.

- Accrued retirement liability: This balance fell by PhP5.1 million (19.5%) as a result of higher discount rate used in actuarial study compared to last year. The higher discount rate is consistent with the higher interest rate environment in year 2018.

2017 Financial Conditions

Total assets for the year decreased from PhP1.11 billion to PhP1.06 billion while total liabilities increased by PhP21.5 million to PhP186.2 million. The fall in total assets is mainly due to decrease in property and equipment as a result of depreciation and provision for impairment loss amounting to PhP34 million and lower cash balance.

Assets/Liabilities and Equity:

- Cash and cash equivalents: This balance consists of cash and fixed deposits placed with banks. Cash decreased by PhP18.4 million (7%) versus end of last fiscal year. The fall is mainly due to higher loss versus last year, higher accounts receivables at year end 2017 and higher capital expenditure in 2017 of PhP22.3 million.

- Accounts receivables net: This balance increased by PhP12.8 million (14%) versus end of last year. This is due to higher amount due from few key accounts who had not repaid at year end. It is expected that these balances will be settled by end of January 2018.

- Prepaid expenses/other current assets: This balance increased from PhP16.2 million to PhP20.2 million or PhP3.6 million (21%) compared to 2016.This is mainly due to higher Input VAT by PhP2.5 million and higher prepaid expense.

- Property and equipment – net: This balance relates to property and equipment net of depreciation. For 2017, there is a drop in this balance by PhP55.8 million (9.8%) as a result of depreciation for the year (PhP43.3 million) and also an impairment loss of PhP34 million. These 2 items are offset by addition to property and equipment by about PhP22 million.

- Other non-current assets: This balance mainly consists of lease deposit, miscellaneous investments and others. For year 2017, there is an increment of PhP13.6 million (13.6%) due to a construction-in-progress of PhP5.4 million.

- Accounts payable and accrued expenses: This balance increased from PhP66.1 million to PhP77.4 million or PhP11.3 million (17%). This is mainly due to higher trade payable and higher accrued for salary.

- Due to related parties: This balance reported an increase of PhP7.9 million (27%) as the Company has not settled outstanding balances with related parties due to slower business.

- Other current liabilities: This balance showed an increase of PhP3.2 million (22%) due to higher VAT payable and increase in payables to government agencies.

Risks

The Company has exposure to various risks, including liquidity risk, credit risk and market risk. For discussions of these risks, see *Note 25 – Financial Risks and Capital Management* to the accompanying audited financial statements in Item 7.

ITEM 7. FINANCIAL STATEMENTS

Please see attachments.

ITEM 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

There are no changes and/or disagreements with Accountants on any matter relating to accounting principles or practices, financial disclosures, auditing scope and procedure during the last two fiscal years.

PART III – CONTROL AND COMPENSATION INFORMATION

ITEM 9. DIRECTORS, EXECUTIVE OFFICERS AND SIGNIFICANT EMPLOYEES OF THE REGISTRANT

NAME	OFFICE	CITIZENSHIP	FAMILY RELATION (*)	AGE
Kwek Eik Sheng (appointed on 1 Jan 2020)	Chairman & President	Singapore	No relation	38
Bryan Cockrell	Vice Chairman/Director	American	No relation	72
Wong Kok Ho	Director	Chinese	No relation	71
Rene Y. Soriano	Independent Director	Filipino	No relation	74
Mia Gentugaya	Independent Director	Filipino	No relation	68
Antonio Rufino	Director	Filipino	No relation	73
Yam Kit Sung (appointed on 1 Jan 2020)	Director, General Manager of the Company / Chief Finance Officer / Compliance Officer / Chief Audit Executive	Singaporean	No relation	49
Ederlinda F. Decano	Director of Finance / Member The Heritage Hotel Manila Management Executive Committee/ Data Privacy Officer	Filipino	No relation	47
Geraldine Nono Gaw	Director of Marketing / Member The Heritage Hotel Manila Management Executive Committee	Filipino	No relation	52
Juancho Baltzar	Director of Human Resources/ Member The Heritage Hotel Manila Management Executive Committee	Filipino	No relation	59

Alain Charles J. Veloso	Corporate Secretary	Filipino	No relation	39
Ariane Mae V. Vallada	Assistant Corporate Secretary	Filipino	No relation	31
Arlene De Guzman	Treasurer	Filipino	No relation	59

(*) Up to the fourth civil degree either by consanguinity or affinity.

Under Article IV, Section 2 of the By-Laws of the Company, the directors shall hold office for one year and until their successors are duly elected and have qualified.

None of the directors and executive officers are related within the 4th civil degree of consanguinity or affinity of each other.

None of the following events occurred during the past five years that are material to an evaluation of the ability or integrity of any director, person nominated to become a director, executive officer, promoter or control person of the registrant:

a) Any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two year prior to that time;
b) Conviction by final judgment in a criminal proceeding;
c) Being subject to any order, judgment or decree limiting such person's involvement in any type of business, securities, commodities or banking activities; and
d) Being found by domestic or foreign court of competent jurisdiction in a civil action to have violated any securities or commodities law.

Business Experience

KWEK EIK SHENG
CHAIRMAN & PRESIDENT

Mr. Kwek served as Chairman and President of the Board of Grand Plaza Hotel Corporation since his appointment on 1 January 2020. Mr. Kwek is currently the Group Chief Strategy Officer of City Developments Limited ("CDL") and has been in that role since 2018. Mr. Kwek joined CDL in 2009, covering Business Development for overseas projects before being appointed as Head of Corporate Development. He assumed his role as Chief Strategy Officer in 2014 and was additionally appointed Head, Asset Management in April 2016. Prior to joining CDL, he was with the Hong Leong Group of companies in Singapore specialising in corporate finance roles since 2006.

He currently also holds the position of Executive Director in Millennium & Copthorne Hotels Limited, previously listed on the London Stock Exchange under the name "Millennium & Copthorne Hotels plc". He holds a Bachelor of Engineering in Electrical and Electronics Engineering from Imperial College of Science, Technology and Medicine and a Master of Philosophy in Finance from Judge Business School, Cambridge University.

BRYAN K. COCKRELL
DIRECTOR

Mr. Bryan Cockrell, an American national, has been a Director of the Company since May 1997. Mr. Cockrell is the Chairman of the Pathfinder Group in the Philippines which has interests in tourism-related ventures, properties and other joint ventures undertakings of the Group. Before his stint in the Philippines, he held numerous positions in Singapore, Indonesia and Saudi Arabia.

RENE SORIANO
INDEPENDENT DIRECTOR

Mr. Soriano is a Past President of the Employers Confederation of the Philippines (ECOP). He is also a Past President of the ASEAN Confederation of Employers (ACE) and the People Management Association of the Philippines (PMAP). He was a member of the Board of Trustees, representing the employers, of the Overseas Workers Welfare Administration (OWWA). At present, he sits as Employer's Representative in the National Tripartite Industrial Peace Council (NTIPC), the Tripartite Labor Code Review Committee (TLRC) and the Tripartite Security Industry Group (TSIG). He has represented the employers in various labor management conferences here and abroad including the annual International Labor Conference(s) in Geneva, Switzerland.

MIA G. GENTUGAYA
INDEPENDENT DIRECTOR

Mia Gentugaya is of counsel in SyCip Salazar Hernandez & Gatmaitan. She was a Senior Partner, a member of the Executive Committee, and the head of its Banking, Finance & Securities Group as of her retirement from the law firm in 2016. She is a member of the faculty of the Lyceum of the Philippines University – College of Law and University of the Philippines – College of Law. She is also a Bangko Sentral-accredited lecturer on corporate governance for banks/quasi banks. She has been a Director of the Company since August 1992 and has served as independent director since 2005. She was admitted to the Philippine Bar in 1978 after completing her legal education at the University of the Philippines (LL.B.). Ms. Gentugaya practices corporate and commercial law and has been named by Chambers & Partners, International Financial Law Review 1000, and The Legal 500 as one of the world's leading lawyers in banking and finance, and commercial law. She also serves in the Board of Directors of various companies.

ANTONIO RUFINO
DIRECTOR

Mr. Rufino is currently the Director and President of Rufson Enterprises, Inc., Mercedes Realty & Dev. Corporation, and R.A. Rufino Holdings, Inc. He is also a director of other private corporations. He is the Consul General of Portugal and a member of the executive board of the Consular Corps of the Philippines. He completed his college and graduate studies in the University of San Francisco, California, U.S.A.

WONG KOK HO
DIRECTOR
Mr. Wong Kok Ho has been an executive director of Asia Financial Holdings Limited, a public listed company in Hong Kong Stock Exchange, since 2nd May 2007 and has served the Group for over 40 years. Mr. Wong is an executive director of Asia Insurance and a director

of several other subsidiaries of the Company. Mr. Wong was the Chief Executive Officer of Asia Insurance until October 2016 and has extensive experience in the insurance industry. He sits on the boards of AFH Charitable Foundation Limited, AR Consultant Service (HK) Limited, Professional Liability Underwriting Services Limited and Asia Insurance (Philippines) Corporation. Mr. Wong is also an independent non-executive director of Sompo Japan Nipponkoa Insurance (Hong Kong) Company Limited, and an adviser to both BE Reinsurance Limited and BC Reinsurance Limited. Mr. Wong was educated in Hong Kong and Deakin University, Melbourne, Australia and is a fellow member of The Chartered Insurance Institute, London.

YAM KIT SUNG
DIRECTOR, GENERAL MANAGER, CHIEF FINANCE OFFICER, COMPLIANCE OFFICER & CHIEF AUDIT EXECUTIVE

Mr. Yam Kit Sung has been appointed Director of the Corporation on 1 January 2020. He obtained his Bachelor of Accountancy (Honors) degree from Nanyang Technological University in Singapore. Upon graduation, he joined the international accounting firm, Price Waterhouse based in Singapore as an auditor and later joined CDL Hotels International Limited (now known as Millennium & Copthorne Hotels International Limited) as an Internal Auditor. In 1996, he joined The Heritage Hotel Manila as an Operations Analyst and was appointed General Manager of the Company in April 2000. In June 2006, Mr. Yam was appointed General Manager –Asset Management (China) for HL Global Enterprises Limited, a company listed on the Singapore Stock Exchange and he stepped down from this position on 15 January 2020.

He was appointed Global Vice President Operational Finance for Millennium Hotels and Resorts, which is the parent company of the Corporation, in September 2019. He also sits on the Board of several companies in Millennium Hotels and Resorts.

ARLENE DE GUZMAN
TREASURER

Ms. Arlene de Guzman has been the Company's Treasurer since August 1997. She is also a former director and president of the Company. She graduated with a B.S. Business Economics (cum laude) degree from the University of the Philippines in 1981. Her business experience includes: Senior Project Evaluation Officer, National Development Company, Head, Financial Risk Management, Philippine Associated Smelting and Refining Corporation (PASAR) and currently Senior Vice President of the Pathfinder Group. She is presently a director and/or officer of the various companies under the Pathfinder Group and Grand Plaza Hotel Corporation.

ALAIN CHARLES J. VELOSO
CORPORATE SECRETARY

Mr. Alain Charles Veloso is a partner of the law firm Quisumbing Torres and heads the Firm's capital markets practice. Mr. Veloso's practices corporate and commercial law, with focus on capital markets, M&A, healthcare, energy and natural resources, and real estate and infrastructure. Mr. Veloso also heads the Firm's Diversity & Inclusion and B-Green Committees.

He joined Quisumbing Torres in 2006 after graduating class valedictorian and *cum laude* from the University of the Philippines College of Law in 2006. He was also a recipient of the Dean's Medal for Academic Excellence, a member of the Order of the Purple Feather, a Chief Justice Fred Ruiz Castro Academic Scholar, an ACCRA – Violeta C. Drilon Merit Scholar, and a Member of the Pi Gamma Mu Honors Society and the Phi Kappa Phi Honors Society. Mr. Veloso was admitted to the Philippine Bar in 2007 and ranked 10th in the 2006 Philippine Bar exams. Prior to obtaining his law degree, Mr. Veloso obtained his B.S. Accountancy from the University of the Philippines – Tacloban College in 2001, graduating *cum laude*. Mr. Veloso passed the Philippine licensure exam for Certified Public Accountants in 2001. He also taught Transportation and Public Utilities Law and Land Titles and Registration at Centro Escolar University School of Law and Jurisprudence. Mr. Veloso also lectures at the Mandatory Continuing Legal Education program of the UP Law Center on antitrust and corporate governance. He is cited as a Next Generation Lawyer for Corporate and M&A by Legal 500 for 2018.

Mr. Veloso is also the corporate secretary of various private companies. He is not an officer or director of other public companies or companies that are grantees of secondary licenses from the SEC. Mr. Veloso is currently a Director of the Integrated Bar of the Philippines (IBP) Makati Chapter.

ARIANE MAE V. VALLADA
ASSISTANT CORPORATE SECRETARY

Ms. Ariane Mae V. Vallada is an associate of the law firm Quisumbing Torres. Ms. Vallada was appointed as the Assistant Corporate Secretary of the company on 6 May 2019. Ms. Vallada has four years of experience in the areas of mergers and acquisitions, capital markets, corporate reorganization and restructuring, commercial agreements and contracts, and general corporate and commercial work. She has participated in the conduct of legal due diligence on several target companies, including listed companies, and has drafted and assisted in the negotiations of transaction documents relating to mergers and acquisitions, commercial lending and project finance. Ms. Vallada likewise previously handled disclosure and regulatory requirements of a company listed on the PSE, and acted as Assistant Corporate Secretary for several companies, and performed various corporate secretarial work such as preparation of minutes of meetings, secretary's certificates, period reports submitted to the PSE and the SEC, preparation and issuance of stock certificates, and other general corporate housekeeping work. Ms. Vallada is not an officer or director of other public companies or companies that are grantees of secondary licenses from the SEC

GERALDINE NONO GAW
DIRECTOR OF MARKETING, MEMBER – HERITAGE HOTEL MANILA MANAGEMENT EXECUTIVE COMMITTEE

Ms. Geraldine N. Gaw joined the company in 2003 as the Director of Catering and was promoted as Director of Sales and Marketing in 2008. Prior to joining the Heritage Hotel Geraldine held the position of Convention and Banquet Sales Manager from 1999 to 2003 at the Manila Midtown Hotel. She has also held several senior positions in various hotels in Metro Manila and Davao City, namely the Mandarin Oriental Hotel and the Davao Insular Intercontinental Inn. She is currently a member of the Hotel Sales and Marketing Association. Geraldine graduated at the Ateneo De Davao University with a Degree in Business Administration major in Accounting.

EDERLINDA F. DECANO
DIRECTOR OF FINANCE , MEMBER – HERITAGE HOTEL MANILA MANAGEMENT EXECUTIVE COMMITTEE, DATA PRIVACY OFFICER

Ms. Ederlinda Decano graduated from University of Santo Tomas in 1994, with a degree in BS Accountancy and passed the CPA board exam in the same year. She began her career as an auditor in Diaz Murillo Dalupan, an affiliate of Deloitte Touche Tohmatsu in the early '90s. However, moved out of the auditing firm and worked in different industries as accountant.

She started a job in the hospitality industry in the year 2002, with the Ascott group, which line of business is Serviced Residence. She had worked with Ascott for 10 years, and worked her way up in the company - from accountant to Asst. Finance Manager. After 10 years with Ascott, she joined Manila Mandarin as Chief Accountant, and before the hotel closed, signed up with Frasers Place Manila (another Serviced Residence) as Finance Manager. All in all, she has been working in the hospitality industry for 16 years.

Ms. Decano was appointed as the Data Privacy Officer of the corporation on 26 July 2017.

