

COVER SHEET

--	--	--	--	--	--	--	--	--	--

S.E.C. Registration Number

GRAND PLAZA HOTEL

CORPORATION

(Company's Full Name)

10th FLR. HERITAGE HOTEL

MANILA EDNA CORNER ROXAS

BLVD. PASAY CITY 1300

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

Belen Palaganas

Contact Person

02-88548838

Company Telephone Number

12 31

Month Day

Fiscal Year

17-B

FORM TYPE

05 15

Month Day

Annual Meeting

Secondary License Type, if Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total No. of Stockholders

Total Amount of Borrowings

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks = pls. Use black ink for scanning purposes

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1 For the quarterly period ended September 30, 2022

2. Commission identification number _____

3. BIR Tax Identification No. 000-460-602-000

GRAND PLAZA HOTEL CORPORATION

4. Exact name of issuer as specified in its charter

PHILIPPINES

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

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

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

7. Address of issuer's principal office

Tel. No. (632) 854-8838

Fax No. (632) 854-8825

8. Issuer's telephone number, including area code

N.A.

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

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

Title of each Class

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

COMMON SHARES

87,318,270*

*includes 33,600,901 treasury shares

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

Yes [☒] No [☐]

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

PHILIPPINE STOCK EXCHANGE, INC.

COMMON

12. Indicate by check mark whether the registrant:

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

Yes [☒] No [☐]

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

Yes [☒] No [☐]

PART I – FINANCIAL INFORMATION

Item 1 Financial Statements

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

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

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

PART II – OTHER INFORMATION

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

SIGNATURES

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

Issuer: **YAM KIT SUNG**

Signature and Title: **General Manager & Chief Financial Officer**

Date _____

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements Required Under SRC Rule 68.1

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

Notes to Financial Statements

Summary of significant accounting policies

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

The same accounting policies and methods of computation are followed in the interim financial statements for the year 2022 as compared with the most recent annual financial statements.

Seasonality or Cyclicity of Interim Operations

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

Material Items

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

Estimates

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

Issuances of Debts and Equity

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

Dividends

There were no dividends declared in the current interim period.

Segment Revenue and Results

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

The Company organized its business into 3 main segments:

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

The segment revenues and results are as follows:

	YTD 3rd Quarter Revenue – Peso ‘000	YTD 3 rd Quarter Department Profit – Peso ‘000
Room	148,673	119,009
Food and Beverage	52,953	15,554
Other Operated Departments and rental	4,807	4,484

Subsequent Events

None

Composition of Company

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

Contingent assets or liabilities

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

Contingencies

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

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

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

	30 September 2022	30 September 2021
Current liquidity ratios	2.24	2.71
Solvency (Debt to equity)	0.52	0.41
Assets to equity ratios	1.52	1.41
Profitability ratios Profit/(Loss) before tax margin ratio	2.1%	15%
EBITDA (Earnings before interest, tax, depreciation and amortization) - Peso	(5.3million)	52.6 million

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

Current liquidity ratio is derived by dividing the current assets with the current liabilities. This indicator measures the liquidity of the Company in the short-term. The current ratio has decreased by 0.47 (17.3%) during the period of review compared to the same period of last year due to increase in current asset by PhP143.9 million (25.1%) comprises by increase in Cash and Cash Equivalents, Prepaid expenses and Creditable Withholding Tax. However, Refundable Deposits to tenants increased correspondingly by PhP90.8 million.

Debt to equity ratio measures a company financial leverage. It is derived by dividing total liabilities over equity. There is an increase in this ratio by 0.11 (7.8%) over the same period of last year and this is due to higher liabilities arising from the new security deposits from a new tenant.

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 in this ratio by 0.11 (7.8%) over last year as a result of higher cash balances.

Profit before tax margin ratio is computed by dividing the profit before tax against the total revenue. This ratio measures whether the Company is able to contain its expenses in relation to the revenue. This ratio showed a lower profit before tax percentage versus same period last year as a result of lower revenue.

EBITDA represents earnings before interest, tax, depreciation and amortization. This indicator measures the operating cash flow of a company. For the period under review, EBITDA decreased by PhP57.9 million compared to the same period of last year due to lower revenue and higher costs as hotel no longer has quarantined business this year.

