

GENERAL ANNOUNCEMENT::ANNOUNCEMENT BY SUBSIDIARY COMPANY, GRAND PLAZA HOTEL CORPORATION

Issuer & Securities

Issuer/ Manager

CITY DEVELOPMENTS LIMITED

Securities

CITY DEVELOPMENTS LIMITED - SG1R89002252 - C09

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No

Announcement Details

Announcement Title

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Announcement by Subsidiary Company, Grand Plaza Hotel Corporation

Announcement Reference

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Submitted By (Co./ Ind. Name)

Enid Ling Peek Fong

Designation

Company Secretary

Description (Please provide a detailed description of the event in the box below)

Please refer to the Quarterly Report for Third Quarter and Nine Months Ended 30 September 2023 submitted by Grand Plaza Hotel Corporation to the Securities and Exchange Commission of the Philippines on 7 November 2023.

Attachments

[11.07.2023 GPHC Q3 FS.pdf](#)

Total size =2126K MB

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, 2023

2. Commission identification number _____

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

GRAND PLAZA HOTEL CORPORATION

4. Exact name of issuer as specified in its charter

PHILIPPINES

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

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

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

7. Address of issuer's principal office

Tel. No. (632) 854-8838

Fax No. (632) 854-8825

8. Issuer's telephone number, including area code

N.A.

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

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

Title of each Class

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

COMMON SHARES

87,318,270*

*includes 33,600,901 treasury shares

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

Yes [] No []

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

PHILIPPINE STOCK EXCHANGE, INC.

COMMON

12. Indicate by check mark whether the registrant:

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

Yes [X] No []

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

Yes [X] No []

PART I – FINANCIAL INFORMATION

Item 1 Financial Statements

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

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

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

PART II – OTHER INFORMATION

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

SIGNATURES

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



Issuer: **YAM KIT SUNG**

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

Date : **6 November 2023**

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 2023 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	171,543	124,947
Food and Beverage	92,723	32,854
Other Operated Departments and rental	53,356	52,827

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 2023	30 September 2022
Current liquidity ratios	2.11	2.24
Solvency (Debt to equity)	0.55	0.52
Assets to equity ratios	1.55	1.52
Profitability ratios Profit/(Loss) before tax margin ratio	6.9%	2.1%
EBITDA (Earnings before interest, tax, depreciation and amortization) - Peso	30.4 million	(5.3million)

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 0.13 (5.8%) during the period of review compared to the same period of last year due to increase in current asset by Php56.7 million (7.9%) comprised of increase in Cash and Cash Equivalents, Prepaid expenses and Other Current Assets. However, there is also an increase in Refundable Deposits to tenants and Accounts Payable.

Debt to equity ratio measures a company’s financial leverage. It is derived by dividing total liabilities over equity. There is an increase in this ratio by 0.03 (5.7%) over the same period of last year and this is due to higher liabilities arising from the new security deposits from a new tenant and increase in Accounts Payable due to better trading.

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 was an increase in this ratio by 0.03 (1.9%) 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 higher profit before tax percentage versus same period last year as a result of higher 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 PhP35.7 million compared to the same period of last year due to higher revenue and the rental income which contributes significantly to the profitability of the Company.

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 PhP32.4 million (6.6%) mainly due to improve in trading. It increased by PhP17.3 million (3.4%) relative to same period last year.
- Accounts receivable – trade: As compared to 31 December 2022, trade receivable has increased by PhP1.5 million (3.7%) which is consistent with the higher revenue.
- Deferred tax assets: This balance has decreased by PhP17.3 million (56.5%) relative to the same period of last year.
- Prepaid expenses: This balance increased from PhP33.6 million as at end of 31 December 2022 to PhP51.1 million mainly due to prepaid insurance.
- Property and equipment: As compared to the same period of last year, this balance increased by PhP41.4 million (11.9%) 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 PhP10.8 million (20.8%) due to higher levels of business and hence increase in purchases.
- Refundable deposits: This is basically deposits from tenants and the balance increased by PhP10.6 million versus the same period of last year due to collection of additional 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 not paid the outstanding rent and this resulted in an increase in rental payable by PhP9.5 million.

Income Statement Analysis for the 9 Months Ended 30 September 2023

Revenue:

Total revenue for YTD Sep 2023 as compared to same period last year improved by PhP111.2 million (53.8%). The variance is mainly due to higher Rooms revenue of PhP171.5 million in 2023 vs PhP148.6 million in 2022 and moreover F&B revenue is

also higher than prior year by 75.1%. The casino tenant which started paying rental in May 2023 contributed PhP53.3 million.