JUANCHO BALTAZAR
DIRECTOR OF HUMAN RESOURCES , MEMBER – HERITAGE HOTEL MANILA MANAGEMENT EXECUTIVE COMMITTEE

An extensive background in the hospitality profession, Atty. Juancho Baltazar has exposure in almost all areas of hotel management and thus embedded in him the important aspect of the business which is "Customer Service". His love for teaching has given him the ability to be an influence in the molding of the character of the people working in the organization. Through the years, he has acquired skills in the area of recruitment and selection, training and development, employee relations, coaching and counseling, motivation, public speaking, and strategy planning, among others. Rising from the ranks, Choy knows how people in the organization behave. As a lawyer, he has a good knowledge of Labor Law and Labor Relations. He has extensive experience in collective bargaining negotiations and dealing with the unions. He is a professional whose years of specialization in operation and human resource management and development have trained him to spot the right person for the right job and to consistently maintain and improve the quality of the workforce especially in the areas of work efficiency, training, and in the development of customer-oriented professionals. He is a graduate of the Philippine Christian University in 1983 with a degree in Business Administration and a Bachelor of Laws degree from the Lyceum of the Philippines University in 1988. He also has a diploma in Hotel Management from the Singapore Hotel and Tourism Education Centre (SHATEC) in 1996.

Attendance Record

Meeting Attendance of the Company's Board of Directors in 2019:

Date of Board of Directors' meetings	Name of Directors						
	Tan Kian Seng	Bryan Cockrell	Wong Ko Ho	Mia Gentugaya	Antonio Rufino	Eddie Yeo	Rene Soriano
11 February 2019	Present	Present	Present	Present	Present	Present	Absent
6 May 2019	Present	Present	Present	Present	Present	Present	Present
15 May 2019 (10:30	Absent	Present	Present	Present	Present	Present	Present

a.m.)							
15 May 2019 (1:20 p.m.)	Absent	Present	Present	Present	Present	Present	Present
26 July 2019	Present	Absent	Present	Present	Present	Present	Absent
24 October 2019	Present	Present	Absent	Present	Present	Present	Present
13 December 2019	Present	Present	Absent	Present	Present	Present	Present
***							
Total	5/7	6/7	5/7	7/7	7/7	7/7	5/7
Percentage of Attendance	71.4%	85.7%	71.4%	100%	100%	100%	71.4%

Meeting Attendance of the Company's Audit Committee in 2019:

Date of the Audit Committee meetings	Name of Directors		
	Bryan Cockrell	Mia Gentugaya	Antonio Rufino
11 February 2019	Present	Present	Present
6 May 2019	Present	Present	Present
26 July 2019	Absent	Present	Present
24 October 2019	Present	Present	Present
***			
Total	3/4	4/4	4/4
Percentage of Attendance	75%	100%	100%

Meeting Attendance of the Company's Corporate Governance Committee in 2019:

Date of the Nomination's Committee meetings	Name of Directors				
	Tan Kian Seng	Rene Soriano	Bryan Cockrell	Antonio Rufino	Mia Gentugaya
11 February 2019	Present	Absent	Present	Present	Present
19 March 2019	Present	Present	Present	Present	Present
****					
Total	2/2	1/2	2/2	2/2	2/2
Percentage of Attendance	100%	50%	100%	100%	100%

ITEM 10. EXECUTIVE COMPENSATION

EXECUTIVE AND DIRECTORS COMPENSATION

NAME	POSITION	YEAR	SALARY	BONUS	OTHERS/ DIRECTOR ALLOWANCES
Eddie Yeo Ban Heng	General Manager of Hotel	2019			
Yam Kit Sung	General Manager of the Company	2019			

Ederlinda F. Decano	Director of Finance	2019			
Gigi Gaw	Director of Sales & Marketing	2019			
Juancho Baltazar	Director of Human Resources	2019			
Total		2019	19,227,566	3,002,043	
Directors allowances		2019			696,333
All officers & Directors as a group		2019	19,227,566	3,002,043	696,333

The estimated total compensation for officers and directors in year 2020 is as follows:

Salary – PhP20 million
Bonus – PhP3 million
Other Fees – PhP0.7 million

FOR THE LAST 2 FINANCIAL YEARS – 2018 and 2017

NAME	POSITION	YEAR	SALARY	BONUS	OTHERS/ DIRECTOR ALLOWANCES
Eddie Yeo Ban Heng	General Manager of Hotel	2018			
Yam Kit Sung	General Manager of the Company	2018			
Ederlinda F. Decano	Director of Finance	2018			
Gigi Gaw	Director of Sales & Marketing	2018			
Juancho Baltazar	Director of Human Resources	2018			
Total		2018	22,440,268	2,759,124	
Directors allowances		2018			832,853
All officers & Directors as a group		2018	22,440,268	2,759,124	832,853

NAME	POSITION	YEAR	SALARY	BONUS	OTHERS/ DIRECTOR ALLOWANCES
EDDIE YEO BAN HENG	GENERAL MANAGER OF HOTEL	2017			
YAM KIT SUNG	GENERAL MANAGER OF THE COMPANY	2017			
EDERLINDA F. DECANO	DIRECTOR OF FINANCE	2017			
GIGI GAW	DIRECTOR OF SALES & MARKETING	2017			
JUANCHO BALTAZAR	DIRECTOR OF HUMAN RESOURCES	2017			
TOTAL		2017	20,752,049	1,964,885	
DIRECTORS ALLOWANCES		2017			1,005,209
ALL OFFICERS & DIRECTORS AS A GROUP		2017	20,752.049	1,964,885	1,005,209

In 2019, the directors were given the following per diem allowance for their attendance in meetings in 2019: for the regular directors, PhP15,000 per meeting of the Audit Committee and the Board, and for independent directors, PhP15,000 per meeting of the Audit Committee and PhP15,720 per meeting of the Board. The allowance and compensation of the directors (i.e., in 2019) do not involve any other form of remuneration. There are no arrangements, such as consulting contracts, pursuant to which any director of the Company was compensated, or is to be compensated, directly or indirectly, during the Company's last completed fiscal year, and the ensuing year, for any service provided as director.

There are no agreements that require, if any such executive officers resign or are terminated by the Company, or if there is a change in control of the Company, the executive officers of the Company to be compensated a total amount exceeding PhP2,500,000.

ITEM 11. SECURITY AND OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Security Ownership of Management

The following table shows the shareholding beneficially held by the officers of the Company as at 31 December 2019.

TITLE OF CLASS	NAME OF BENEFICIAL OWNER / (CITIZENSHIP)	AMOUNT & NATURE OF BENEFICIAL OWNERSHIP	PERCENT OF CLASS

Common shares	Yam Kit Sung (Singaporean)	2,999 shares beneficial	Less than 1%
Common shares	Kwek Eik Sheng (Singaporean)	1 share beneficial	Less than 1%

The following entities are directly or indirectly the beneficial owners of more than 5% of the Company’s voting shares (common) as of 31 December 2019.

S/N	NAME OF SHAREHOLDER	CITIZENSHIP	NO. OF SHARES	% OF SHAREHOLDING (EXCLUSIVE OF TREASURY SHARES)
1	The Philippine Fund Limited	Bermuda	28,655,932	53.34%
2	Zatrio Pte. Ltd.	Singapore	17,727,149	33.08%

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Please see Note 14 of the audited financial statements for details.

ITEM 13. CORPORATE GOVERNANCE

Please refer to the attached Annual Corporate Governance Report of the Company for the year 2019.

ITEM 14. EXHIBITS AND REPORTS ON SEC FORM 17-C

Exhibits

None

Reports on SEC Form 17-C

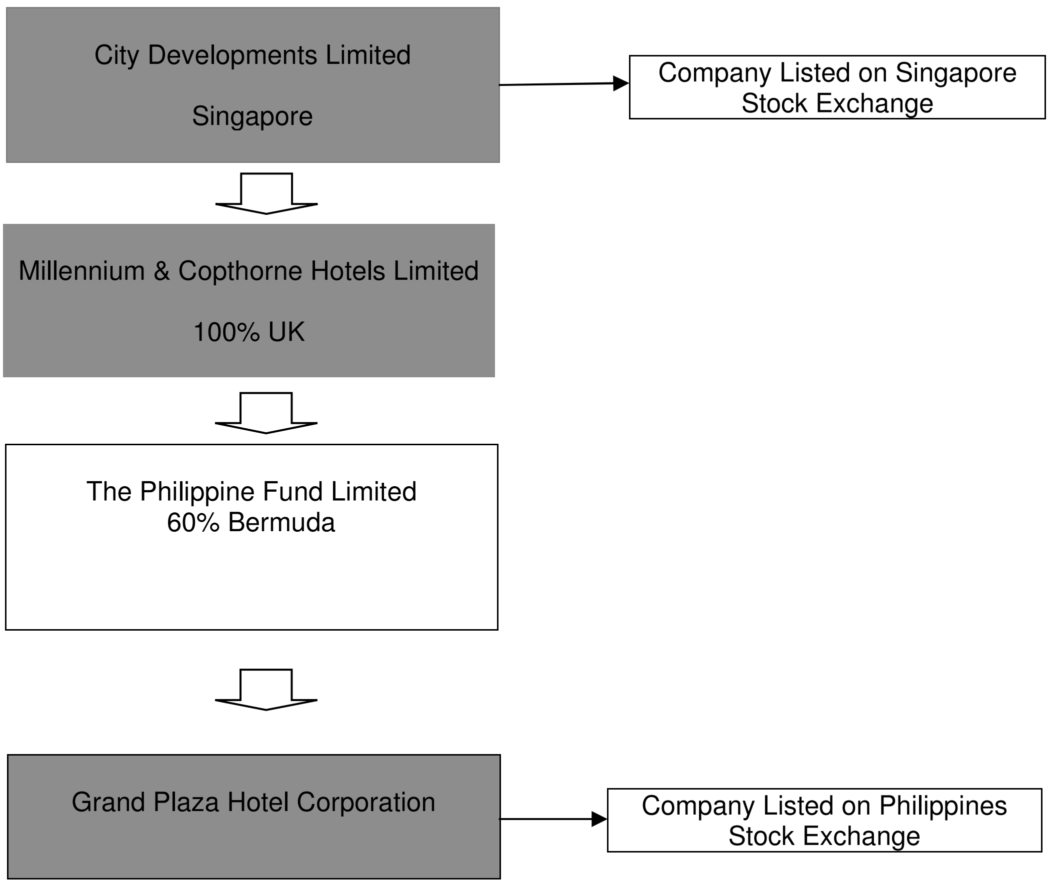
The following events were reported in SEC Form 17-C during the period January 2019 to December 2019:

Date of Filing of SEC Form 17-C	**Summary of the matter disclosed**
11 February 2019	Approval of date of annual stockholders' meeting and record date
14 March 2019	Receipt of the Decision rendered by the Court of Tax Appeals (in CTA Case No. 8992 entitled "Grand Plaza Hotel Corporation vs. Commissioner of Internal Revenue (c denying the Motion for Reconsideration filed by the respondent CIR

	which sought the reconsideration of the CTA's Amended Decision promulgated on 29 October 2018.
1 April 2019	Agenda for Annual Stockholders' Meeting
6 May 2019	Resignation of Ms. Lesley Anne Claudio as Assistant Corporate Secretary / Appointment of Ms. Ariane Mae Vallada to fill-in the vacancy created by the resignation of Ms. Claudio
15 May 2019	Results of the Annual Stockholders' Meeting
	Results of the Organizational Meeting of the Board of Directors
7 October 2019	Change in corporate contact details in compliance with the National Telecommunications Commission order
24 October 2019	Approval of the Corporation's Material Related Party Transactions Policy in compliance with the Securities and Exchange Commission Memorandum Circular No. 10 Series of 2019.
13 December 2019	Resignation of Mr. Tan Kian Seng and Mr. Eddie Yeo as members of the Board of Directors of the Corporation and the election of Mr. Kwek Eik Sheng and Mr. Yam Kit Sung to fill-in the vacancy created by the resignation of Mr. Tan and Mr. Yeo, respectively.

The Group Structure

The Philippine Fund Limited Group Structure



As at 31 December 2019

SIGNATURES

Pursuant to the requirements of Section 17 of the Securities Regulation Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of ________________________on__________, 2020.

By:

Kwek Eik Sheng
Chairman and President

Yam Kit Sung
Director and General Manager/
Chief Financial Officer

NOTARY PUBLIC
Ho Suk Tsing
Leslie
N2019/0099
1 Apr 2019 - 31 Mar 2020
SINGAPORE

Alain Charles J. Veloso
Corporate Secretary

SUBSCRIBED AND SWORN to before me this _____ day of _________ 2020__ affiant(s) exhibiting to me their Community Tax Certificates/Passports, as follows:

Names	CTC/Passport No.	Date of Issue	Place of Issue

____
Notary Public

Doc. No.
Page No.
Book No.
Series of 2020.

SIGNATURES

Pursuant to the requirements of Section 17 of the Securities Regulation Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Taguig on 13 February 2020.

By:

Alain Charles J. Veloso
Corporate Secretary

SUBSCRIBED AND SWORN to before me by Alain Charles J. Veloso, this 13 February 2020, at Taguig City, Philippines, affiant exhibiting to me his Passport No. P0173706B on 09 January 2019 at DFA NCR West, expiry date on 08 January 2029.

Notary Public

DIANE MAXIMA B. SINGAYAN
Notary Public for Taguig City
Appointment No. 82 until 31 December 2020
12th Floor Net One Center, 26th St. Corner 3rd Avenue
Crescent Park West, Bonifacio Global City, Taguig City 1634
Roll of Attorneys No. 61718
PTR No. A-4254303/ 01-04-19/ Taguig City
IBP Lifetime No. 924519; 01/10/13; Cagayan Valley
MCLE Compliance No. VI-0024394, until 14 April 202

Doc. No. 184
Page No. 38
Book No. X
Series of 2020.

DIANE MAXIMA B. SINGAYAN
NOTARY PUBLIC
ROLL NO. 61718
TAGUIG CITY, PHILIPPINES

GRAND PLAZA HOTEL CORPORATION

6 February 2020

Statement of Management's Responsibility for Financial Statements

SECURITIES AND EXCHANGE COMMISSION
CCP Complex
Pasay City

The management of **Grand Plaza Hotel Corporation** (the **"Company"**), is responsible for the preparation and fair presentation of the financial statements, including the schedules attached therein, as at and for the years ended **December 31, 2019 and 2018**, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

Kwek Eik Sheng
Chairman and President

Yam Kit Sung
Director, General Manager & Chief Financial Officer

Subscribed and sworn to before me a notary public for and in the City of SINGAPORE this ______ day of - 6 FEB 2020 2020, the signatories exhibiting to me their Community Tax Certificates/Passports details of which are as follows:

Name	Community Tax Certificate/ Passport Number	Date	Place of Issue
Kwek Eik Sheng	E6279813L	22 Sep 2016	Singapore
Yam Kit Sung	K0055917Z	22 Nov 2017	Singapore

Notary Public

Doc. No.
Page No.
Book No.
Series of 2020

NOTARY PUBLIC
Ho Suk Tsing
Leslie
N2019/0099
1 Apr 2019 - 31 Mar 2020
SINGAPORE

GRAND PLAZA HOTEL CORPORATION

FINANCIAL STATEMENTS
December 31, 2019, 2018 and 2017

With Independent Auditors' Report

KPMG

R.G. Manabat & Co.
The KPMG Center, 9/F
6787 Ayala Avenue, Makati City
Philippines 1226

Telephone	+63 (2) 8885 7000
Fax	+63 (2) 8894 1985
Website	home.kpmg/ph
Email	ph-inquiry@kpmg.com

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
Grand Plaza Hotel Corporation
10th Floor, The Heritage Hotel Manila
EDSA corner Roxas Boulevard
Pasay City

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Grand Plaza Hotel Corporation (the Company), which comprise the statements of financial position as at December 31, 2019 and 2018, and the statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2019, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Grand Plaza Hotel Corporation as at December 31, 2019 and 2018, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2019 in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. Those matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of Property and equipment
Refer to Note 10 to the financial statements.