Balance Sheets Analysis:

- Cash and investments in short-term notes: This balance consists mainly of cash and fixed deposits with banks. As compared to the end of last fiscal year, the balance increased by PhP118.9 million (30.7%) mainly due to the collection of PhP89.9 million deposits from a new tenant. It increased by PhP127.0 million (33.5%) relative to same period last year.
- Accounts receivable – trade: As compared to 31 December 2021, trade receivable has fallen by PhP27.1 million (43.5%) as the Hotel managed to collect a significant outstanding payment from a major customer and quarantine business has stopped in Feb 2022. The slowdown in business also contributed to the lower balance.
- Deferred tax assets: This balance has decreased by PhP4.5 million (12.7%) relative to same period of last year.
- Advances to associated/related companies: Relative to the same period of last year, the associated/related companies had not repaid the outstanding balances which resulted in an increase of PhP1.2 million (70.5%).
- Property and equipment: As compared to the same period of last year, this balance fell by PhP29.2 million (7.7%) as a result of depreciation for the year offset by additions of new assets.
- Accounts payable: As compared to the end of last fiscal year, this balance has increased by PhP7.8 million (20.6%) due to hotel has moved from quarantined business to normal hotel operations which increased in more purchases.
- Refundable deposits: This is basically deposits from tenants and the balance increased by PhP90.8 million versus same period of last year due to collection of deposits from a new tenant.
- Rental payable: This is rental due to an associated company for the lease of the hotel land. Relative to the same period of last year, the Company has paid the outstanding rent and this resulted in an decrease in rental payable by PhP4.7 million.

Income Statement Analysis for the 9 Months Ended 30 September 2022

Revenue:

Total revenue for YTD Sep 2022 as compared to same period last year fell by PhP35.2 million (14.5%). The variance is mainly due to lower Rooms revenue of PhP148.6 million in 2022 vs PhP206.1 million in 2021 mitigated by higher F&B revenue.

Rooms:

Occupancy fell from 75.9% to 48.4% in first 9 months of 2022 while Average Room Rate improved by 13% due to sources of guests resulting in a RevPAR of PhP1,211 as compared to PhP1,676. Quarantined business for the Hotel ended in 1Q2022 and the Hotel is opened to the public for booking since then. However, there is not enough demand in the market and lack of international travelers to Manila caused the drop in occupancy. The higher ADR is not sufficient to mitigate the drop in occupancy as compared to last year.

F&B:

F&B revenue improved by 37.1% as compared to same period last year. The favourable variance is mainly due to the higher revenue from banquet as Hotel is able to handle social and corporate events. In addition, room service and Lobby Lounge also performed better than last year. This resulted in PhP19.2 million increase in F&B revenue vs last year.

Cost of Sales:

Consistent with the increase in F&B revenue, cost of sales for F&B is higher than last year by 37.1%.

Operating Expenses:

This comprised of payroll cost, operating expenses and utilities. This balance increased by PhP16.7 million (8.0%). With the change in guests' profile, the operating expenses also increased. In F&B, with more banquet business, the payroll cost has increased by 170%.

Utilities cost has also increased by about 19% as compared to the same period of last year. This is evident in the higher cost for gas and water.

Non-operating Income:

Interest income increased by PhP1.8 million or 20.0% due to higher cash balance and higher interest rate for placements with banks. The Company registered a higher exchange gain of PhP34.2 million this period as compared to PhP11.8 million in last year due to the strengthening of US dollars versus Peso so the Company registered a higher exchange gain when it translates the US dollars deposits to Peso.

Net income before tax:

With a lower revenue, the Company registered a significant drop in net income before tax.

Income Statement Analysis for the 3rd Quarter 2022

Revenue:

Total revenue for 3Q2022 as compared to Q021 fell by PhP14.5 million (16.3%). The variance is mainly due to lower Rooms revenue of PhP48.0 million in 2022 vs PhP76.4 million in 2021 mitigated by higher F&B revenue.

Rooms:

As compared to the same period of last year, the Hotel is no longer in the quarantined business and this caused the drop in room revenue.

F&B:

F&B revenue showed a strong recovery and improved by 406.0% as compared to same period last year. The favourable variance is mainly due to the higher revenue from banquet as Hotel is able to handle social and corporate events.

Cost of Sales:

Consistent with the increase in F&B revenue, cost of sales for F&B is higher than last year by 68.8%.