Rooms:

Occupancy remained constant at 48.8% as compared to last year while Average Room Rate improved by 14.3% due to sources of guests resulting in a RevPAR of PhP1,396 as compared to PhP1,210 in prior year. With better guests mix, the hotel is able to command higher Average Room Rate in 2023 despite maintaining the same occupancy.

F&B:

F&B revenue improved by 75.1% as compared to the 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. Banquet revenue grew from PhP19.6 million to PhP35.0 million. In addition, Riviera Café and Lobby Lounge also performed better than last year. This resulted in PhP39.8 million increase in F&B revenue versus 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 64.7%.

Operating Expenses:

This comprised of payroll cost, operating expenses and utilities. This balance increased by PhP61.5 million (27.2%). With the change in guests' profiles, 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 PhP12 million or 25% as compared to the same period of last year.

Non-operating Income:

Interest income increased by PhP11.6 million or 207.0% due to higher cash balance and higher interest rate for placements with banks. The Company registered a significantly lower exchange gain of PhP1.3 million this period as compared to PhP34.2 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 higher revenue, the Company registered a significant improvement in net income before tax by 400% despite a lower unrealized exchange gain.

Income Statement Analysis for the 3rd Quarter 2023

Revenue:

Total revenue for 3Q2023 as compared to 3Q22 improved significantly by PhP39.3 million (52.8%). The variance is mainly due to higher Rooms revenue of PhP55.5 million

in 2023 vs PhP48.0 million in 2022, higher F&B revenue by PhP6.4 million and higher rental income by PhP25.2 million.

Rooms:

As compared to the same period of last year, the Hotel registered a growth of 14.5% in room revenue due to the continued improvement in Manila's tourism market.

F&B:

F&B revenue continued its strong recovery and improved by 26.4% 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 PhP14.9 million (17.8%). With the increase in revenue, operating expenses also increased.

Non-operating Income:

Interest income increased by PhP3.3 million or 126.9% due to higher cash balance and interest rate. The Company registered a lower exchange gain of PhP5.2 million this quarter as compared to PhP16.6 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 higher revenue, the Company registered an improvement in net income before tax of PhP18.3 million versus PhP3.2million 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 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 2023.

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 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 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 PhP37,394,321.84, PhP142,281,715.20, and PhP326,352,191.20 representing withholding tax on compensation, value-added tax, and income tax assessment, respectively, or an aggregate amount of PhP506,028,228.24 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.

On 12 July 2023, the Corporation was informed by its counsel that Supreme Court has denied the CIR's Petition for Review. CIR then filed a Motion for Reconsideration within 15 days upon receipt of decision.

There is no resolution from Supreme Court as at 19 October 2023.

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 2023, 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 2023 is Peso28.2 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 2023, the Company has Peso771 million current assets and Peso364 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 2023	30 Sep 2023	31 December 2022	31 December 2022
	Carrying amount	Fair value	Carrying amount	Fair value
Cash and cash equivalents	522,427,373	522,427,373	490,020,736	490,020,736
Receivables net	47,422,144	47,422,144	41,291,741	41,291,741
Due from/(to) related party net	(48,700,433)	(48,700,433)	(36,143,581)	(36,143,581)
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	126,291,880	126,291,880	104,299,576	104,299,576

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, 2023

(with comparative figures for the year ended December 31, 2022)

(In Philippine Pesos)

ASSETS	Unaudited September 30, 2023	Unaudited September 30, 2022	Audited Dec. 31, 2022
Current Assets			
Cash on hand and in bank			
Cash and investments in short term notes	522,427,373	505,094,436	490,020,736
Accrued interest receivable	2,080,287	1,103,495	2,214,894
Accounts receivable - trade	41,238,637	35,229,272	39,716,324
Accounts receivable - others	5,410,085	1,064,804	2,739,223
Provision for bad debts	(1,306,865)	(1,237,991)	(1,163,806)
Deferred tax assets/(liabilities)	13,333,464	30,627,595	15,134,335
Input tax	1,717,527		
Advances to associated/related companies	2,287,708	2,953,121	3,455,478
Advances to immediate holding company	8,445,640	7,396,713	7,587,113
Inventories	6,293,990	5,706,177	6,339,108
Prepaid expenses	51,164,969	29,661,097	33,672,434
Creditable withholding tax	32,801,527	31,501,760	31,348,151
Other current assets	85,890,779	65,935,010	65,836,931
<i>Total Current Assets</i>	<i>771,785,122</i>	<i>715,035,489</i>	<i>696,900,922</i>
Property and Equipment	387,695,441	346,255,921	371,762,963
Right-of-use Assets	138,019,190	178,571,220	178,571,220
Organization and Pre-operating Expenses	-	-	-
Investment in Stock of Associated Company	51,200,138	49,678,717	49,975,226
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	8,008,989
Others	1,010,000	1,010,000	1,010,000
<i>Total Other Assets</i>	<i>9,592,719</i>	<i>9,592,719</i>	<i>9,018,989</i>
Total Assets	<u>1,451,792,610</u>	<u>1,392,634,065</u>	<u>1,399,729,320</u>