The risk

As at December 31, 2019, the Company has property and equipment amounting to P618.82 million. Due to the significant increase in operating loss in 2017, the Company recognized impairment loss on property and equipment amounting to P34.76 million. The Company sustained a net loss before tax for the year ended December 31, 2019 which may result in further impairment being recorded. In view of the continuous loss, management performed impairment assessment since the carrying value of the Company's property and equipment might not be recoverable based on expected historical or projected future operating results. The identification of indicators of impairment and preparation of the estimate of the recoverable amount of an asset or cash-generating unit involves subjective judgments and uncertainties, which requires special audit consideration because of the likelihood and potential magnitude of misstatements to the valuation and/or disclosure for the property and equipment. The impairment test requires the exercise of judgments about future market conditions, including growth rates and discount rates.

Our response

Our audit procedures included, among others, assessing management's determination of the recoverable amount of the Company's property and equipment, which mainly consist of its hotel assets, by reviewing the fair value as reported by an independent appraiser. We also performed evaluation of the competence, capabilities and objectivity of the independent appraiser and involved our advisory valuation specialist in evaluating the assumptions used in the valuation report including the projected economic growth, inflation rate discount rate, and occupancy and room rates through comparison with external sources of market data. We also evaluated the adequacy of the relevant disclosures in the financial statements.

Impact of Adopting PFRS 16, *Leases*
Refer to Note 20 to the financial statements.

The risk

The Company adopted the new standard on leases, PFRS 16, *Leases* which replaces PAS 17, *Leases*. PFRS 16 introduces a new lease accounting model where lessees are required to recognize a right of use (ROU) asset and a lease liability.

As at December 31, 2019, the Group has ROU asset - net of depreciation and lease liability amounting to P170.03 million and P175.26 million, respectively.

As allowed by the new standard, the Company decided to apply the modified retrospective approach for the transition accounting. A lot of time and effort were spent auditing the ROU asset and lease liability recognized since significant judgement is required in the assumptions and estimates made in order to determine the ROU asset and lease liability. The assessment of the impact of the new standard is significant to our audit, as the relevant balances and amounts recognized by the Company are material.

Our response

Our audit procedures included making discussions and inquiries with management and reading of relevant documents to understand the Company's process in identifying a lease contract. We read and reviewed the lease contract to assess whether lease has been appropriately identified. We obtained the Company's quantification of ROU asset and lease liability and inputs used in the quantification including discount rate, lease term, and performed computation checks. We also evaluated the adequacy of disclosures required by PFRS 16 in the financial statements.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2019, but does not include the financial statements and our auditors' report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2019 are expected to be made available to us after the date of this auditors' report.

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

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

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

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

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Note 27 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such supplementary information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The engagement partner on the audit resulting in this independent auditors' report is Enrico E. Baluyut.

R.G. MANABAT & CO.

ENRICO E. BALUYUT
Partner
CPA License No. 065537
SEC Accreditation No. 1177-AR-2, Group A, valid until July 9, 2021
Tax Identification No. 131-029-752
BIR Accreditation No. 08-001987-26-2017
Issued September 4, 2017; valid until September 3, 2020
PTR No. MKT 8116756
Issued January 2, 2020 at Makati City

February 6, 2020
Makati City, Metro Manila

GRAND PLAZA HOTEL CORPORATION

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **Grand Plaza Hotel Corporation** (the "Company") is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended **December 31, 2019, 2018 and 2017**, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

Bryan Cockrell

Arlene De Guzman

Yam Kit Sung

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
DATE FEB 14 2020 TSIS
RECEIVED
CAMILLE D. ROMERO
RO 1 TAX ASSISTANCE

Signed this 6th day of February 2020.

SUBSCRIBED AND SWORN to before me this 13 FEB 2020 day of ____________ 2020 affiant(s) exhibiting to me his/her Community Tax Certificates/Passports, as follows:

Name	**CTC/Passport No.**	**Date of Issue**	**Place of Issue**
Yam Kit Sung	K00559172	November 22, 2017	Singapore
Arlene De Guzman	P5616133A	January 15, 2018	Philippines
Bryan Kuo Cockrell	531055861	November 09, 2015	United States

ATTY. DIOCKNO D. TAYON
NOTARY PUBLIC
UNTIL DECEMBER 31, 2020
PTR NO. 5C24657 /01-02-PASAY CITY
COMMISSION NO. 202/ROLL NO. 92540
IBP NO. 023818 / 01-03-18/PASAY CITY
MCLE COMPLIANCE NO. #
VII - 0012691-1-18-18

Doc No. 329
Page No. 67
Book No. VI
Series of 2020

GRAND PLAZA HOTEL CORPORATION
STATEMENTS OF FINANCIAL POSITION

	Note	December 31 2019	2018
ASSETS			
Current Assets			
Cash and cash equivalents	*4,25*	**P314,446,524**	P259,497,028
Receivables - net	*5, 25*	**88,333,299**	78,084,144
Loan receivable	*9, 14, 25*	**15,500,000**	15,500,000
Due from related parties	*14, 25*	**75,625**	199,637
Inventories	*6*	**7,507,086**	9,229,655
Prepaid expenses and other current assets	*7*	**26,685,489**	23,570,318
Total Current Assets		**452,548,023**	386,080,782
Noncurrent Assets			
Property and equipment - net	*10*	**618,821,496**	480,111,099
Investment in an associate	*8, 14*	**49,880,711**	50,055,034
Deferred tax assets - net	*22*	**26,199,072**	18,604,900
Other noncurrent assets	*11, 14*	**93,001,521**	88,986,050
Total Noncurrent Assets		**787,902,800**	637,757,083
		P1,240,450,823	P1,023,837,865
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and accrued expenses	*12, 25*	**P90,876,041**	P67,226,048
Refundable deposits - current portion	*19, 20*	**27,955,761**	27,997,619
Due to related parties	*14, 25*	**36,170,270**	31,445,754
Lease liability - current portion	*14, 20*	**3,594,928**	-
Other current liabilities	*13, 25*	**23,031,054**	16,498,076
Total Current Liabilities		**181,628,054**	143,167,497
Noncurrent Liabilities			
Refundable deposits - net of current portion	*19, 20*	**468,000**	490,463
Accrued retirement benefits liability	*21*	**28,962,682**	21,058,778
Lease liability - noncurrent portion	*14, 20*	**171,665,104**	-
Total Noncurrent Liabilities		**201,095,786**	21,549,241
Total Liabilities		**382,723,840**	164,716,738
Equity			
Capital stock	*24*	**873,182,700**	873,182,700
Additional paid-in capital		**14,657,517**	14,657,517
Remeasurement gains on defined benefit plan	*21*	**10,990,889**	14,754,522
Retained earnings	*23*	**1,638,916,247**	1,636,546,758
Treasury stock	*24*	**(1,680,020,370)**	(1,680,020,370)
Total Equity		**857,726,983**	859,121,127
		P1,240,450,823	P1,023,837,865

See Notes to the Financial Statements.

GRAND PLAZA HOTEL CORPORATION
STATEMENTS OF PROFIT OR LOSS

		Years Ended December 31		
	Note	**2019**	2018	2017
REVENUES				
Rooms		**P292,242,478**	P267,468,313	P236,509,584
Food and beverage		**134,309,229**	132,045,896	128,794,060
Other operating departments		**5,907,127**	4,796,111	4,624,115
Others		**8,856,283**	9,486,639	12,858,405
		441,315,117	413,796,959	382,786,164
COST OF SALES AND SERVICES	*16*	**152,059,414**	146,373,124	148,454,711
GROSS OPERATING INCOME		**289,255,703**	267,423,835	234,331,453
ADMINISTRATIVE EXPENSES	*17*	**276,796,695**	306,981,904	322,295,127
NET OPERATING INCOME (LOSS)		**12,459,008**	(39,558,069)	(87,963,674)
OTHER INCOME (EXPENSES)				
Interest income	*4, 9, 14*	**7,704,414**	7,535,398	5,887,471
Equity in net income of an associate	*8*	**1,425,677**	1,769,526	1,987,983
Interest on lease liability		**(14,486,420)**	-	-
Foreign exchange (loss) gain - net		**(7,889,878)**	11,726,376	1,724,293
Loss on disposal of property and equipment	*10*	**-**	(746,743)	(34,500)
Others		**-**	226,208	
		(13,246,207)	20,510,765	9,565,247
LOSS BEFORE INCOME TAX		**(787,199)**	(19,047,304)	(78,398,427)
INCOME TAX EXPENSES (BENEFIT)	*22*	**(3,156,688)**	4,138,603	(3,117,177)
NET INCOME (LOSS)		**P2,369,489**	(P23,185,907)	(P75,281,250)
Basic and Diluted Earnings (Loss) Per Share	*18*	**P0.04**	(P0.43)	(P1.40)

See Notes to the Financial Statements.

GRAND PLAZA HOTEL CORPORATION
STATEMENTS OF COMPREHENSIVE INCOME

		Years Ended December 31		
	Note	**2019**	2018	2017
NET INCOME (LOSS)		**P2,369,489**	(P23,185,907)	(P75,281,250)
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will never be reclassified to profit or loss				
Remeasurement of net defined benefit plan	*21*	**(5,376,619)**	6,693,513	2,055,991
Income tax relating to an item that will not be reclassified subsequently	*21*	**1,612,986**	(2,008,054)	(616,797)
		(3,763,633)	4,685,459	1,439,194
TOTAL COMPREHENSIVE LOSS		**(P1,394,144)**	(P18,500,448)	(P73,842,056)

See Notes to the Financial Statements.

GRAND PLAZA HOTEL CORPORATION
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019, 2018 AND 2017

	Note	Capital Stock (Note 24)	Additional Paid-in Capital	Remeasurement Gains on Defined Benefit Plan - net of tax	Retained Earnings (Note 23)	Treasury Stock (Note 24)	Total Equity
Balance at January 1, 2017		P873,182,700	P14,657,517	P8,629,869	P1,735,013,915	(P1,680,020,370)	P951,463,631
Net loss for the year		-	-	-	(75,281,250)	-	(75,281,250)
Other comprehensive income for the year	*21*	-	-	1,439,194	-	-	1,439,194
Total comprehensive loss for the year		-	-	1,439,194	(75,281,250)	-	(73,842,056)
Balance at December 31, 2017		P873,182,700	P14,657,517	P10,069,063	P1,659,732,665	(P1,680,020,370)	P877,621,575
Balance at January 1, 2018		P873,182,700	P14,657,517	P10,069,063	P1,659,732,665	(P1,680,020,370)	P877,621,575
Net loss for the year		-	-	-	(23,185,907)	-	(23,165,907)
Other comprehensive income for the year	*21*	-	-	4,685,459	-	-	4,685,459
Total comprehensive loss for the year		-	-	4,685,459	(23,185,907)	-	(18,500,448)
Balance at December 31, 2018		P873,182,700	P14,657,517	P14,754,522	P1,636,546,758	(P1,680,020,370)	P859,121,127
Balance at January 1, 2019		**P873,182,700**	**P14,657,517**	**P14,754,522**	**P1,636,546,758**	**(P1,680,020,370)**	**P859,121,127**
Net income for the year		**-**	**-**	**-**	**2,369,489**	**-**	**2,369,489**
Other comprehensive loss for the year	*21*	**-**	**-**	**(3,763,633)**	**-**	**-**	**(3,763,633)**
Total comprehensive loss for the year		**-**	**-**	**(3,763,633)**	**2,369,489**	**-**	**(1,394,144)**
Balance at December 31, 2019		**P873,182,700**	**P14,657,517**	**P10,990,889**	**P1,638,916,247**	**(P1,680,020,370)**	**P857,726,983**

See Notes to the Financial Statements.

GRAND PLAZA HOTEL CORPORATION
STATEMENTS OF CASH FLOWS

	Note	2019	2018	2017
		Years Ended December 31		
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss before income tax		(P787,199)	(P19,047,304)	(P78,398,427)
Adjustments for:				
Depreciation and amortization	10, 17	42,728,166	36,560,148	43,323,364
Impairment of property and equipment	10, 17	-	-	34,756,269
Retirement benefits cost	21	2,997,044	2,997,640	2,908,566
Provision for (reversal of) impairment losses on receivables	17, 25	(118,294)	1,516,148	2,247,792
Loss on disposal of property and equipment - net	10	-	746,743	34,500
Unrealized foreign exchange gain		(7,588,718)	(9,939,577)	(1,595,349)
Interest income	4, 9, 14	(7,704,414)	(7,535,398)	(5,887,471)
Interest expense on lease liability		14,486,420	-	-
Equity in net income of an associate	8	(1,425,677)	(1,769,526)	(1,987,983)
Operating income (loss) before working capital changes		42,587,328	3,528,874	(4,598,739)
Decrease (increase) in:				
Receivables		(10,725,643)	19,855,936	(39,787,727)
Due from related parties		124,012	(199,637)	179,746
Inventories		1,722,569	(1,002,745)	4,234,956
Prepaid expenses and other current assets		(1,402,839)	(1,490,281)	(2,933,084)
Other noncurrent assets		(4,015,471)	4,277,923	13,607,503
Increase (decrease) in:				
Accounts payable and accrued expenses		23,649,993	(10,216,119)	11,303,427
Refundable deposits		(64,321)	493,064	(1,300,551)
Due to related parties		4,724,516	(5,189,378)	7,901,560
Other current liabilities		6,532,978	(1,538,068)	3,215,003
Net cash generated from (absorbed by) operations		63,133,122	8,519,569	(8,177,906)
Interest received		8,299,196	10,443,181	11,528,330
Income taxes paid		(4,536,830)	(3,941,144)	(2,926,580)
Retirement benefits paid	21	(469,759)	(1,361,526)	(493,594)
Net cash provided by (used in) operating activities		66,425,729	13,660,080	(69,750)
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to property and equipment	10	(181,438,563)	(8,554,990)	(22,359,702)
Proceeds from disposal of property and equipment		-	-	15,499
Dividends received from an associate	8	1,600,000	2,000,000	2,400,000
Net cash used in investing activities		(179,838,563)	(6,554,990)	(19,944,203)
CASH FLOWS FROM FINANCING ACTIVITIES				
Interest paid on lease liability		(14,486,420)	-	-
Increase in lease liability	20	175,260,032	-	-
Net cash provided by financing activities		160,773,612	-	-

Forward

		Years Ended December 31		
	Note	2019	2018	2017
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**P7,588,718**	P9,939,578	P1,595,349
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**54,949,496**	17,044,668	(18,418,604)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	*4*	**259,497,028**	242,452,360	260,870,964
CASH AND CASH EQUIVALENTS AT END OF YEAR	*4*	**P314,446,524**	P259,497,028	P242,452,360

See Notes to the Financial Statements.