Operating Expenses:

This comprised of payroll cost, operating expenses and utilities. This balance increased by PhP10.0 million (13.6%). With the change in guests' profile, the operating expenses also increased and utilities costs have increased.

Non-operating Income:

Interest income increased by PhP1.3 million or 100%. The Company registered a higher exchange gain of PhP16.6 million this quarter as compared to PhP10.2 million in last year due to the strengthening of US dollars versus Peso so the Company registered a higher exchange gain when it translates the US dollars deposits to Peso.

Net income before tax:

With a lower revenue, the Company registered a significant drop in net income before tax of PhP3.2 million versus PhP23.1million in prior year.

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

- Any known trends, demands, commitments, events or uncertainties that will have a material impact on the Company's liquidity.
- Any material commitments for capital expenditures, the general purpose of such commitments and the expected sources of funds for such expenditures.
- Any known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues/income from continuing operations.

- Any significant elements of income or loss that did not arise from the Company's continuing operations.
- The causes for any material change(s) (5% or more) from period to period in one or more line items (vertical and horizontal) of the Company's financial statements.
- Any seasonal aspects that had a material effect on the financial condition or results of operations.

Management is not aware of any event that may trigger direct or contingent financial obligations that is material to the Company, including any default or acceleration of an obligation. Management is not aware of any material off-balance sheet transaction, arrangement, obligation (including contingent obligations), and other relationships of the Company with unconsolidated entities or other persons that were created during the first months of 2022.

PART II – OTHER INFORMATION

Tax matter:

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 Dstraint and/or Levy dated 24 July 2015 from the BIR ("Warrant"). The Warrant relates to the tax case for year 2008. Considering that a Petition for Review has been earlier filed with the CTA on 20 February 2015 to question the validity of the collection proceedings initiated by the 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 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 Philippine Mediation Center – Court of Tax Appeals, the mediation proceedings are terminated and the case is submitted for decision by the CTA En Banc.

On 29 September 2020, CTA En Banc promulgated a decision affirming the CTA decision and denied the Petition of CIR for lack of merit. CIR, dissatisfied with the decision, filed a Motion for Reconsideration on 20 October 2020 and the Corporation has filed its Response to CIR's Motion for Reconsideration on 11 November 2020. As at 4 January 2021, there is no decision yet from CTA En Banc.

On 26 January 2021, the Corporation received from its counsel the Decision of CTA En Banc denying again the Motion for Reconsideration of CIR for lack of merit.

Petition for Review filed by the CIR

On 23 March 2021, Management of the Corporation was advised by the Corporation's tax counsel that it had received a copy of the Petition for Review dated 8 March 2021 filed by the CIR with the Philippine Supreme Court which seeks to set aside the CTA En Banc Decision dated 29 September 2020 (Decision) and CTA En Banc Resolution.

The Petition for Review seeks to (i) reverse and set aside the CTA En Banc Decision dated 29 September 2020 and Resolution dated 19 January 2021 and (ii) render a decision ordering the Corporation to pay the total amount of PhP 37,394,321.84, PhP 142,281,715.20, and PhP 326,352,191.20 representing withholding tax on compensation, value-added tax, and income tax assessment, respectively, or an aggregate amount of PhP 506,028,228.24 for taxable year 2008 as well as 25% and 50% surcharge, 20% deficiency and delinquency interest and 12% interest until full payment pursuant to the Tax Reform for Acceleration and Inclusion (TRAIN) law.

No further update on the tax case as at 17 October 2022.

The Corporation has filed its Position Paper to the Supreme Court and awaiting the court's decision.

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

Financial Risk Exposure:

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

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

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

BOD on its activities.

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

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

Credit Risk

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

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

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

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

Liquidity Risk

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

Market Risk

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

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

Room Rates

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

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

Interest Rate Risk

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

Foreign Currency Risk

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

The Company functional currency is Philippines peso. As at 30 September 2022, it holds bulk of its cash and cash equivalent in Philippines peso. The United States dollars are used to settle foreign obligations.

The Company does not have any third-party loans so it has no interest rate risk. The Company in the ordinary course of business extends credit to its customers. Exposure to credit risk is monitored on an ongoing basis, credit review being performed for clients

requesting for credit limit. The total exposure to trade receivables as at 30 September 2022 is Peso21.7 million.