GRAND PLAZA HOTEL CORPORATION

Balance Sheets

September 30, 2023

(with comparative figures for the year ended December 31, 2022)

(In Philippine Pesos)

LIABILITIES AND STOCKHOLDERS' EQUITY	Unaudited September 30, 2023	Unaudited September 30, 2022	Audited Dec. 31, 2022
Current Liabilities			
Accounts payable	62,672,211	45,612,520	51,849,564
Accrued liabilities	63,619,369	68,239,333	52,450,011
Rental payable	9,521,720	-	4,760,860
Due to associated/related companies	59,433,781	43,599,326	47,186,172
Advances from immediate holding company - net			-
Advances from intermediate holding company			-
Refundable deposit	128,694,297	118,012,408	126,870,541
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	4,893,172	4,506,961	4,600,559
Income tax payable	-	-	-
Other current liabilities	37,279,436	37,301,063	37,784,428
Reserves	(1,181,565)	1,368,435	1,368,435
<i>Total Current Liabilities</i>	<u>364,932,420</u>	<u>318,640,044</u>	<u>326,870,571</u>
Long - Term Liabilities			
Deferred rental - Pagcor	-	-	-
Hotel Lease Liability	155,216,785	160,109,957	158,924,117
<i>Total Long - Term Liabilities</i>	<u>155,216,785</u>	<u>160,109,957</u>	<u>158,924,117</u>
Total Liabilities	<u>520,149,205</u>	<u>478,750,001</u>	<u>485,794,688</u>
Stockholders' Equity			
Authorized - 115,000,000 shares in March 31, 2009 and December 31, 2008 at P10.00 par value per share			
Paid - in Capital	873,182,699	873,182,699	873,182,699
Premium on capital stock	11,965,904	11,965,904	11,965,904
Paid-in capital in excess of par - Warrants	2,691,614	2,691,614	2,691,614
Treasury stock	(1,680,020,370)	(1,680,020,370)	(1,680,020,370)
Retained earnings - beginning	1,690,648,498	1,684,650,276	1,684,650,276
Net income for the period	17,135,043	12,517,915	5,998,222
Dividend declared	-	-	-
Working Capital Contribution	-	-	-
Reserves / net Actuarial Loss	16,040,017	8,896,027	15,466,287
<i>Total Stockholders' Equity</i>	<u>931,643,405</u>	<u>913,884,064</u>	<u>913,934,632</u>
Total Liabilities and Stockholders' Equity	<u>1,451,792,610</u>	<u>1,392,634,065</u>	<u>1,399,729,320</u>

GRAND PLAZA HOTEL CORPORATION
Income Statements
For the nine months ended September 30, 2023 and 2022
(In Philippine Pesos)

	Unaudited YTD Sept 2023	Unaudited YTD Sept 2022
Revenue		
Rooms	171,543,108	148,673,852
Food & Beverage	92,723,960	52,953,895
Other Operated Depts.	900,948	404,918
Rental Income/Others	52,455,458	4,462,468
	<hr/>	<hr/>
Total Revenue	317,623,473	206,495,133
	<hr/>	<hr/>
Cost of Sales		
Food & Beverage	28,377,686	17,061,593
Other Operated Depts.	31,970	23,304
	<hr/>	<hr/>
Total Cost of Sales	28,409,656	17,084,897
	<hr/>	<hr/>
Gross Profit	289,213,817	189,410,236
	<hr/>	<hr/>
Operating Expenses	287,014,248	225,590,052
	<hr/>	<hr/>
Net Operating Income	2,199,569	(36,179,816)
	<hr/>	<hr/>
Non-operating Income		
Interest Income	17,233,670	5,658,366
Dividend Income	-	-
Gain/(Loss) on Disposal of Fixed Assets	-	-
Exchange Gain/(Loss)	1,387,714	34,249,617
Share in Net Income/(Loss) of Associated Co.	1,224,912	679,866
Other Income	-	-
	<hr/>	<hr/>
Total Non-Operating Income	19,846,297	40,587,849
	<hr/>	<hr/>
Net Income/(Loss) Before Tax	22,045,865	4,408,033
	<hr/>	<hr/>
Provision for Income Tax	4,910,833	(8,109,881)
	<hr/>	<hr/>
Net Income/(Loss) After Tax	17,135,032	12,517,915
	<hr/> <hr/>	<hr/> <hr/>
Basic earnings per share	0.32	0.23
	<hr/> <hr/>	<hr/> <hr/>
Dilluted earnings per share	0.23	0.23
	<hr/> <hr/>	<hr/> <hr/>