GRAND PLAZA HOTEL CORPORATION
NOTES TO THE FINANCIAL STATEMENTS

1. Reporting Entity

Grand Plaza Hotel Corporation (the "Company") was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on August 9, 1989 primarily to own, lease or manage one or more hotels, inns or resorts, all adjuncts and accessories thereto, and all other tourist-oriented businesses as may be necessary in connection therewith. The Company is a public company under Section 17.2 of the Securities Regulation Code and its shares are listed on the Philippine Stock Exchange (PSE). The Company is 54% owned by The Philippine Fund Limited (TPFL), a corporation organized in the Islands of Bermuda. The ultimate parent of the Company is Hong Leong Investment Holdings Pte Ltd., a corporation organized in Singapore.

The Company owns and operates The Heritage Hotel (the "Hotel"), its only operating segment, which is a deluxe class hotel that offers 450 rooms and facilities and amenities such as restaurants, function halls, and a coffee shop. The address of the Company's registered and principal office is the 10th Floor, The Heritage Hotel Manila, EDSA corner Roxas Boulevard, Pasay City.

2. Basis of Preparation

Statement of Compliance

The financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs). PFRSs are based on International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB). PFRSs which are issued by the Philippine Financial Reporting Standards Council (FRSC), consist of PFRSs, Philippine Accounting Standards (PASs), and Philippine Interpretations.

This is the first set of the Company's annual financial statements in which PFRS 16 *Leases* has been applied. Details of the Company's accounting policies are included in Note 3.

The financial statements were approved and authorized for issue by the Board of Directors (BOD) on February 6, 2020.

Basis of Measurement

The financial statements have been prepared on the historical cost basis of accounting except for accrued retirement benefits liability which is the present value of the defined benefit obligation less fair value of assets, if any.

Functional and Presentation Currency

The Company's financial statements are presented in Philippine peso, which is also the Company's functional currency. All amounts have been rounded-off to the nearest peso, unless otherwise indicated.

Use of Estimates and Judgments
The preparation of the financial statements in accordance with PFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from these estimates.

Judgments are made by management on the developments, selection and disclosure of the Company's critical accounting policies and estimates and the application of these policies and estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following presents the summary of these judgments and estimates which have the most significant effect on the amounts recognized in the financial statements:

Determining whether an Agreement Contains a Lease
The Company uses its judgment in determining whether an arrangement contains a lease, based on the substance of the arrangement at inception date and makes assessment of whether the arrangement is dependent on the use of a specific asset or assets, the arrangement conveys a right to use the asset and the arrangement transfers substantially all the risks and rewards incidental to ownership to the Company.

Operating Lease
The Company has entered into various lease arrangements either as a lessor or as a lessee. In determining whether all significant risks and rewards of ownership remain with the lessor or transferred to the lessee, the following factors are considered:

a. the ownership of the asset does not transfer at the end of the lease term;

b. there is no option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable such that, at the inception of the lease, it is reasonably certain that the option will be exercised;

c. the lease term is not for the major part of the economic life of the asset even if title is not transferred;

d. at the inception of the lease, the present value of the minimum lease payments does not amount to at least substantially all of the fair value of the leased asset; and

e. the leased assets are not of such a specialized nature that only the lessee can use them without major modifications.

Company as Lessor
The Company has entered into a lease of its commercial spaces. The Company has determined that it retains all significant risks and rewards of ownership of these spaces which are leased out under operating lease arrangements (see Note 20).

Company as Lessee
The Company has entered into a lease of land. All the significant risks and rewards of ownership of the leased land remain with the lessor, since the leased property, together with the buildings thereon, and all attached permanent fixtures will be returned to the lessor upon the termination of the lease (see Note 20).

Estimating Allowance for Impairment Losses on Receivables
The Company uses the expected credit losses model in estimating the level of allowance which includes forecasts of future events and conditions. A credit loss is the difference between the cash flows that expected to be received discounted at the original effective interest rate. The model represents a probability-weighted estimate of the difference over the remaining life of the receivables. The maturity of the Company's receivables is less than one year so the lifetime expected credit losses and the 12-month expected credit losses is similar. In addition, management assessed the credit risk of the receivables as at the reporting date as low, therefore the Company did not have to assess whether a significant increase in credit risk has occurred.

As at December 31, 2019 and 2018, the allowance for impairment losses on trade receivables amounted to P16,022,569 and P16,140,863, respectively, while the carrying amount of receivables amounted to P88,333,299 and P78,084,144 respectively (see Note 5).

Estimating Useful Lives of Property and Equipment
The Company estimates the useful lives of property and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. In addition, the estimation of the useful lives of property and equipment is based on collective assessment of internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances.

As at December 31, 2019 and 2018, the carrying amount of property and equipment amounted to P618,821,496 and P480,111,099 respectively (see Note 10).

Determination of Fair Values
A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and nonfinancial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes, when necessary, based on the market values, being the estimated amount for which assets could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

The different levels of fair value of financial instruments carried at fair value, by valuation method have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Estimating Realizability of Deferred Tax Assets
The Company reviews the carrying amounts of deferred tax assets at each reporting date and reduces deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. The Company also reviews the expected timing and tax rates upon reversal of temporary differences and adjusts the impact of deferred tax accordingly.

As of December 31, 2019 and 2018, the Company's unrecognized deferred tax assets amounted to P24,838,634 and P31,197,725, respectively. Management does not expect to have sufficient future taxable profit against which the Company can utilize the benefits therefrom. As at December 31, 2019 and 2018, recognized deferred tax assets amounted to P30,909,453 and P27,910,140, respectively (see Note 22).

Estimating Retirement Benefit Obligations
The determination of the retirement benefit obligation and retirement benefits cost is dependent on the selection of certain assumptions used by the actuary in calculating such amounts. Those assumptions include, among others, discount rates and salary increase rates.

The Company's retirement benefits liability amounted to P28,962,682 and P21,058,778 as at December 31, 2019 and 2018, respectively. The retirement benefits cost recognized in profit or loss amounted to P2,997,044, P2,997,640 and P2,908,566 for the years ended December 31, 2019, 2018 and 2017, respectively. Cumulative actuarial gain amounted to P15,701,270 and P21,077,889 as at December 31, 2019 and 2018 (see Note 21).

Estimating Allowance for Impairment Losses on Nonfinancial Assets
The Company assesses impairment on nonfinancial assets whenever events or changes in circumstances indicate that the carrying amount of such asset may not be recoverable. The factors that the Company considers important which could trigger an impairment review include the following:

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

If any indicator exists, the asset's recoverable amount is estimated. Determining the recoverable amount of the assets requires estimation of cash flows expected to be generated from continued use and ultimate disposal of such assets. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses would increase recorded operating expenses and decrease noncurrent assets.

In 2017, the Company recognized an impairment loss amounting to P34,756,269 on its property and equipment. No impairment loss was recognized for the years ended December 31, 2019 and 2018 (see Note 10).

Estimating Provisions and Contingencies
The Company is currently involved in tax case and assessment arising from the ordinary course of business. The estimate of the probable costs for the resolution of these claims has been developed in consultation with outside counsels handling the defense in these matters and is based upon an analysis of potential results. The Company's management and its legal counsel believe that the lawsuits and claims will not have material effect on the Company's financial position and performance. Accordingly, no provision for probable losses arising from legal contingencies was recognized in the financial statements as at December 31, 2019 and 2018.

3. Summary of Significant Accounting Policies

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

Adoption of Revised Standards, Amendments to Standards and Interpretations
The Company has adopted the following revised standards starting January 1, 2019 and accordingly, changed its accounting policies. Except as otherwise indicated, the adoption did not have any significant impact on the Company's financial statements.

- PFRS 16, *Leases,* supersedes PAS 17, *Leases,* and the related Philippine Interpretations. The new standard introduces a single lease accounting model for lessees under which all major leases are recognized on-balance sheet, removing the lease classification test. Lease accounting for lessors essentially remains unchanged except for a number of details including the application of the new lease definition, new sale-and-leaseback guidance, new sub-lease guidance, and new disclosure requirements. Practical expedients and targeted reliefs were introduced including an optional lessee exemption for short-term leases (leases with a term of 12 months or less) and low-value items, as well as the permission of portfolio-level accounting instead of applying the requirements to individual leases. New estimates and judgmental thresholds that affect the identification, classification, and measurement of lease transactions, as well as requirements to reassess certain key estimates and judgments at each reporting date were introduced.

  The Company has adopted PFRS 16 on the date of initial application, January 1, 2019 (Note 20). Refer to Note 20 for the impact to the financial statements. The transition to PFRS 16 is discussed under the succeeding accounting policy for leases. The minimum future rental payments as at December 31, 2018 amounted to P373,749,768.

When measuring lease liabilities for leases that were classified as operating leases, the Company discounted lease payments using its incremental borrowing rate at January 1, 2019. The rate applied for lease contract with duration of 21 years is 8.25%.

- *Philippine Interpretation IFRIC-23 Uncertainty over Income Tax Treatments* clarifies how to apply the recognition and measurement requirements in PAS 12 Income Taxes when there is uncertainty over income tax treatments. Under the interpretation, whether the amounts recorded in the financial statements will differ to that in the tax return, and whether the uncertainty is disclosed or reflected in the measurement, depends on whether it is probable that the tax authority will accept the Company's chosen tax treatment. If it is not probable that the tax authority will accept the Company's chosen tax treatment, the uncertainty is reflected using the measure that provides the better prediction of the resolution of the uncertainty - either the most likely amount or the expected value.

  The interpretation also requires the reassessment of judgements and estimates applied if facts and circumstances change - e.g. as a result of examination or action by tax authorities, following changes in tax rules or when a tax authority's right to challenge a treatment expires.

Standards Issued but Not Yet Adopted
A number of new standards and amendments to standards are effective for annual periods beginning after January 1, 2019. However, the Company has not applied the following new or amended standards in preparing these financial statements. Unless otherwise stated, none of these are expected to have a significant impact on the Company's financial statements.

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

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

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

  These amendments are effective for annual reporting periods beginning on or after January 1, 2020.

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

  (a) raising the threshold at which information becomes material by replacing the term 'could influence' with 'could reasonably be expected to influence';

  (b) including the concept of 'obscuring information' alongside the concept of 'omitting' and 'misstating' information in the definition;

  (c) clarifying that the users to which the definition refers are the primary users of general purpose financial statements referred to in the Conceptual Framework;

  (d) clarifying the explanatory paragraphs accompanying the definition; and

  (e) aligning the wording of the definition of material across PFRS Standards and other publications.

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

The amendments apply prospectively for annual periods beginning on or after January 1, 2020. Earlier application is permitted.

Financial Instruments

Non-derivative Financial Instruments. Non-derivative financial instruments consist of cash and cash equivalents, receivables, loan receivable, due from related parties, deposits (included under other current and noncurrent assets), accounts payable and accrued expenses, due to related parties, refundable deposits, and other current liabilities except for output VAT payable and other statutory payables.

Recognition and Initial Measurement. Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the intrument.

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

Classification and Subsequent Measurement. On initial recognition, a financial asset is classified as measured at: amortized cost; FVOCI - debt investment; FVOCI - equity investment; or FVTPL.

The Company has no financial assets classified as measured at: FVOCI - debt investment; FVOCI - equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

Included in this category are the Company's cash and cash equivalents, receivables, loan receivable, due from related parties and deposits.

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

Business Model Assessment. The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

a. the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;

b. how the performance of the portfolio is evaluated and reported to the Company's management;

c. the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;

d. how managers of the business are compensated - e.g., whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and

e. the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Financial Liabilities

Classification, Subsequent Measurement and Gains and Losses. Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if its is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

Included under other financial liabilities are the Company's accounts payable and accrued expenses, refundable deposits, due to related parties, lease liabilities and other current liabilities except for output VAT payable and other statutory payables.

<u>Impairment of Financial Assets</u>

The Company uses the expected credit losses ("ECL") model which is applied to all equity instruments measured at amortized cost or FVOCI as well as to issued loan commitments and most financial guarantee contracts. The ECL model is a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition. Assets move through the three stages as credit quality changes and the stages dictate how an entity measures impairment losses. Stage 1 includes financial instruments that have not had a significant increase in credit risk since initial recognition or which have low credit risk at the reporting date. For these items, 12-month ECL are recognized. The 12-month ECL are the expected credit losses that result from default events that are possible within 12 months after the reporting date. Stage 2 includes financial instruments that have had a significant increase in credit risk since initial recognition (unless they have low credit risk at the reporting date) but are not credit impaired. For these items, lifetime expected credit losses are recognized which are the weighted average credit losses with the probability of default as the weight. Stage 3 includes financial assets that are credit impaired at the reporting date. For these items, lifetime expected credit losses are recognized.

A financial asset is 'credit impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience, credit assessment and including forward-looking information.

The information analyzed by the Company includes the following, among others:

- actual and expected significant changes in the political, regulatory and technological environment of the debtor or in its business activities;
- payment record - this includes overdue status as well as a range of variables about payment ratios; and
- existing and forecast changes in the business, financial and economic conditions

The Company considers a financial asset to be in default when:

- the debtor is unlikely to pay its credit obligation to the Company in full, without recourse by the Company to actions such as realizing security (if any is held); or

- the debtor is past due more than 90 days on any material credit obligation to the Company.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

Receivables are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Company determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, the financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

The carrying amount of the asset shall be reduced either directly or through use of an allowance account. The impairment loss for the period shall be recognized in the statement of comprehensive income. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the statement of comprehensive income, to the extent that the carrying amount of the asset does not exceed its amortized cost at the reversal date.

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

<u>Derecognition of Financial Instruments</u>
Financial Assets. A financial asset (or, where applicable, a part of a financial asset or a part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired;

- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or

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

When the Company has transferred its rights to receive cash flows from an asset or has entered into a 'pass-through' arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to pay.

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

Determination of Fair Values

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and nonfinancial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes, when necessary, based on the market values, being the estimated amount for which assets could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

The different levels of fair value of financial instruments carried at fair value, by valuation method have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Inventories

Inventories are measured at the lower of cost and net realizable value (NRV). Cost is determined using the first-in, first-out (FIFO) principle, and includes expenditures incurred in acquiring the inventories and bringing them to their existing location and condition. NRV is the estimated selling price in the ordinary course of business, less the estimated costs of selling expenses. Obsolete inventories are disposed of and related costs are recognized in profit or loss.

Investment in an Associate

An associate is an entity in which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but not control or joint control over those policies.

The Company's investment in an associate is accounted for using the equity method. Under the equity method, the investment in an associate is initially recognized at cost. The carrying amount of the investment is adjusted to recognize the changes in the Company's share in the net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The Company discontinues applying the equity method when its investment in the investee company is reduced to zero. Accordingly, additional losses are not recognized unless the Company has guaranteed certain obligations of the investee company. When the investee company subsequently reports net income, the Company will resume applying the equity method but only after its share in net income equals the share in net losses not recognized during the period when the equity method was suspended.

Property and Equipment

Property and equipment are measured at cost less accumulated depreciation, amortization and impairment losses, if any.

Initially, an item of property and equipment is measured at its cost, which comprises its purchase price and any directly attributable costs of bringing the asset to its working condition. Subsequent expenditures are added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance, will flow to the Company. The costs of day-to-day servicing an asset are recognized in profit or loss in the period in which they are incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of property and equipment. Leasehold improvements are amortized over the estimated useful lives or the term of the lease, whichever is shorter.
The estimated useful lives are as follows:

	Number of Years
Building and building improvements	46 - 50
Right-of-use asset	21
Furniture, fixtures and equipment	5 - 10
Transportation equipment	5
Leasehold improvements	5 or term of the lease, whichever is shorter

Estimated useful lives and depreciation and amortization methods are reviewed at each reporting date to ensure that they are consistent with the expected pattern of economic benefits from these assets.