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk by forecasting projected cash flows and maintaining a balance between continuity of funding and flexibility. As at 30 September 2022, the Company has Peso715 million current assets and Peso318 million current liabilities so the current assets are able to cover its current liabilities.

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

The Company also does not invest in foreign securities.

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

	30 Sep 2022	30 Sep 2022	31 December 2021	31 December 2021
	Carrying amount	Fair value	Carrying amount	Fair value
Cash and cash equivalents	505,094,436	505,094,436	386,275,125	386,275,125
Receivables net	36,159,580	36,159,580	64,601,940	64,601,940
Due from/(to) related party net	33,249,492	33,249,492	36,738,543	36,738,543
Loan receivable	15,500,000	15,500,000	15,500,000	15,500,000
Lease deposit	78,000,000	78,000,000	78,000,000	78,000,000
Accounts payable & accrued expenses	133,851,852	133,851,852	104,988,309	104,988,309

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

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

Receivables/ due from related party/ loan receivable/ lease deposit/ accounts payable and accrued expenses/ due to related party – current receivables are reported at their net realizable values, at total amount less allowances for uncollectible amounts. Current liabilities are stated at amounts reasonably expected to be paid within the next 12 months or operating cycle. Due from/to related party and loan receivable are payable on demand. In the case of lease deposit, the fair value approximates the carrying amount.

GRAND PLAZA HOTEL CORPORATION**Balance Sheets****September 30, 2022***(with comparative figures for the year ended December 31, 2021)***(In Philippine Pesos)**

ASSETS	Unaudited September 30, 2022	Unaudited September 30, 2021	Audited Dec. 31, 2021
Current Assets			
Cash on hand and in bank			
Cash and investments in short term notes	505,094,436	378,079,810	386,245,378
Accrued interest receivable	1,103,495	37,321	29,747
Accounts receivable - trade	35,229,272	49,114,632	62,314,555
Accounts receivable - others	1,064,804	1,849,992	2,257,638
Provision for bad debts	(1,237,991)	(1,621,668)	(1,375,399)
Deferred tax assets/(liabilities)	30,627,595	35,212,072	21,070,647
Input tax			
Advances to associated/related companies	2,953,121	1,722,805	2,376,917
Advances to immediate holding company	7,396,713	7,036,788	7,169,788
Inventories	5,706,177	5,390,551	4,661,038
Prepaid expenses	29,661,097	4,496,027	3,381,674
Creditable withholding tax	31,501,760	22,555,757	26,478,873
Other current assets	65,935,010	67,304,435	63,419,256
Advances to/from THHM			
Total Current Assets	715,035,489	571,178,522	578,030,111
Property and Equipment	346,255,921	375,433,080	371,891,979
Right-of-use Assets	178,571,220	178,571,220	178,571,220
Organization and Pre-operating Expenses	-	-	-
Investment in Stock of Associated Company	49,678,717	51,499,252	50,398,851
Deposit on Lease Contract	78,000,000	78,000,000	78,000,000
Loans Receivable	15,500,000	15,500,000	15,500,000
Other Assets			
Miscellaneous investments and deposits	8,582,719	8,582,719	8,582,719
Others	1,010,000	1,010,000	1,010,000
Total Other Assets	9,592,719	9,592,719	9,592,719
Total Assets	1,392,634,065	1,279,774,793	1,281,984,880

GRAND PLAZA HOTEL CORPORATION
Balance Sheets
September 30, 2022
(with comparative figures for the year ended December 31, 2021)
(In Philippine Pesos)