Notes:

In September 30, 2023 and 2022 total shares outstanding is 53,717,369 net of 33,600,901 treasury shares

GRAND PLAZA HOTEL CORPORATION
Income Statements
For the 3rd quarter 2023
(In Philippine Pesos)

	Unaudited 3rd Quarter 2023	Unaudited 3rd Quarter 2022
Revenue		
Rooms	55,581,229	48,041,674
Food & Beverage	30,699,333	24,272,877
Other Operated Depts.	322,068	231,374
Rental Income/Others	27,117,109	1,906,940
	<u>113,719,738</u>	<u>74,452,865</u>
Cost of Sales		
Food & Beverage	8,764,126	7,617,155
Other Operated Depts.	13,086	8,260
	<u>8,777,212</u>	<u>7,625,415</u>
Gross Profit	104,942,526	66,827,450
Operating Expenses	<u>98,247,480</u>	<u>83,301,548</u>
Net Operating Income	<u>6,695,046</u>	<u>(16,474,099)</u>
Non-operating Income		
Interest Income	5,994,540	2,614,549
Dividend Income	-	-
Gain/(Loss) on Disposal of Fixed Assets	-	-
Exchange Gain/(Loss)	5,219,155	16,638,299
Share in Net Income/(Loss) of Associated Co.	401,914	461,598
Other Income	-	-
	<u>11,615,609</u>	<u>19,714,445</u>
Net Income/(Loss) Before Tax	18,310,655	3,240,346
Provision for Income Tax	<u>(961,072)</u>	<u>(5,000,616)</u>
Net Income/(Loss) After Tax	<u><u>19,271,726</u></u>	<u><u>8,240,962</u></u>
Basic earnings per share	<u><u>0.36</u></u>	<u><u>0.15</u></u>
Dilluted earnings per share	<u><u>0.36</u></u>	<u><u>0.15</u></u>

Notes:

In Sep 30, 2023 and 2022 total shares outstanding is 53,717,369 net of 33,600,901 treasury shares

GRAND PLAZA HOTEL CORPORATION
Statements of Changes in Equity
For the nine months ended September 30, 2023 and 2022
(In Philippine Pesos)

	Unaudited September 30, 2023	Unaudited September 30, 2022
Balance - beginning	914,508,362	901,366,146
Net income for the period	17,135,032	12,517,915
Dividends	-	-
Retirement of shares	-	-
Buyback of shares	-	-
Balance - end	<u>931,643,404</u>	<u>913,884,064</u>

GRAND PLAZA HOTEL CORPORATION
Cash Flow Statements
For the nine months ended September 30, 2023 and 2022
(In Philippine Pesos)