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

Impairment of Nonfinancial Assets

The carrying amounts of the Company's nonfinancial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit (CGU) is the greater of its value in use and its fair value less costs of disposal. Value in use is the present value of the future cash flows expected to be derived from an asset or CGU, while fair value less costs of disposal is the amount obtainable from the sale of an asset or CGU in an arm's length transaction between knowledgeable and willing parties, less the costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets or CGUs. An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Capital Stock

Capital stock is classified as equity. Incremental costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

Additional paid-in capital includes any premiums received on the initial issuance of capital stock. Any transaction costs associated with the issuance of shares are deducted from additional paid-in capital, net of any related income tax benefit.

Treasury Stock

When share capital recognized as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognized as a deduction from equity. Repurchased shares are classified as treasury shares and are presented in the reserve for own shares. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is presented in additional paid-in capital.

Retained Earnings

The amount included in retained earnings includes earnings attributable to the Company's equity holders and reduced by dividends, if any, on capital stock. Dividends on capital stock are recognized as a liability and deducted from equity when they are declared by the Company's stockholders. Dividends for the year that are approved after the financial reporting date are dealt with as an event after the financial reporting date.

Retained earnings may also include prior year adjustments and the effect of changes in accounting policies as may be required by the standards' transitional provisions.

Revenue

Revenue from Contracts with Customers

The Company's business is primarily engaged in offering hotel rooms and facilities such as restaurants, function halls, coffee shops and all adjuncts and accessories thereto.

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

In the comparative period, revenue was measured at the fair value of the consideration received or receivable. Revenue from sale of goods and services was recognized when the significant risks and rewards of ownership had been transferred to the customer, recovery of the consideration was probable, the associated costs and possible return of goods or services could be estimated reliably, there was no continuing management involvement with the goods or services and the amount of revenue could be measured reliably.

The following is a description of principal activities from which the Company generates its revenue. Revenue is disaggregated by major products/service lines as reflected in the statements of profit or loss.

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

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

Other Operating Departments
Revenue from other operating departments is recognized at the point in time when the service has been rendered.

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

Interest income which is presented net of tax, is recognized when earned.

Costs and Expenses
Costs and expenses are recognized when incurred.

Determination of whether the Company is Acting as a Principal or an Agent
The Company assesses its revenue arrangements against the following criteria to determine whether it is acting as a principal or an agent:

- whether the Company has primary responsibility for providing the goods and services;

- whether the Company has discretion in establishing prices; and

- whether the Company bears the credit risk.

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

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

Foreign Currency Transactions
Transactions in foreign currencies are translated to Philippine peso based on the prevailing exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated using the exchange rates prevailing at the reporting date. The resulting foreign exchange gains or losses are recognized in profit or loss.

Operating Segment
A segment is a distinguishable component of the Company that is engaged either in providing related products or services (business segment), or providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those other segments.

The Company determines and presents operating segments based on the information that is internally provided to the Chief Financial Officer, who is the Company's chief operating decision maker. The Company assessed that its hotel business represents its only operating segment.

Leases
The Company has applied PFRS 16 using the modified retrospective approach with the cumulative effect of initially applying the Standard recognized at January 1, 2019, the date of initial application, and therefore the comparative information has not been restated and continues to be reported under PAS 17 and Philippine Interpretation IFRIC 4. The details of accounting policies under PAS 17 and Philippine Interpretation IFRIC 4 are disclosed separately.

Policy Applicable from January 1, 2019
At inception of a contract, the Company assesses whether a contract is, or contains. a lease. A contract is. or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in PFRS 16. This policy is applied to contracts entered into, on or after January 1, 2019.

As a Lessor
Leases where the Company does not transfer substantially all the risks and benefits of ownership of the assets are classified as operating leases. Rent income from operating leases is recognized as income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized as an expense over the lease term on the same basis as rent income. Contingent rents are recognized as income in the period in which they are earned.

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

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

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

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

The Company determines its incremental borrowing rate by obtaining interest rates from external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

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

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

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

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

The Company used a number of practical expedients when applying PFRS 16 to leases previously classified as operating leases under PAS 17. In particular, the Company:

- did not recognize right-of-use assets and liabilities for leases for which the lease term ends within 12 months from the date of initial application;

- excluded initial direct costs from the measurement of the right-of-use assets at the date of initial application; and

- used hindsight when determining the lease term.

Short-term Leases and Leases of Low-value Assets
The Company has elected not to recognize right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Policy Applicable before January 1, 2019
For contracts entered into before January 1, 2019, the Company determined whether the arrangement was or contained a lease based on the assessment of whether:

- fulfilment of the arrangement was dependent on the use of a specific asset or assets; and

- the arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met:

    a. the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;

    b. the purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or

    c. facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

As a Lessee
In the comparative period, as a lessee the Company classified leases that transferred substantially all of the risks and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent. Subsequent to initial recognition, the assets were accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases were classified as operating leases and were not recognized in the Company's statement of financial position. Payments made under operating leases were recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognized as an integral part of the total lease expense, over the term of the lease.

Taxes
Income tax expense is composed of current and deferred taxes. Income tax expense is recognized in profit or loss, except to the extent that it relates to items recognized directly in equity or in other comprehensive income, in which case it is recognized in equity or other comprehensive income.

Current Tax
Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authority. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted as at reporting date.

Deferred Tax
Deferred tax assets and liabilities are recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, and the carryforward tax benefits of unused net operating loss carryover (NOLCO) and unused tax credits from excess minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT). Deferred tax is not recognized for temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss; temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and taxable temporary differences arising from the initial recognition of goodwill.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences and the carryforward tax benefits of unused NOLCO and unused tax credits from excess MCIT can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable income will allow the deferred tax assets to be recognized.

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

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and the deferred taxes relate to the same tax authority on the same taxable entity.

Value-added Tax (VAT). Revenue, expenses and assets are recognized net of the amount of VAT, except:

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

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

The input and output VAT are presented at gross and included under prepaid expenses and other current assets and other current liabilities, respectively, in the statements of financial position.

Earnings per Share
The Company presents basic and diluted earnings per share (EPS) for its common shares. Basic EPS is computed by dividing net income by the weighted average number of common shares outstanding during the year, after giving retroactive effect to any stock dividends declared during the year, if any. Diluted EPS is determined by adjusting the net income for the effects of all dilutive potential shares.

Related Parties
Parties are considered related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individuals or corporate entities.

Employee Benefits

Retirement Costs

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

The calculation of defined benefit obligations is performed on a periodic basis by a qualified actuary appointed by the Company using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then net defined benefit liability (asset), taking into account any changes in the net defined liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Short-term Employee Benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

Contingencies

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

Events After the Reporting Date
Any event after the reporting date that provide additional information about the Company's financial position at the reporting date (adjusting event) is recognized in the financial statements when material. Any event after the reporting date that is not an adjusting event is disclosed in the notes to the financial statements when material.

4. Cash and Cash Equivalents

This account consists of:

	Note	2019	2018
Cash on hand and in banks		**P112,661,294**	P53,003,770
Short-term investments		**201,785,230**	206,493,258
	25	**P314,446,524**	P259,497,028

Cash in banks earns annual interest at the prevailing bank deposit rates. Short-term investments consist mainly of time deposits which earn annual interest ranging from 1.30% to 2.05%,1.20% to 1.80% and 0.42% to 0.86% in 2019, 2018 and 2017, respectively. Interest income earned from this account amounted to P3,029,414, P2,860,398 and P1,212,471 for the years ended December 31, 2019, 2018 and 2017, respectively.

5. Receivables - net

This account consists of:

	Note	2019	2018
Trade:			
Charge customers	25	**P51,886,465**	P44,827,175
Others		**24,202,549**	22,843,868
		76,089,014	67,671,043
Utility charges		**21,051,276**	19,922,930
Interest	14	**1,075,389**	1,670,171
Advances to employees		**194,379**	242,529
Others		**5,945,810**	4,718,334
		104,355,868	94,225,007
Less allowance for impairment losses on trade receivables	25	**(16,022,569)**	(16,140,863)
	25	**P88,333,299**	P78,084,144

Trade receivables are non-interest bearing and are generally on a 15 to 30-day credit term.

Trade - charge customers and others include receivables from PAGCOR amounting to P29,409,140, in 2019 and 2018 which mainly consist of unpaid billings from the contract with PAGCOR which was terminated in July 2013. The collection of the remaining receivables from PAGCOR is subject to the ongoing reconciliation of records between the Company and PAGCOR who have not yet reached an agreement as to the net amount of settlement due to each party.

The Company's exposure to credit risks and impairment losses related to trade receivables from charge customers is disclosed in Note 25.

6. Inventories

Inventories carried at cost consists of:

	2019	2018
Engineering supplies	**P3,033,968**	P3,032,478
Food	**2,198,076**	2,437,710
General supplies	**1,489,824**	2,749,837
Beverage and tobacco	**481,876**	736,054
Others	**303,342**	273,576
	P7,507,086	P9,229,655

There was no write down of inventories to NRV in each of the three years in the period ended December 31, 2019.

7. Prepaid Expenses and Other Current Assets

This account consists of:

	2019	2018
Input VAT	**P9,599,301**	P12,626,241
Prepaid income tax	**9,047,419**	7,335,087
Prepaid expenses	**6,945,608**	2,515,829
Deposits:		
Utilities deposit	**366,453**	366,453
Rental deposit	**-**	-
Others	**726,708**	726,708
	P26,685,489	P23,570,318

Input VAT is current and can be applied against output VAT.

Prepaid expenses consist of insurance premiums, maintenance and dues and subscriptions.

8. Investment in an Associate

This account pertains to the 40% ownership in Harbour Land Corporation (HLC), a Philippine corporation engaged in the real estate business (see Note 14).

This account consists of:

	2019	2018
Acquisition cost	**P48,200,000**	P48,200,000
Accumulated share in net earnings:		
Balance at beginning of year	**1,855,034**	2,085,508
Equity in net income	**1,425,677**	1,769,526
Dividends received	**(1,600,000)**	(2,000,000)
Balance at end of year	**1,680,711**	1,855,034
	P49,880,711	P50,055,034

A summary of the financial information of HLC follows:

	2019	2018
Current assets	**P27,431,654**	P28,505,048
Noncurrent assets	**121,830,382**	121,830,382
Current liabilities	**(589,932)**	(1,227,519)
Noncurrent liability	**(78,000,000)**	(78,000,000)
Net assets (100%)	**P70,672,104**	P71,107,911
Company's share of net liabilities (40%)	**P28,268,842**	P28,443,164
Revenue	**P17,797,608**	P17,797,608
Net income/total comprehensive income (100%)	**P3,564,193**	P4,423,815
Company's share in net income/total comprehensive income (40%)	**P1,425,677**	P1,769,526

9. Loan Receivable

This pertains to the loan granted to Rogo Realty Corporation (RRC), a company under common control, collateralized by RRC's investment in shares of stock of HLC with a carrying value of P72,300,000 as at December 31, 2019 and 2018 and is collectable on demand with interest rate of 5% per annum (see Note 14).

Interest income earned in 2019, 2018 and 2017 amounted to P775,000 for each year.

10. Property and Equipment - net

The movements and balances in this account are as follows:

	Building and Building Improvements	Furniture Fixtures and Equipment	Transportation Equipment	Leasehold Improvements	Right-of-use Asset	Total
Cost						
Balance, January 1, 2018	P1,025,714,075	P380,062,702	P5,768,868	P385,157	P -	P1,420,930,802
Additions	4,023,107	2,862,240	1,669,643	-	-	8,554,990
Reclassification	(1,450,835)	(424,647)	-	-	-	(1,875,482)
Balance, December 31, 2018	1,028,286,347	391,500,295	7,438,511	385,157	-	1,427,610,310
Additions	267,857	2,599,486	-	-	178,571,220	181,438,563
Balance, December 31, 2019	**1,028,554,204**	**394,099,781**	**7,438,511**	**385,157**	**178,571,220**	**1,609,048,873**
Accumulated Depreciation and Amortization						
Balance, January 1, 2018	513,930,317	358,730,483	4,265,576	385,157	-	877,311,533
Depreciation and amortization during the year	27,507,455	8,563,595	489,098	-	-	36,560,148
Disposals	(704,092)	(424,647)	-	-	-	(1,128,739)
Balance, December 31, 2018	540,733,680	366,869,431	4,754,674	385,157	-	912,742,942
Depreciation and amortization during the year	26,949,773	6,585,062	656,062	-	8,537,269	42,728,166
Balance, December 31, 2019	**567,683,453**	**373,454,493**	**5,410,736**	**385,157**	**8,537,269**	**955,471,108**
Impairment loss						
Balance, January 1, 2018	32,956,783	1,703,373	96,113	-	-	34,756,269
Impairment during the year	-	-	-	-	-	-
Balance, December 31, 2018	32,956,783	1,703,373	96,113	-	-	34,756,269
Impairment during the year	-	-	-	-	-	-
Balance, December 31, 2019	**32,956,783**	**1,703,373**	**96,113**	**-**	**-**	**34,756,269**
Carrying Amount						
December 31, 2018	P454,595,884	P22,927,491	P2,587,724	P -	P -	P480,111,099
December 31, 2019	**P427,913,968**	**P18,941,915**	**P1,931,662**	**P -**	**P170,033,951**	**P618,821,496**

The Company recognized loss on disposals of property and equipment amounting to nil, P746,743 and P34,500 for the years ended December 31, 2019, 2018 and 2017, respectively.

The Company has obtained the services of an independent appraiser to determine the fair value of its property and equipment which primarily consists of hotel assets. The fair value determined by the independent appraiser was compared by management to the assets' estimated value in use to determine the recoverable value of its property and equipment.

Valuation Techniques and Significant Unobservable Inputs
The fair value of property and equipment was arrived at using the Income Approach. The aforementioned approach is a method used to derive a value indication for an income producing property by converting its anticipated benefits (cash flows and reversion) into property value. This conversion can be accomplished by discounted cash flow analysis. The Discounted Cash Flow Analysis involves the projection of a series of periodic cash flows to a business. Periodic cash flow is typically estimated as gross income less vacancy and collection losses and less operating expenses/outgoings. The series of net incomes, along with an estimate of reversion/terminal value, anticipated at the end of the projection period, is then discounted. The fair value measurement was categorized as a Level 3 fair value based on the inputs in the valuation technique used (see Note 3).

The key assumptions used in the estimation of the recoverable amount are set out below. The values assigned to the key assumptions represent the independent appraiser's assessment of future trends in the relevant industries.

Gross Revenue. Gross revenues of the Company over the next ten (10) years are projected to grow in line with the economy. This assumes that the market share of the Company will be flat on the assumption that it will also grow at par with the economy.

Operating Expenses. Operating expenses are projected to increase at a single-digit growth rate and at a slower pace than revenue.

Discount Rate. The Company uses the weighted-average cost of capital as the discount rate. In determining the appropriate discount rate, regard has been given to various market information, including but not limited to, 10-year government bond yield, bank lending rates, market premium. The discount rate used is 10% in 2019.

Growth Rate. The long-term rate used to extrapolate the cash flow projections of the property and equipment beyond the period covered by the cash flow excludes capital acquisitions and expansions in the future. The growth rate used is 2% in 2019.

In 2017, the carrying amount of the property and equipment exceeded is estimated recoverable amount. The Company recognized impairment loss amounting to nil, nil and P34,756,269 in 2019, 2018 and 2017, respectively (see Note 17). Management has identified that a reasonably possible change in two key assumptions could cause the carrying amount to exceed the recoverable amount. The following table shows the amount by which these two assumptions would need to change individually for the estimated recoverable amount to be equal to the carrying amount..