LIABILITIES AND STOCKHOLDERS' EQUITY	Unaudited September 30, 2022	Unaudited September 30, 2021	Audited Dec. 31, 2021
<i>Current Liabilities</i>			
Accounts payable	45,612,520	19,448,117	37,809,885
Accrued liabilities	68,239,333	67,736,881	67,178,423
Rental payable	-	4,760,860	-
Due to associated/related companies	43,599,326	54,056,687	46,285,248
Advances from immediate holding company - net			
Advances from intermediate holding company			
Refundable deposit	118,012,408	27,203,399	27,134,052
Deferred rental - Pagcor & JIMEI			
Due to City e-Solutions <i>(formerly CDL Hotels Int'l Ltd)</i>			
Due to Byron			
Dividend Payable			
Hotel Lease Liability	4,506,961	4,151,233	4,237,441
Income tax payable	-	-	-
Other current liabilities	37,301,063	31,790,376	33,079,836
Reserves	1,368,435	1,368,435	1,368,435
<i>Total Current Liabilities</i>	<i>318,640,044</i>	<i>210,515,987</i>	<i>217,093,320</i>
<i>Long - Term Liabilities</i>			
Deferred rental - Pagcor	-	-	-
Hotel Lease Liability	160,109,957	164,616,918	163,524,676
<i>Total Long - Term Liabilities</i>	<i>160,109,957</i>	<i>164,616,918</i>	<i>163,524,676</i>
<i>Stockholders' Equity</i>			
Authorized - 115,000,000 shares in March 31, 2009 and December 31, 2008 at P10.00 par value per share			
Paid - in Capital	873,182,699	873,182,699	873,182,699
Premium on capital stock	11,965,904	11,965,904	11,965,904
Paid-in capital in excess of par - Warrants	2,691,614	2,691,614	2,691,614
Treasury stock	(1,680,020,370)	(1,680,020,370)	(1,680,020,370)
Retained earnings - beginning	1,684,650,276	1,650,981,954	1,650,981,954
Net income for the period	12,517,915	37,807,862	33,669,055
Dividend declared	-	-	-
Working Capital Contribution	-	-	-
Reserves / net Actuarial Loss	8,896,027	8,032,225	8,896,027
<i>Total Stockholders' Equity</i>	<i>913,884,064</i>	<i>904,641,888</i>	<i>901,366,883</i>

GRAND PLAZA HOTEL CORPORATION
Income Statements
For the nine months ended September 30, 2022 and 2021
(In Philippine Pesos)

	Unaudited YTD Sept 2022	Unaudited YTD Sept 2021
Revenue		
Rooms	148,673,852	206,081,552
Food & Beverage	52,953,895	33,769,630
Other Operated Depts.	404,918	155,776
Rental Income/Others	4,462,468	1,732,582
Total Revenue	206,495,133	241,739,541
Cost of Sales		
Food & Beverage	17,061,593	12,410,066
Other Operated Depts.	23,304	30,112
Total Cost of Sales	17,084,897	12,440,178
Gross Profit	189,410,236	229,299,363
Operating Expenses	225,590,052	208,811,870
Net Operating Income	(36,179,816)	20,487,493
Non-operating Income		
Interest Income	5,658,366	3,825,115
Dividend Income	-	-
Gain/(Loss) on Disposal of Fixed Assets	-	-
Exchange Gain/(Loss)	34,249,617	11,798,677
Share in Net Income/(Loss) of Associated Co.	679,866	1,287,428
Other Income	-	-
Total Non-Operating Income	40,587,849	16,911,220
Net Income/(Loss) Before Tax	4,408,033	37,398,713
Provision for Income Tax	(8,109,881)	(409,879)
Net Income/(Loss) After Tax	<u>12,517,915</u>	<u>37,808,593</u>
Basic earnings per share	<u>0.23</u>	<u>0.70</u>
Dilluted earnings per share	<u>0.23</u>	<u>0.70</u>

GRAND PLAZA HOTEL CORPORATION
Income Statements
For the 3rd quarter 2022
(In Philippine Pesos)

	Unaudited 3rd Quarter 2022	Unaudited 3rd Quarter 2021
Revenue		
Rooms	48,041,674	76,362,161
Food & Beverage	24,272,877	11,864,164
Other Operated Depts.	231,374	47,927
Rental Income/Others	1,906,940	700,340
Total Revenue	<u>74,452,865</u>	<u>88,974,592</u>
Cost of Sales		
Food & Beverage	7,617,155	4,514,929
Other Operated Depts.	8,260	5,256
Total Cost of Sales	<u>7,625,415</u>	<u>4,520,185</u>
Gross Profit	66,827,450	84,454,407
Operating Expenses	<u>83,301,548</u>	<u>73,296,174</u>
Net Operating Income	<u>(16,474,099)</u>	<u>11,158,233</u>
Non-operating Income		
Interest Income	2,614,549	1,292,935
Dividend Income	-	-
Gain/(Loss) on Disposal of Fixed Assets	-	-
Exchange Gain/(Loss)	16,638,299	10,208,195
Share in Net Income/(Loss) of Associated Co.	461,598	448,437
Other Income	-	-
Total Non-Operating Income	<u>19,714,445</u>	<u>11,949,567</u>
Net Income/(Loss) Before Tax	3,240,346	23,107,800
Provision for Income Tax	<u>(5,000,616)</u>	<u>(2,232,470)</u>
Net Income/(Loss) After Tax	<u><u>8,240,962</u></u>	<u><u>25,340,270</u></u>
Basic earnings per share	<u><u>0.15</u></u>	<u><u>0.47</u></u>
Dilluted earnings per share	<u><u>0.15</u></u>	<u><u>0.47</u></u>