	Unaudited September 30, 2023	Unaudited September 30, 2022	Audited Dec. 31, 2022
Cash flows from operating activities			
Net income	17,135,032	12,517,915	5,998,222
Adjustments to reconcile net income to net cash provided by operating activities			
Interest expense on lease liability			13,560,167
Other Adjustment (Actual Loss/Investment in stock)			(6,991,375)
Other Comprehensive Income(loss)	-	-	-
Depreciation and amortization	28,205,795	30,859,600	32,073,365
Equity in net income of associated company	(1,224,912)	(679,866)	(976,374)
Provision for bad debts	1,306,865	1,237,991	1,163,806
Changes in operating assets and liabilities			
(Increase) decrease in			
Accrued interest receivable	134,608	(1,073,748)	(2,185,148)
Accounts receivable - trade	(2,686,119)	25,709,884	21,222,832
Accounts receivable - others	(2,670,862)	1,192,834	(481,585)
Deferred income tax	1,800,871	(9,556,948)	5,936,312
Input tax	(1,717,527)	-	-
Advances to associated/related companies	1,167,771	(576,204)	(1,078,562)
Advances to immediate holding company	(858,528)	(226,925)	(417,325)
Inventories	45,118	(1,045,139)	(1,678,071)
Prepaid expenses	(17,492,535)	(26,279,424)	(30,290,761)
Creditable withholding tax	(1,453,376)	(5,022,887)	(4,869,278)
Other current assets	(20,053,848)	(2,515,754)	(2,417,675)
Advances to/from THHM	0	-	-
Increase (decrease) in			
Accounts payable	10,822,647	7,802,634	14,039,679
Accrued liabilities	11,169,358	1,060,909	(14,728,412)
Notes payable	-	-	-
Rental payable	4,760,860	-	4,760,860
Due to associated companies	12,247,609	(2,685,922)	900,923
Advances from immediate holding company - net	-	-	-
Advances from intermediate holding company	-	-	-
Refundable deposit	1,823,755	90,878,356	99,736,490
Deferred rental - Pagcor	-	-	-
Dividend Payable	-	-	-
Hotel Lease Liability	292,613	269,520	363,118
Income tax payable	-	-	-
Other current liabilities	(504,992)	4,221,226	4,704,592
Reserves	(2,550,000)	0	0
	<u>39,700,216</u>	<u>126,088,055</u>	<u>138,346,536</u>
Cash flows from investing activities			
Acquisition of property and equipment - net	(37,735,324)	1,178,673	(31,944,349)
Right-of-use Assets - net	34,149,078	(6,402,952)	-
Dividend (declared)/received	-	1,400,000	1,400,000
(Receipts)/Refund of deposit on lease contract	-	-	-
(Receipts)/Payments relating to other assets	-	-	573,730
Retirement of treasury stocks	-	-	-
Buyback of shares - net	-	-	-
	<u>(3,586,246)</u>	<u>(3,824,279)</u>	<u>(29,970,619)</u>
Cash flows from financing activities			
Increase/(Decrease) in Hotel Lease Liability	(3,707,332)	(3,414,719)	(4,600,559)
	<u>(3,707,332)</u>	<u>(3,414,719)</u>	<u>(4,600,559)</u>
Net increase in cash and short-term notes	32,406,638	118,849,058	103,775,357
Cash and short-term notes, Beginning	490,020,736	386,245,378	386,245,378
Cash and short-term notes, Ending	<u>522,427,373</u>	<u>505,094,436</u>	<u>490,020,735</u>

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

	Unaudited September 30, 2023	Unaudited September 30, 2022
Cash flows from operating activities		
Net income	19,271,726	8,240,962
Adjustments to reconcile net income to net cash provided by operating activities		
Other Comprehensive Income(loss)	-	-
Depreciation and amortization	9,208,826	9,602,963
Equity in net income of associated company	(401,914)	(461,598)
Provision for bad debts	1,306,865	1,237,991
Changes in operating assets and liabilities		
(Increase) decrease in		
Accrued interest receivable	(1,003,117)	(703,290)
Accounts receivable - trade	(3,266,155)	(12,595,772)
Accounts receivable - others	3,601,000	(103,333)
Deferred income tax	(2,623,744)	(5,480,868)
Input tax	(922,170)	-
Advances to associated/related companies	4,818,939	(1,214,946)
Advances to immediate holding company	(128,464)	-
Inventories	(141,876)	(685,801)
Prepaid expenses	(7,949,953)	(3,854,668)
Creditable withholding tax	(344,054)	(698,529)
Other current assets	(6,909,220)	(1,944,945)
Advances to/from THHM	0	-
Other Assets	-	-
Increase (decrease) in		
Accounts payable	10,022,011	12,075,617
Accrued liabilities	5,729,575	(54,854)
Notes payable	-	-
Rental payable	(4,760,860)	-
Due to associated companies	2,309,381	196,932
Advances from immediate holding company - net	-	-
Advances from intermediate holding company	-	-
Refundable deposit	2,026,488	88,688,459
Deferred rental - Pagcor	-	-
Due to City e-Solutions (formerly CDL Hotels Int'l Ltd)	-	-
Due to Byron	-	-
Dividend Payable	-	-
Hotel Lease Liability	99,550	91,693
Income tax payable	-	-
Other current liabilities	1,496,058	1,502,074
Reserves	(2,550,000)	0
	<u>28,888,161</u>	<u>93,838,821</u>
Cash flows from investing activities		
Acquisition of property and equipment - net	(41,339,660)	(232,232)
Right-of-use Assets - net	38,417,713	(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>(2,921,948)</u>	<u>(966,549)</u>
Cash flows from financing activities		
Increase/(Decrease) in Hotel Lease Liability	(1,260,533)	(1,162,448)
	<u>(1,260,533)</u>	<u>(1,162,448)</u>
Net increase in cash and short-term notes	24,705,680	91,709,823
Cash and short-term notes, Beginning	<u>497,721,694</u>	<u>413,384,613</u>
Cash and short-term notes, Ending	<u><u>522,427,374</u></u>	<u><u>505,094,436</u></u>