	Change Required for Carrying Amount to Equal Recoverable Amount
Discount rate	(4%)
Terminal value growth rate	8%

11. Other Noncurrent Assets

This account consists of:

	Note	2019	2018
Lease deposit	*14, 20, 25*	**P78,000,000**	P78,000,000
Miscellaneous investments and deposits		**8,582,719**	8,582,719
Advances to suppliers		**5,408,802**	1,393,331
Others		**1,010,000**	1,010,000
		P93,001,521	P88,986,050

Miscellaneous investments and deposits consist of utility and rent deposits.

12. Accounts Payable and Accrued Expenses

This account consists of:

	Note	2019	2018
Trade		**P53,005,943**	P32,260,514
Accrued payroll		**18,562,446**	20,410,402
Accrued other liabilities		**14,532,529**	10,251,404
Accrued utilities		**4,775,123**	4,303,728
	25	**P90,876,041**	P67,226,048

Trade payables have normal terms of 30 to 45 days.

Accrued other liabilities consists of dues and subscriptions, credit card commission, insurance, maintenance, professional fee, commissions and other accrued expenses.

The Company's exposure to liquidity risk related to trade and other payables is discussed in Note 25.

13. Other Current Liabilities

This account consists of:

	Note	2019	2018
Output VAT payable		**P6,789,225**	P3,818,921
Deposits for utilities		**5,184,148**	5,184,148
Payable to employees		**5,031,263**	2,946,021
Payable to government agencies		**3,944,511**	2,793,960
Rewards redemption payable		**975,224**	875,317
Others		**1,106,683**	879,709
	25	**P23,031,054**	P16,498,076

14. Related Party Transactions

In the normal course of business, the Company has transactions with its related parties. These transactions and account balances as at December 31 are as follow:

Category/ Transaction	Year	*Note*	Amount of the Transaction	Outstanding Balance: Due from Related Parties	Outstanding Balance: Due to Related Parties	Terms	Conditions
Associate							
• Lease deposit	2019	*11, 20*	P -	P78,000,000	P -	Required lease deposit on the leased land	Collectable upon termination of the contract
	2018		-	78,000,000	-		
	2017		-	78,000,000	-		
• Interest income	2019	*14b, 20*	3,900,000	-	-	5% per annum of the lease deposit	Unsecured; no impairment
	2018		3,900,000	650,000	-		
	2017		3,900,000	3,085,064	-		
• Lease of land	2019	*20*	178,571,220	-	175,260,032	Due and demandable	Unsecured
	2018		-	-	-		
	2017		-	-	-		
• Advances	2019	*14a*	-	-	-	Due and demandable; non interest bearing	Unsecured; no impairment
	2018		-	-	-		
	2017		-	-	-		
• Rent expense	2019	*17, 20*	-	-	-	Due and demandable; non interest bearing	Unsecured
	2018		17,797,608	-	4,760,860		
	2017		17,797,608	-	4,760,860		
• Rent income	2019	*14e*	180,000	-	-	Due and demandable; non interest bearing	Unsecured
	2018		180,000	-	-		
	2017		180,000	-	-		
Under Common Control							
• Management and incentive fees	2019	*14d, 17*	19,350,770	-	34,690,665	Due and demandable; non interest bearing	Unsecured
	2018		17,772,470	-	26,120,920		
	2017		14,223,858	-	23,452,520		
• Advances	2019	*14a*	915,630	75,625	1,479,605	Due and demandable; non interest bearing	Unsecured; no impairment
	2018		7,857,778	199,637	563,974		
	2017		4,765,762	-	8,421,752		
• Loan	2019	*9, 14c*	-	15,500,000	-	Due and demandable; interest bearing	Unsecured; no impairment
	2018		-	15,500,000	-		
	2017		-	15,500,000	-		
• Interest income	2019	*9, 14c*	775,000	-	-	5% per annum of the loan receivable	Unsecured; no impairment
	2018		775,000	130,167	-		
	2017		775,000	1,330,150	-		
• Rent income	2019	*14e*	420,000	-	-	Due and demandable; non interest bearing	Unsecured
	2018		420,000	-	-		
	2017		420,000	-	-		
Key Management Personnel of the Entity							
• Short term employee Benefits	2019	*14f*	22,229,609	-	-		
	2018		25,199,303	-	-		
	2017		22,716,935	-	-		
TOTAL	**2019**		**P226,342,229**	**P93,575,625**	**P211,430,302**		
TOTAL	2018		P73,902,249	P94,479,804	P31,445,764		
TOTAL	2017		P64,779,163	P97,915,214	P36,635,132		

Due from related parties is included in the following accounts:

	Note	**2019**	2018
Receivables - net	*4, 20*	**P -**	P780,167
Loan receivable	*9*	**15,500,000**	15,500,000
Due from related parties		**75,625**	199,637
Other noncurrent assets	*11, 20*	**78,000,000**	78,000,000
		P93,575,625	P94,479,804

Due to related parties is included in the following accounts:

	Note	2019	2018
Lease liability	*20*	**P175,260,032**	P -
Due to related parties		**36,170,270**	31,445,754
		P211,430,302	P31,445,754

a. The Company grants/obtains advances to/from related parties for working capital purposes. These advances are non-interest bearing, unsecured and receivable/payable on demand.

b. The interest receivable from HLC, an associate, represents the uncollected interest on the lease deposit of the Company to HLC at 5% a year (see Note 20). The related interest income amounted to P3,900,000 annually for the three-year period ended December 31, 2019.

c. The interest receivable from RRC, an entity under common control, represents the uncollected interest on the loan granted by the Company to RRC at 5% per annum (see Note 9). The related interest income amounted to P775,000 annually for the three-year period ended December 31, 2019.

d. The Company has a Management Agreement with Elite Hotel Management Services Pte. Ltd - Philippine Company (Elite), an entity under common control, under which the latter provides management, technical and administrative services. In return, the Company pays monthly basic management and incentive fees based on a percentage of the hotel's revenue (2%) and gross operating profit (7%), respectively, starting April 2011.

e. The rent income from HLC, RRC and Elite represents the sub-leased portion of an office space consisting of 30 square meters, 25 square meters and 65 square meters, respectively, located at the Hotel. The lease covers a period of 2.5 years until December 31, 2016, and was renewed for another three (3) years until December 31, 2019.

f. Transactions with Key Management Personnel

   The total remuneration of key management personnel in the form of short-term employee benefits is shown below:

	2019	2018	2017
Executive officers	**P16,127,721**	P19,762,814	P17,732,007
Directors of hotel operations	**6,101,888**	5,436,579	4,984,928
	P22,229,609	P25,199,393	P22,716,935

   The Company does not provide post-employment and equity-based compensation benefits to its BOD and expatriates.

   Due from and to related parties are normally settled in cash. As at December 31, 2019 and 2018, the Company determined due from related parties to be fully recoverable, hence, no impairment has been recognized.

15. Payroll and Employee Benefits

This account consists of:

	2019	2018	2017
Rooms	**P32,665,997**	P31,082,380	P29,177,221
Food and beverage	**28,084,584**	27,727,103	30,363,048
Hotel overhead departments:			
Administrative and general	**40,175,422**	38,486,550	36,909,364
Sales and marketing	**13,599,168**	14,220,837	11,567,424
Engineering	**9,408,448**	9,846,194	10,189,099
Human resources	**2,897,412**	2,810,414	2,689,184
Other operating departments	**1,024,537**	1,093,404	1,182,110
	P127,855,568	P125,266,882	P122,077,450

Payroll and employees benefits charged in the statements of profit or loss were allocated as follows:

	Note	2019	2018	2017
Cost of sales and services	*16*	**P61,775,118**	P59,902,887	P60,722,379
Administrative expenses	*17*	**66,080,450**	65,363,995	61,355,071
		P127,855,568	P125,266,882	P122,077,450

Payroll and employee benefits charged to cost of sales and services are recorded under "Rooms", "Food and Beverage" and "Other Operating Departments"

16. Cost of Sales and Services

This account consists of:

	Note	2019	2018	2017
Payroll and employee benefits	*15*	**P61,775,118**	P59,902,887	P60,722,379
Food and beverage		**43,536,549**	41,637,848	43,895,538
Guest supplies		**9,578,397**	8,583,772	8,466,751
Commission		**6,655,534**	6,595,058	6,151,887
Transport charges		**5,521,828**	6,013,096	5,132,918
Online selling and marketing tools		**3,997,794**	2,334,052	5,308,067
Other operating departments		**2,806,472**	2,662,873	1,801,090
Printing and stationary		**2,284,169**	1,620,060	1,476,416
Kitchen fuel		**2,273,439**	2,082,093	1,739,623
Operating supplies		**2,210,283**	2,599,622	1,216,617
Housekeeping expenses		**1,710,735**	1,796,429	1,656,028
Cleaning supplies		**1,062,587**	716,664	629,349
Music and entertainment		**889,154**	885,285	900,953
Laundy and dry cleaning		**708,975**	1,040,160	936,399
Permits and licenses		**467,580**	1,425,106	1,942,352
Miscellaneous		**6,580,800**	6,478,119	6,478,344
		P152,059,414	P146,373,124	P148,454,711

17. Administrative Expenses

This account consists of:

	Note	2019	2018	2017
Hotel overhead departments				
Payroll and employee benefits	*15*	**P66,080,450**	P65,363,995	P61,355,071
Management and incentives fees	*14*	**19,350,770**	17,772,470	14,223,858
Credit card and commission		**5,168,175**	4,393,272	3,628,468
Data processing		**2,747,314**	3,248,337	2,600,066
Dues and subscription		**3,932,484**	2,366,710	3,687,876
Advertising		**4,769,837**	1,885,345	699,432
Telecommunications		**1,203,476**	1,223,731	1,089,375
Awards and social activities		**1,396,031**	1,201,088	853,876
Entertainment		**705,419**	582,334	751,775
Miscellaneous		**5,203,460**	3,581,872	635,329
		110,557,416	101,619,154	89,525,126
Corporate office				
Depreciation and amortization	*10*	**42,728,166**	36,560,148	43,323,364
Professional fees		**5,741,280**	32,107,172	7,386,545
Leased land rental	*14, 20*	**-**	17,797,608	17,797,608
Corporate office payroll and related expense		**7,556,630**	13,582,893	11,893,442
Property tax		**9,265,721**	9,265,681	9,265,681
Insurance		**10,101,214**	7,615,837	7,702,357
Office supplies		**3,074,381**	2,867,126	2,931,002
Provision for impairment losses on receivables	*25*	**-**	1,516,148	2,247,792
Director's fees/allowances		**299,655**	882,853	1,005,210
Transportation and travel		**175,870**	298,516	331,169
Taxes and licenses		**138,053**	122,064	477,942
Impairment loss on property and equipment	*10*	**-**	-	34,756,269
Miscellaneous		**1,102,577**	1,598,645	4,097,217
		80,183,547	124,214,691	143,215,598
Power light and and water		**72,504,123**	68,851,374	75,104,160
Property operations and maintenance		**13,551,609**	12,296,685	14,450,243
		P276,796,695	P306,981,904	P322,295,127

18. Earnings per Share

Basic and diluted earnings (loss) per share is computed as follows:

	Note	**2019**	2018	2017
Weighted average number of common shares: Balance at beginning and end of year	*24*	**P53,717,369**	P53,717,369	P53,717,369

	Note	**2019**	2018	2017
Net income (loss) for the year		**P2,369,489**	(P23,185,907)	(P75,281,250)
Divided by weighted average number of outstanding shares	*24*	**53,717,369**	53,717,369	53,717,369
		P0.04	(P0.43)	(P1.40)

There are no potential dilutive common shares in the years presented.

19. Refundable Deposits

This account consists of:

	Note	**2019**	2018
PAGCOR	*25*	**P25,349,438**	P25,349,438
Others		**3,074,323**	3,138,644
		28,423,761	28,488,082
Less: Current portion		**27,955,761**	27,997,619
		P468,000	P490,463

The refundable deposit pertains to the deposit paid by the lessee to the Company as required in the lease agreement.

The refundable deposit from PAGCOR is not yet returned to PAGCOR due to the pending reconciliation of account between both parties (see Note 5).

20. Leases

Company as Lessor
The Company leases certain portions of the Hotel premises to third parties with options for extension/renewal upon mutual agreement of the parties. The leases include provisions for rental increment of 5% upon renewal of the contracts subject to renegotiations of both parties.

The lease agreements with the third parties required the latter to give the Company lease deposits which amounted to a total of P28,423,761 and P28,488,082 as at December 31, 2019 and 2018, respectively, and are shown as "Refundable deposits" in the statements of financial position (see Note 19). Rent income amounted to P2,483,556, P2,933,144 and P3,025,870 in 2019, 2018 and 2017, respectively, and is included in "Others" under Revenue in the statements of profit or loss.

On February 15, 2012, the BOD of PAGCOR decided not to renew the contract of lease which ended on July 10, 2013. Refundable deposit from PAGCOR amounting to P25,349,438 is not yet returned to the latter due to the pending reconciliation of account between both parties. The Company and PAGCOR have not yet reached an agreement as to the net amount of settlement due to each party (see Note 5).

Company as Lessee

The Company leases the land occupied by the Hotel from HLC, its associate, for a period of 25 years up to January 1, 2015. On August 1, 2004, the Company, as lessee, and HLC, as lessor, agreed to amend the Contract of Lease with Option to Purchase executed by the parties on November 12, 1991 covering the lease of the land. The amended contract provides for the following:

a. Annual rental on the land of P10,678,560;

b. Required lease deposit (shown as part of "Other noncurrent assets" in the statements of financial position) of P78,000,000; and

c. Interest rate of 5% or P3,900,000 per annum on the lease deposit which the lessor is obligated to pay to the Company.

On August 11, 2014, the Company and HLC agreed to amend the original contract to increase the yearly rent from P10,678,560 to P17,797,608 and to renew the original lease for a further term of twenty-five (25) years.

Right-of-use asset related to leased properties that do not meet the definition of investment property are presented as property, plant and equipment (see Note 10).

Right-of-use Asset under PFRS 16	**2019**
Balance at January 1	**P178,571,220**
Depreciation change for the year	**8,537,269**
Balance at December 31	**P170,033,951**

Lease Liability under PFRS 16	**2019**
Due within one year	**P3,594,928**
After one year but not more than five years	**17,735,775**
More than five years	**153,929,329**
	P175,260,032

Depreciation expenses on ROU asset and interest on lease liability amounted to P8,537,269 and P14,486,420, respectively. These are shown under other income and expense in the statements of profit or loss.

Leases under PAS 17	2018	2017
Due within one year	P17,797,608	P17,797,608
After one year but not more than five years	88,988,040	88,988,040
More than five years	266,964,120	284,761,728
	P373,749,768	P391,547,376

The rent expense on the land for the years ended December 31, 2019 and 2018 amounted to nil and 17,797,608, respectively shown under "Administrative Expenses" in the statements of profit or loss.

21. Retirement Cost

The Company has an unfunded, noncontributory, defined benefit retirement plan covering substantially all of its employees, except for its BOD and expatriates (see Note 14). It provides a retirement benefit equal to eighty-six (86%) of monthly salary per year of services payable to an employee who retires at age of 60 with at least 5 years in service. Annual cost is determined using the projected unit credit method. The Company's latest valuation date is December 31, 2019.

The recognized liability representing the present value of the defined benefit obligation presented as "Accrued retirement benefits liability" in the Company's statements of financial position amounted to P28,962,682 and P21,058,778 as at December 31, 2019 and 2018, respectively.