GRAND PLAZA HOTEL CORPORATION
Statements of Changes in Equity
For the nine months ended September 30, 2022 and 2021
(In Philippine Pesos)

	Unaudited September 30, 2022	Unaudited September 30, 2021
Balance - beginning	901,366,880	866,833,292
Net income for the period	12,517,915	37,808,593
Dividends	-	-
Retirement of shares	-	-
Buyback of shares	-	-
Balance - end	913,884,064	904,641,888

GRAND PLAZA HOTEL CORPORATION
Cash Flow Statements
For the nine months ended September 30, 2022 and 2021
(In Philippine Pesos)

	Unaudited September 30, 2022	Unaudited September 30, 2021	Audited Dec. 31, 2021
Cash flows from operating activities			
Net income	12,517,915	37,808,593	33,669,055
Adjustments to reconcile net income to net cash provided by operating activities			
Other Comprehensive Income(loss)	-	-	(2,965,342)
Depreciation and amortization	30,860,334	32,208,941	34,428,013
Equity in net income of associated company	(679,866)	(1,287,428)	(1,587,026)
Provision for bad debts	1,237,991	1,621,668	1,375,399
Changes in operating assets and liabilities			
(Increase) decrease in			
Accrued interest receivable	(1,073,748)	(3,049)	4,525
Accounts receivable - trade	25,709,884	34,531,974	21,332,052
Accounts receivable - others	1,192,834	(631,034)	(1,038,680)
Deferred income tax	(9,556,948)	(2,350,492)	11,790,933
Input tax	-	-	-
Advances to associated/related companies	(576,204)	5,331,300	4,677,188
Advances to immediate holding company	(226,925)	(669,276)	(802,276)
Inventories	(1,045,139)	(125,295)	604,218
Prepaid expenses	(26,279,424)	3,103,892	4,218,245
Creditable withholding tax	(5,022,887)	(10,240,639)	(14,163,755)
Other current assets	(2,515,754)	(6,388,616)	(2,503,437)
Advances to/from THHM	-	-	-
Increase (decrease) in			
Accounts payable	7,802,634	(9,776,218)	8,585,550
Accrued liabilities	1,060,909	1,382,820	824,363
Notes payable	-	-	-
Rental payable	-	(4,760,860)	(9,521,720)
Due to associated companies	(2,685,922)	11,921,960	4,150,522
Advances from immediate holding company - net	-	-	-
Advances from intermediate holding company	-	-	-
Refundable deposit	90,878,356	(683,823)	(753,170)
Deferred rental - Pagcor	-	-	-
Dividend Payable	-	-	-
Hotel Lease Liability	269,520	248,246	334,454
Income tax payable	-	-	-
Other current liabilities	4,221,226	7,963,043	9,252,503
Reserves	0	30,536	30,536
	<u>126,088,056</u>	<u>99,236,246</u>	<u>101,942,150</u>
Cash flows from investing activities			
Acquisition of property and equipment - net	1,178,673	4,289,790	(790,399)
Right-of-use Assets - net	(6,402,952)	(6,402,952)	-
Dividend (declared)/received	1,400,000	-	2,400,000
(Receipts)/Refund of deposit on lease contract	-	-	-
(Receipts)/Payments relating to other assets	-	-	-
Retirement of treasury stocks	-	-	-
Buyback of shares - net	-	-	-
	<u>(3,824,279)</u>	<u>(2,113,162)</u>	<u>1,609,601</u>
Cash flows from financing activities			
Increase/(Decrease) in Hotel Lease Liability	<u>(3,414,719)</u>	<u>(3,145,199)</u>	<u>(4,237,441)</u>
	<u>(3,414,719)</u>	<u>(3,145,199)</u>	<u>(4,237,441)</u>
Net increase in cash and short-term notes	118,849,058	93,977,886	99,314,310
Cash and short-term notes, Beginning	<u>386,245,378</u>	<u>284,101,924</u>	<u>284,101,924</u>
Cash and short-term notes, Ending	<u><u>505,094,436</u></u>	<u><u>378,079,810</u></u>	<u><u>383,416,234</u></u>