The movements in the present value of the defined benefit obligation are as follows:

	2019	2018
Balance at January 1	**P21,058,778**	P26,116,177
Included in Profit or Loss		
Current service cost	**1,312,342**	1,665,715
Interest cost	**1,684,702**	1,331,925
	2,997,044	2,997,640
Included in Other Comprehensive Income (OCI)		
Remeasurement loss (gain):		
Actuarial loss (gain) arising from:		
Financial assumptions	**5,405,668**	(5,385,043)
Experience adjustment	**(29,049)**	(1,308,470)
	5,376,619	(6,693,513)
Others		
Benefits paid	**(469,759)**	(1,361,526)
Balance at December 31	**P28,962,682**	P21,058,778

The amounts of retirement benefits cost which are included in "Payroll and employee benefits" under Cost of Sales and Services in the statements of profit or loss for the years ended December 31 are as follows:

	2019	2018	2017
Current service cost	**P1,312,342**	P1,665,715	P1,723,735
Interest cost	**1,684,702**	1,331,925	1,184,831
Retirement benefits cost	**P2,997,044**	P2,997,640	P2,908,566

The actuarial gains, before deferred income taxes, recognized under "Other comprehensive income" in the statements of comprehensive income and statements of changes in equity are as follows:

	2019	2018	2017
Cumulative actuarial gain at the beginning of the year	**P21,077,889**	P14,384,376	P12,328,385
Actuarial gain (loss) arising from:			
Financial assumptions	**(5,405,668)**	5,385,043	1,190,650
Experience adjustment	**29,049**	1,308,470	865,341
Cumulative actuarial gain at the end of the year	**P15,701,270**	P21,077,889	P14,384,376

The net accumulated actuarial gain, net of deferred tax amounted to P10,990,889, P14,754,522 and P10,069,063 as at December 31, 2019, 2018 and 2017, respectively, as presented in the statements of changes in equity.

Principal actuarial assumptions at the reporting date (expressed as weighted averages):

	2019	2018	2017
Discount rate	**5%**	8%	5%
Future salary increases	**2%**	2%	2%

Assumptions regarding future mortality have been based on published statistics and mortality rates of the 1985 Unisex Annuity table.

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

2019	**Increase**	**Decrease**
Discount rate (1% movement)	**(P1,587,393)**	**1,587,393**
Future salary increase rate (1% movement)	**1,587,393**	**(P1,587,393)**

2018	Increase	Decrease
Discount rate (1% movement)	(P1,803,476)	P1,803,476
Future salary increase rate (1% movement)	1,803,476	(1,803,476)

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

The defined benefit plan exposes the Company to actuarial risks, such as longevity risk and interest rate risk.

The weighted-average duration of the defined benefit obligation is eleven (11) years as at December 31, 2019 and 2018.

The maturity analysis of the benefit payments is as follows:

	2019				
	Carrying Amount	**Contractual Cash Flows**	**1 - 5 Years**	**6 - 10 Years**	**More than 10 Years**
Retirement benefits liability	**P28,962,682**	**P82,647,416**	**P9,953,947**	**P22,210,114**	**P50,483,355**

	2018				
	Carrying Amount	Contractual Cash Flows	1 - 5 Years	6 - 10 Years	More than 10 Years
Retirement benefits liability	P21,058,778	P81,369,172	P9,907,376	P19,885,581	P51,576,215

The Company is not required to pre-fund the future defined benefits payable under the Retirement Fund before they become due. For this reason, the amount and timing of contributions to the Retirement Fund are at the Company's discretion. However, in the event a benefit claim arises, the Company will be liable to pay its employees.

22. Income Tax

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

	2019	2018	2017
Current tax expense	**P2,824,498**	P2,073,471	P2,267,263
Deferred tax expense (benefit)	**(5,981,186)**	2,065,132	(5,384,440)
	(P3,156,688)	P4,138,603	(P3,117,177)

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

	2019	2018	2017
Loss before income tax	**(P787,199)**	(P19,047,304)	(P78,398,427)
Income tax expense at statutory tax rate (30%)	**(P236,160)**	(P5,714,191)	(P23,519,528)
Additions to (reductions in) income tax resulting from the tax effects of:			
Unrecognized deferred tax assets on NOLCO and MCIT	**(2,446,443)**	10,288,941	20,908,784
Income subjected to final tax	**(46,382)**	(48,563)	(62,182)
Equity in net income of an associate	**(427,703)**	(530,858)	(596,395)
Non deductible expense	**-**	143,274	152,144
	(P3,156,688)	P4,138,603	(P3,117,177)

The components of the Company's deferred tax assets (liabilities) are as follows:

2019	Net Balance at January 1	Recognized in Profit or Loss	Recognized in OCI	December 31 Net Balance	December 31 Deferred Tax Assets	December 31 Deferred Tax Liabilities
Accrued retirement benefits liability	P12,641,001	P758,186	P -	P13,399,187	P13,399,187	P -
Allowance for impairment loss on receivables	4,842,259	(35,489)	-	4,806,770	4,806,770	-
Allowance for impairment loss on property and equipment	10,426,880	-	-	10,426,880	10,426,880	-
Unrealized foreign exchange gain	(2,981,873)	5,258,489	-	2,276,616	2,276,616	-
Actuarial gain on defined benefit plan	(6,323,367)	-	1,612,986	(4,710,381)	-	(4,710,381)
Net tax assets and liabilities	P18,604,900	P5,981,186	P1,612,986	P26,199,072	P30,909,453	(P4,710,381)

2018	Net Balance at January 1	Recognized in Profit or Loss	Recognized in OCI	December 31 Net Balance	December 31 Deferred Tax Assets	December 31 Deferred Tax Liabilities
Accrued retirement benefits liability	P12,150,167	P490,834	P -	P12,641,001	P12,641,001	P -
Allowance for impairment loss on receivables	4,894,957	(52,698)	-	4,842,259	4,842,259	-
Allowance for impairment loss on property and equipment	10,426,880	-	-	10,426,880	10,426,880	-
Unrealized foreign exchange gain	(478,604)	(2,503,269)	-	(2,981,873)	-	(2,981,873)
Actuarial gain on defined benefit plan	(4,315,313)	-	(2,008,054)	(6,323,367)	-	(6,323,367)
Net tax assets and liabilities	P22,678,087	(P2,065,133)	(P2,008,054)	P18,604,900	P27,910,140	(P9,305,240)

The Company's temporary differences, the net deferred tax assets of which have not been recognized, consist of:

	2019	2018
NOLCO	P58,911,340	P80,814,864
MCIT	7,165,232	6,953,266
	P66,076,572	P87,768,130

Realization of future tax benefit related to deferred tax assets is dependent on the Company's ability to generate future taxable income during the periods in which these are expected to be recovered. The Company has considered these factors in reaching a conclusion not to recognize deferred tax asset since it is not probable that future taxable profit will be available against which the Company can utilize the benefits therefrom.

Details of the Company's NOLCO which are available for offset against future taxable income are as follows:

Year Incurred	Amount	Expired/ Applied	Balance	Expiry Date
2018	P27,384,900	P -	P27,384,900	December 31, 2021
2017	31,526,440	-	31,526,440	December 31, 2020
2016	21,903,524	21,903,524	-	December 31, 2019
	P80,814,864	P21,903,524	P58,911,340	

The Company applied P17,569,807 against its taxable income.

Details of the Company's excess MCIT over RCIT which are available for offset against future income tax liabilities are as follows:

Year Incurred	Amount	Expired	Unexpired	Expiry Date
2019	P2,824,498	P -	P2,824,498	December 31, 2022
2018	2,073,471	-	2,073,471	December 31, 2021
2017	2,267,263	-	2,267,263	December 31, 2020
2016	2,612,532	2,612,532	-	December 31, 2019
	P9,777,764	P2,612,532	P7,165,232	

23. Retained Earnings

Retained earnings are restricted from being declared and issued as dividend in relation to the treasury shares amounting to P1,680,020,370.

24. Share Capital

a. Capital Stock

	2019	2018
Authorized - 115,000,000 shares at 10 par value shares		
Issued	**87,318,270**	87,318,270
Less treasury stock	**(33,600,901)**	(33,600,901)
Total issued and outstanding	**53,717,369**	53,717,369

b. Treasury Stock

As at December 31, 2019 and 2018, the Company's treasury stock consists of 33,600,901 shares of stock.

25. Financial Risk and Capital Management Objectives and Policies

The Company has exposure to the following risks from its use of financial instruments:

- Credit Risk
- Liquidity Risk
- Market Risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risks, and the Company's management of capital.

The main purpose of the Company's dealings in financial instruments is to fund its operations and capital expenditures.

The BOD has overall responsibility for the establishment and oversight of the Company's risk management framework. The BOD, through the Executive Committee, 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 Company's Audit Committee assists the BOD in fulfilling its oversight responsibility of the Company's corporate governance process relating to the: a) quality and integrity of the Company's financial statements and financial reporting process and the Company's systems of internal accounting and financial controls; b) performance of the internal auditors; c) annual independent audit of the Company's financial statements, the engagement of the independent auditors and the evaluation of the independent auditors' qualifications, independence and performance; d) compliance by the Company with legal and regulatory requirements, including the Company's disclosure control and procedures; e) evaluation of management's process to assess and manage the Company's enterprise risk issues; and f) fulfillment of the other responsibilities set out by the BOD. The Audit Committee also prepares the reports required to be included in the Company's annual report.

<u>Credit Risk</u>

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 are 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 exposes the Company 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 management annually reviews the exposure limits and credit ratings of the counterparties.

Receivable balance is being monitored on a regular basis to ensure timely execution of necessary intervention efforts.

The carrying amount of financial assets as of December 31, 2019 and 2018 represents the maximum credit exposure. The maximum exposure to credit risk at the reporting dates is as follows:

	Note	**2019**	2018
Cash and cash equivalents*	*4*	**P306,855,991**	P257,765,464
Receivables - net**	*5, 14*	**88,305,052**	78,055,897
Lease deposit	*11*	**78,000,000**	78,000,000
Loan receivable	*14*	**15,500,000**	15,500,000
Due from related parties		**75,625**	199,637
		P488,736,668	P429,520,998

**Excluding cash on hand of P7,590,533 and P1,731,564 in 2019 and 2018, respectively.*
***Excluding deposits to suppliers*

Details of trade receivables from charge customers as at December 31, 2019 and 2018 by type of customer are as follows:

	Note	**2019**	2018
Embassy and government		**P27,946,628**	P19,729,993
Credit cards		**7,475,489**	6,510,763
Airlines		**6,971,790**	7,180,336
Travel agencies		**4,486,963**	5,807,264
Corporations		**2,514,754**	3,856,178
Others		**2,490,841**	1,742,641
	5	**P51,886,465**	P44,827,175
Less allowance for impairment losses on trade receivables - charge customers		**(3,098,069)**	(3,216,363)
		P48,788,396	P41,610,812

The Company's most significant customers, Embassy and government and Credit cards accounts for 54% and 14% the trade receivables from charge customers, respectively as at December 31, 2019.

The aging of trade receivables from charge customers as at December 31, 2019 and 2018 is as follows:

	2019		2018	
	Gross Amount	**Impairment**	Gross Amount	Impairment
Current	**P21,840,340**	P -	P10,600,198	P -
Over 30 days	**14,114,380**	-	17,689,776	-
Over 60 days	**2,647,537**	-	2,123,758	-
Over 90 days	**13,284,208**	3,098,069	14,413,443	3,216,363
	P51,886,465	P3,098,069	P44,827,175	P3,216,363

As at December 31, 2019 and 2018, receivables from PAGCOR amounted to P8,078,665. Included in over 90 days are still collectable based on management's assessment of collection history, thus, no allowance for impairment was provided. In addition, any amount outstanding from PAGCOR can be offset against the deposit received from it as discussed in Note 19.

The movements in the allowance for impairment losses in respect of trade receivables during the year are as follows:

	Note	Amount
Balance at January 1, 2018		P16,316,521
Provision in 2018	*16*	1,516,148
Written off in 2018		(1,691,806)
Balance at December 31, 2018	*5*	16,140,863
Reversal in 2019	*17*	(118,294)
Balance at December 31, 2019	*5*	**P16,022,569**

The allowance for impairment losses on trade receivables as of December 31, 2019 and 2018 is P16,022,569 and P16,140,863, respectively. This relates to outstanding accounts of customers that are more than 90 days past due and portion of receivable from PAGCOR account recorded in Other trade receivables account.

The table below shows the credit quality of the Company's financial assets based on their historical experience with the corresponding debtors.

	As at December 31, 2019			
	Grade A	**Grade B**	**Grade C**	**Total**
Cash in banks and cash equivalents	**P306,855,991**	**P -**	**P -**	**P306,855,991**
Receivables - net	**28,508,345**	**23,684,211**	**36,140,743**	**88,333,299**
Loan receivable	**-**	**15,500,000**	**-**	**15,500,000**
Lease deposit	**78,000,000**	**-**	**-**	**78,000,000**
	P413,364,336	**P39,184,211**	**P36,140,743**	**P488,689,290**

	As at December 31, 2018			
	Grade A	Grade B	Grade C	Total
Cash in banks and cash equivalents	P257,765,464	P -	P -	P257,765,464
Receivables - net	42,143,236	2,123,758	33,817,150	78,084,144
Loan receivable	-	15,500,000	-	15,500,000
Lease deposit	78,000,000	-	-	78,000,000
	P377,908,700	P17,623,758	P33,817,150	P429,349,608

Grade A receivables pertain to those receivables from customers that always pay on time or even before the maturity date. Grade B includes receivables that are collected on their due dates provided that they were reminded or followed up by the Company. Those receivables which are collected consistently beyond their due dates and require persistent effort from the Company are included under Grade C.

Cash in banks is considered good quality (Grade A) as this pertains to deposits in reputable banks.

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 in operations. 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.

The Company's total current liabilities as at December 31, 2019 and 2018 amounted to P181,628,054 and P143,167,497, respectively, which are less than its total current assets of P452,548,023 and P386,080,782, respectively. Thus, the Company has sufficient funds to pay for its current liabilities and has minimal liquidity risk.

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. Also, there are minimal changes in room rates in the hotel industry.

Interest Rate Risk
The Company has no interest-bearing debt obligations to third parties and its receivables are subject to fixed interest rates. As such, the Company has minimal interest rate risk.

Foreign Currency Risk
The Company is mainly exposed to foreign currency risk on its cash and cash equivalents that are a denominated in a currency other than the Company's functional currency. The currencies giving rise to this risk are primarily the Philippine peso (PHP) and United States (US) dollar. The Company ensures that its exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances.

Fair Values

The fair values together with the carrying amounts of the financial assets and liabilities shown in the statements of financial position are as follows:

	2019		2018	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Cash and cash equivalents	**P314,446,524**	**P314,446,524**	P259,497,028	P259,497,028
Receivables-net**	**88,305,052**	**88,305,052**	78,055,897	78,055,897
Lease deposit	**78,000,000**	**78,000,000**	78,000,000	78,000,000
Loan receivable	**15,500,000**	**15,500,000**	15,500,000	15,500,000
Accounts payable and accrued expenses	**90,876,041**	**90,876,041**	67,226,048	67,226,048
Due to related parties	**36,170,270**	**36,170,270**	31,445,754	31,445,754
Refundable deposits	**28,423,761**	**28,423,761**	28,488,082	28,488,082
Other current liabilities*	**12,297,318**	**12,297,318**	9,885,195	9,885,195

**Excluding payables to government and Output VAT Payable.*
***Excluding deposits to suppliers*

Estimation of Fair Values

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

Cash and Cash Equivalents

The carrying value of cash approximates its fair value due to the short-term nature of this asset.

Receivables - net /Loan Receivable/Accounts Payable and Accrued Expenses/Due to Related Parties/Refundable Deposits/Other Current Liabilities Except for Output VAT Liability and Other Statutory Payables

Current receivables are reported at their net realizable values, at total amounts less allowances for estimated uncollectable accounts. Current liabilities are stated at amounts reasonably expected to be paid within the next twelve months or within the Company's operating cycle. Due to/from related parties and loan receivable are payable on demand.

Lease Deposit

The lease deposit is interest-bearing and its carrying value approximates its fair value as the impact of discounting using the applicable discount rates based on current market rates of identical or similar quoted instruments is immaterial.

Capital Management

The Company's objectives when managing capital are to increase the value of shareholders' investment and maintain high growth by applying free cash flow to selective investments. The Company sets strategies with the objective of establishing a versatile and resourceful financial management and capital structure.

The Chief Financial Officer has overall responsibility for monitoring of capital in proportion to risk. Profiles for capital ratios are set in the light of changes in the Company's external environment and the risks underlying the Company's business operations and industry.

The Company monitors capital on the basis of the debt-to-equity ratio which is calculated as total debt divided by total equity. Total debt is equivalent to accounts payable and accrued expenses, income tax payable, due to related parties, other current liabilities, refundable deposits and accrued retirement benefits liability. Total equity comprises mainly of the capital stock, additional paid-in capital and retained earnings.

There were no changes in the Company's approach to capital management during the year.

As at December 31, 2019 and 2018, the Company is compliant with the minimum public float requirement by the PSE.

The Company has 115,000,000 shares registered with the SEC as at December 31, 2019 and 2018. As at December 31, 2019 and 2018, the Company issue/offer price is P10.66 and P10.04, respectively, based on the PSE website. The total number of shareholders is 16,242 and 15,889 as at December 31, 2019 and 2018, respectively.

26. Other Matter - BIR 2008 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 P508,101,387 consisting of P262,576,825 for basic tax, and interest of P245,524,562 from 20 January 2009 to 30 September 2013.

On 24 July 2015, the Company received a Warrant of Distraint 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 P499,050, 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 P71,719 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.

<u>Amended Decision</u>
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 P508,101,387 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.

On 2 December 2019, the CTA En Banc issued a Notice of Resolution that since both CIR and the Corporation decided not to have the case mediated by the Philippine Mediation Center - Court of Tax Appeals, the mediation proceedings are terminated and the case is submitted for decision by the CTA En Banc.

27. Supplementary Information Required by Bureau of Internal Revenue (BIR)

In addition to the disclosures mandated under PFRSs, and such other standards and/or conventions as may be adopted, companies are required by the BIR to provide in the notes to the financial statements, certain supplementary information for the taxable year. The amounts relating to such information may not necessarily be the same with those amounts disclosed in the financial statements which were prepared in accordance with PFRSs. The following is the tax information/disclosures required for the taxable year ended December 31, 2019:

Based on RR No. 15-2010

A. Value Added Tax (VAT)

1. Output VAT	**P52,045,513**
Account title used:	
Basis of the Output VAT:	
Vatable sales	**P405,024,277**
Sales to Government	**28,688,330**
Zero rated sales	**2,303,649**
Exempt sales	**5,298,861**
	P441,315,117

2. Input VAT	
Beginning of the year	**P12,626,241**
Input tax deferred on capital goods from previous period	**2,648,482**
Current year's domestic purchases:	
a. Goods for resale/manufacture or further processing	**6,480,990**
b. Services lodged under other accounts	**21,189,323**
Claims for tax credit/refund and other adjustments	
a. Claims for tax credit/refund	**-**
b. Input tax on sale to Government	**(211,809)**
Less: Applied input VAT during the year	**33,133,927**
Balance at the end of the year	**P9,599,300**

B. Withholding Taxes

Tax on compensation and benefits	**P14,863,874**
Creditable withholding taxes	**8,421,109**
	P23,284,983

C. All Other Taxes (Local and National)

Other taxes paid during the year recognized under Administrative Expenses	
Real estate taxes	**P9,265,721**
License and permit fees	**2,937,195**
	P12,202,916

D. Deficiency Tax Assessments and Tax Cases

As at December 31, 2019, the Company has pending deficiency tax assessments amounting to P508,101,387 for the tax period 2008 as discussed under Note 26.

On December 2, 2019, the CTA En Banc issued a Notice of Resolution that since both CIR and the company decided not to have the case of mediated but the Philippines Mediation Center - Court of Tax Apppeals, the mediation proceedings are terminated and the case is submitted for decision by the CTA EN Banc.

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INDEPENDENT AUDITOR'S REPORT ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Board of Directors and Stockholders
Grand Plaza Hotel Corporation
10th Floor, The Heritage Hotel Manila
EDSA corner Roxas Boulevard
Pasay City

We have audited, in accordance with Philippine Standards on Auditing, the financial statements of Grand Plaza Hotel Corporation (the Company) as at December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019, and have issued our report thereon dated February 6, 2020.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Company's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRSs) and may not be comparable to similarly titled measures presented by other companies.

This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic financial statements prepared in accordance with PFRSs. The components of these financial soundness indicators have been traced to the Company's financial statements as at December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019 and no material exceptions were noted.

R.G. MANABAT & CO.

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Partner
CPA License No. 065537
SEC Accreditation No. 1177-AR-2, Group A, valid until July 9, 2021
Tax Identification No. 131-029-752
BIR Accreditation No. 08-001987-26-2017
Issued September 4, 2017; valid until September 3, 2020
PTR No. MKT 8116756
Issued January 2, 2020 at Makati City

February 6, 2020
Makati City, Metro Manila

KPMG

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REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
Grand Plaza Hotel Corporation
10th Floor, The Heritage Hotel Manila
EDSA corner Roxas Boulevard
Pasay City

We have audited, in accordance with Philippine Standards on Auditing, the financial statements of Grand Plaza Hotel Corporation (the Company) as at December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019, included in this Form 17-A, and have issued our report thereon dated February 6, 2020.

Our audits were made for the purpose of forming an opinion on the basic financial statements of the Company taken as a whole. The supplementary information included in the following accompanying additional components is the responsibility of the Company's management. Such additional components include:

- Schedule of Reconciliation of Retained Earnings Available for Dividend Declaration
- Map of the Conglomerate
- Supplementary Schedules of Annex 68-E.

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

R.G. MANABAT & CO.

ENRICO E. BALUYUT
Partner
CPA License No. 065537
SEC Accreditation No. 1177-AR-2, Group A, valid until July 9, 2021
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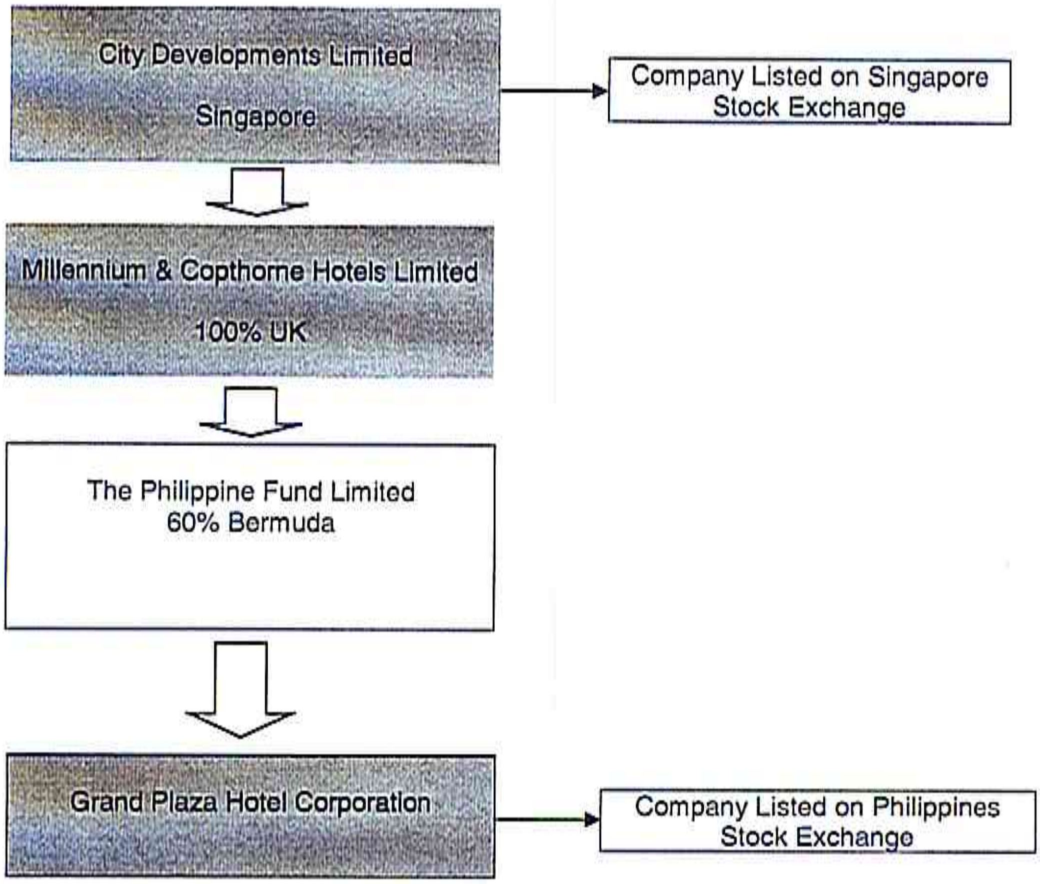
GRAND PLAZA HOTEL CORPORATION
SCHEDULE OF RECONCILATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
For The Year Ended DECEMBER 31, 2019

Retained Earnings, beginning	P1,636,546,758
Adjustments:	
(see adjustments in previous year's Reconciliation)	(1,690,352,358)
Retained Earnings, as adjusted, beginning	(53,805,600)
Net Loss based on the face of AFS	2,369,489
Less: Non-actual/unrealized income net of tax	
Equity in net income of associate/joint venture	(1,425,677)
Unrealized foreign exchange gain - net (except those attributable to Cash and Cash Equivalents)	-
Unrealized actuarial gain	-
Fair value adjustment (M2M gains)	-
Fair value adjustment of Investment Property resulting to gain Adjustment due to deviation from PFRS/GAAP-gain	-
Fair value adjustment of Investment Property resulting to gain Adjustment due to deviation from PFRS/GAAP-gain	-
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	-
Recognized deferred tax assets	(5,981,186)
Add: Non-actual losses	
Depreciation on revaluation increment (after tax)	-
Adjustment due to deviation from PFRS/GAAP - loss	-
Loss on fair value adjustment of investment property (after tax)	-
Net Loss Actual/Realized	(5,037,374)
Retained Earnings (Deficit), as adjusted, ending	(P58,842,974)

The Group Structure

The Philippine Fund Limited Group Structure



As at 31 December 2019

GRAND PLAZA HOTEL CORPORATION
SCHEDULES TO FINANCIAL STATEMENTS

Schedule A. Financial Assets

Name of Issuing entity and asssociation of each issue	Number of shares or principal amounts of bonds	Amount shown in balance sheet	Valued based on market quotation at end of reporting period	Income received and accrued
CASH ON HAND AND IN BANKS	-	112,661,294	112,661,294	158,993
SHORT TERM INVESTMENTS	-	201,785,230	201,785,230	2,870,420
RECEIVABLES - NET	-	88,333,299	88,333,299	-
LOAN RECEIVABLE	-	15,500,000	15,500,000	775,000
HARBOUR LAND CORPORATION	-	78,000,000	78,000,000	3,900,000

Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than related parties)

Name and Designation of debtor	Balance December 31, 2018	Additions	Amounts Collected	Amounts written off	Current	Not Current	Balance December 2019
HARBOUR LAND CORPORATION	650,000	3,903,495	4,553,495	-	-	-	-
ROGO REALTY CORPORATION	130,167	884,554	939,097	-	75,625	-	75,625
TOTAL	**780,167**	**4,788,049**	**5,492,591**	-	**75,625**	-	**75,625**

Schedule C. Amounts Receivable from Related Parties which are eliminated during the consolidation of financial statements

Name and Designation of debtor	Balance December 31, 2018	Additions	Amounts Collected	Amounts written off	Current	Not Current	Balance December 2019
	Nothing to report						
TOTAL	-	-	-	-	-	-	-

GRAND PLAZA HOTEL CORPORATION
SCHEDULES TO FINANCIAL STATEMENTS

Schedule D. Intangible Assets - Other Assets

Description	Balance December 31, 2018	Additions at Cost	Charged to cost and expense	Charged to other accounts	Other Changes	Balance December 31, 2019
	Nothing to report					
TOTAL	-	-	-	-	-	-

* Allowance for impairment of input tax

Schedule E. Long Term Debt

Title of Issue and type of obligation	Amount authorized by indenture	under caption " Current portion of long-term debt" in	under caption "Long-Term Debt" in related balance
	Nothing to report		
TOTAL	-	-	-

GRAND PLAZA HOTEL CORPORATION
SCHEDULES TO FINANCIAL STATEMENTS

Schedule F. Indebtedness to Related Parties (Long-Term Loans from Related Companies)

Name of related party	Balance December 31, 2018	Balance December 31, 2019
Nothing to report		
TOTAL	-	-

Schedule G. Guarantees of Securities of Other Isssuers

Name of Issuing entity of Securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by person for which statement is filed	Nature of Guarantee
Nothing to report				

GRAND PLAZA HOTEL CORPORATION
SCHEDULES TO FINANCIAL STATEMENTS

Schedule H. Capital Stock

Title of Issue	Number of shares authorized	No. of shares issued and outstanding	No. of shares reserved for options, warrants convertion and other rights	Number of shares held by related parties	Directors, officers and employees	Name
Common	115,000,000	53,717,369	-	-	-	-
					1	Kwek Eik Sheng
					1	Bryan Cockrell
					1	Rene Soriano
					1	Mia Gentugaya
					1	Antonio Rufino
					1,001	Wong Kok Ho
					2,999	Yam Kit Sung
					1,000	Arlene De Guzman
				28,655,932		The Philippine Fund Ltd.
				17,727,149		Zatrio PTE LTD
						**7,329,283 - owned by Public
TOTAL	115,000,000	53,717,369	-	46,383,081	5,005	-

Grand Plaza Hotel Corporation

Schedule showing Financial Soundness Indicators

Key Performance Indicators	Formula *(Amounts in millions)*		2019	2018
Current ratio	Total Current Assets Divide by: Total Current Liabilities Current ratio	452 181 2.5	**2.5**	2.7
Acid test ratio	Total Current Assets Less: Inventories Other current assets Quick assets Divide by: Total Current Liabilities Acid test ratio	452 (7) (27) 418 181 2.3	**2.3**	2.5
Debt to Equity Ratio	Total Liabilities Stockholder's Equity	382 857	**0.45**	0.19
Asset to Equity Ratio	Total Assets Stockholder's Equity	1,240 857	**1.45**	1.19
Profit before tax margin ratio	Profit (Loss) Before Tax Total Revenue	(P0.79) 441.32	**(0.18%)**	(4.60%)
EBITDA (Earnings before interest, tax, depreciation & amortization)	Profit (Loss) Before Tax Add: Depreciation Expenses Interest Expense Foreign Exchange Loss Less: Interest Income Equity in Net Income of Associate EBITDA	(P0.79) 42.73 14.49 7.89 7.70 1.43 P55.19	**P55.19 million**	P3.52 million
Return on Equity	Net Income Total Equity	2.4 857	**0.3%**	(2.7%)
Return on Assets	Net Income Average Total Assets	2.4 1,132	**0.2%**	(2.2%)