GRAND PLAZA HOTEL CORPORATION
Cash Flow Statements
For the 3rd Quarter 2022
(In Philippine Pesos)

	Unaudited September 30, 2022	Unaudited September 30, 2021
Cash flows from operating activities		
Net income	8,240,962	25,340,270
Adjustments to reconcile net income to net cash provided by operating activities		
Other Comprehensive Income(loss)	-	-
Depreciation and amortization	9,602,963	10,731,499
Equity in net income of associated company	(461,598)	(448,437)
Provision for bad debts	1,237,991	1,621,668
Changes in operating assets and liabilities		
(Increase) decrease in		
Accrued interest receivable	(703,290)	(23,296)
Accounts receivable - trade	(12,595,772)	(6,076,941)
Accounts receivable - others	(103,333)	(347,940)
Deferred income tax	(5,480,868)	(2,952,328)
Input tax	-	-
Advances to associated/related companies	(1,214,946)	8,767,579
Advances to immediate holding company	-	(84,672)
Inventories	(685,801)	(427,357)
Prepaid expenses	(3,854,668)	460,548
Creditable withholding tax	(698,529)	(2,890,298)
Other current assets	(1,944,945)	(2,678,476)
Advances to/from THHM	-	-
Other Assets	-	-
Increase (decrease) in		
Accounts payable	12,075,617	(2,864,660)
Accrued liabilities	(54,854)	(3,362,647)
Notes payable	-	-
Rental payable	-	(4,760,860)
Due to associated companies	196,932	4,676,590
Advances from immediate holding company - net	-	-
Advances from intermediate holding company	-	-
Refundable deposit	88,688,459	12,535
Deferred rental - Pagcor	-	-
Dividend Payable	-	-
Hotel Lease Liability	91,693	84,455
Income tax payable	-	-
Other current liabilities	1,502,074	3,391,925
Reserves	0	-
	<u>93,837,356</u>	<u>28,169,159</u>
Cash flows from investing activities		
Acquisition of property and equipment - net	(232,232)	531,530
Right-of-use Assets - net	(2,134,317)	(2,134,317)
Dividend (declared)/received	1,400,000	-
(Receipts)/Refund of deposit on lease contract	-	-
(Receipts)/Payments relating to other assets	-	-
Retirement of treasury stocks	-	-
Buyback of shares - net	-	-
	<u>(966,549)</u>	<u>(1,602,787)</u>
Cash flows from financing activities		
Increase/(Decrease) in Hotel Lease Liability	(1,160,983)	(1,070,755)
	<u>(1,160,983)</u>	<u>(1,070,755)</u>
Net increase in cash and short-term notes	91,709,823	25,495,617
Cash and short-term notes, Beginning	<u>413,384,613</u>	<u>352,584,193</u>
Cash and short-term notes, Ending	<u><u>505,094,436</u></u>	<u><u>378,079,810</u></u>

Grand Plaza Hotel Corporation
Aging Report As At 30 September 2022

Customer Type	0 to	9 to	31 to	61 to	91 to	Over	Total	%
	8 days	30 days	60 days	90 days	120 days	120 days		
Airlines	316,350	417,150		4,750	1,657	134,837	874,744	4.02%
Credit card	5,157,196	8,591,415	3,557,175	284,511			17,590,297	80.86%
Company - local	370,000	369,900	298,000	223,000		182,428	1,443,327	6.63%
Permanent accounts	13,854						13,854	0.06%
Embassy & government		3,981					3,981	0.02%
Travel Agent - Local		22,796			27,255		50,051	0.23%
Temporary credit	48,000	226,153	1,380			804,500	1,080,033	4.96%
Travel Agent - Foreign	137,811	368,725	81,149	72,521	14,699	23,322	698,227	3.21%
TOTAL	6,043,210	10,000,120	3,937,704	584,782	43,611	1,145,087	21,754,514	100.00%
%	27.78%	45.97%	18.10%	2.69%	0.20%	5.26%	100.00%	