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Miscellaneous	
* Asterisks denote mandatory information	
Name of Announcer *	CITY DEVELOPMENTS LIMITED
Company Registration No.	196300316Z
Announcement submitted on behalf of	CITY DEVELOPMENTS LIMITED
Announcement is submitted with respect to *	CITY DEVELOPMENTS LIMITED
Announcement is submitted by *	Enid Ling Peek Fong
Designation *	Company Secretary
Date & Time of Broadcast	02-Aug-2012 17:18:01
Announcement No.	00053

>> Announcement Details

The details of the announcement start here ...

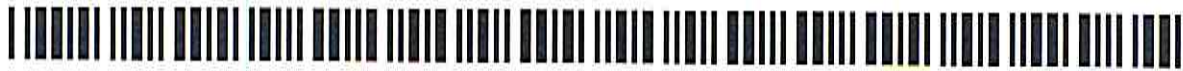
Announcement Title * Announcement by Subsidiary Company, Grand Plaza Hotel Corporation on Quarterly Report for Second Quarter and Six Months Ended 30 June 2012

Description Please see the attached announcement released by Grand Plaza Hotel Corporation on 2 August 2012.

Attachments

 [02082012_GPHC_SEC17_2ndQtr2012.pdf](#)
 Total size = **337K**
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SECURITIES AND EXCHANGE COMMISSION

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Company Information

SEC Registration No. 0000166878
Company Name GRAND PLAZA HOTEL CORPORATION DOING BUSINESS UNDER THE NAME OF THE HERITAGE HOTEL MANILA

Industry Classification

Company Type Stock Corporation

Document Information

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COVER SHEET

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S.E.C. Registration Number

G	R	A	N	D						P	L	A	Z	A						H	O	T	E	L						C	O	R	P						

(Company's Full Name)

10	F									T	H	E								H	E	R	I	T	A	G	E			H	O	T	E	L						R	O	X	A	S					

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

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

8	5	4								8	8	3	8						
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Company Telephone Number

1	2									3	1								
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Month *Day*
 Fiscal Year

S	E	C	17	Q
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FORM TYPE

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Month *Day*
 Annual Meeting

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Secondary License Type, If Applicable

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Dept. Requiring this Doc.

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Amended Articles Number/Section

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Total No. of Stockholders

Total Amount of Borrowings

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Domestic

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Foreign

To be accomplished by SEC Personnel concerned

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1 For the quarterly period ended **June 30, 2012**

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 27,390,759 treasury shares

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

Yes [X] No []

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

PHILIPPINE STOCK EXCHANGE, INC.

COMMON

12. Indicate by check mark whether the registrant:

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

Yes [X] No []

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

Yes [X] No []

PART I – FINANCIAL INFORMATION

Item 1 Financial Statements

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

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

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

PART II – OTHER INFORMATION

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

SIGNATURES

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

Issuer YAM KIT SUNG

Signature and Title

 General Manager & Chief Financial Officer

Date

PART I FINANCIAL INFORMATION

Item 1. Financial Statements Required Under SRC Rule 68.1

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

Notes to Financial Statements

Summary of significant accounting policies

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

The same accounting policies and methods of computation are followed in the interim financial statements for the year 2011 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

In a Board of Directors meeting held on 15th May 2012, the Board of Directors approved the declaration of cash dividend of PhP2 per share for all the shareholders as of record date 29th May 2012..

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 4 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 others– Business derived from telephone department, business center, carparking and laundry. This also includes rental income of space to tenants.

The segment revenues and results are as follows:

	YTD 2 nd Quarter Revenue – Peso ‘000	YTD 2 nd Quarter Department Profit – Peso ‘000
Room	182,723	154,685
Food and Beverage	100,775	43,575
Other Operated Departments & others/Rental	73,235	70,496

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:

<i>Balance Sheet Analysis</i>	30 June 2012	30 June 2011	31 December 2011
Current ratio	1.54	1.84	2.03
Net book value per share (include treasury shares)	PhP12.56	PhP13.37	PhP12.93
<i>Profit & Loss Analysis</i>			
Earnings per share	PhP1.46	PhP1.45	PhP2.94
Profit before tax margin ratio	34%	35%	34%
EBITDA	PhP139 million	PhP145 million	PhP280M

Current ratio is derived by dividing the current assets with the current liabilities. This indicator measures the liquidity of the Company in the short-term. Current ratio decreased by 0.3 or 16% versus same period last year. This is mainly due to a dividend payable recorded in this year of PhP105 million which will be paid in second half of the year.

Net book value per share is derived by dividing the net stockholders’ equity by the total number of shares issued. This measures the value of the Company on a per share basis. This ratio decreased by PhP0.81 due to higher liabilities compared to the same period last year.

Earning per share (EPS) is derived by dividing the net profit after tax by the total shares outstanding. This indicator measures the earning of the Company on a per share basis. As compared to the same period last year, EPS is marginally higher due to lesser number of outstanding shares.

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 is lower than last year due to lower revenue and profit.

EBITDA represents earnings before income tax, interest, depreciation and amortization. This indicator is in effect a measure of the cash flow of the Company. EBITDA is healthier this year due to higher revenue. EBITDA is lower than last year same period by 4% as a result of lower profit.

Balance Sheets Analysis:

Total assets increased by about PhP67.4 million or 4.4% as compared to the year ended 31 December 2011 and increased by about PhP55.5 million or 3.6% as compared to the same period of last year.

Cash and short term notes:

This balance includes short-term fixed deposits with banks. There is an increase of PhP71.4 million or 20% as compared to the end of last fiscal year. As compared against the same period last year, this balance increased by PhP68 million or 5%. The favorable variance against end of last fiscal year is because there is no major cash outflow in the first half of the year.

Provision for bad debts:

This balance increased by 10% and 120% against end of last fiscal year and same period of last year respectively due to higher accounts receivables outstanding for more than 90 days..

Deferred tax assets:

This relates to the advance rental received from a tenant which will be amortised monthly. There is an increase compared with the same period of last year by PhP3.2 million or 39% due to advance rental received during the second quarter 2012.

Advances to associated/related companies:

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

The Company also leases its hotel site from an associated company.

As compared to the same period of last year, there is a decrease of PhP10.4 million or 36% as the related companies have settled their obligations. As compared with the end of last fiscal year, there is no significant variance.

Advances to immediate holding company:

There is an increase of PhP0.3 million versus same period of last year as the immediate holding company has not settled its obligation with the Company. This will be settled during the year.

Inventories:

Inventories increased by PhP4.6 million or 37% compared with end of last fiscal year. This was due to some of kitchen and bar requisitions that were charged back to inventories. In addition, there was also reclassification of some operating equipments to inventories.

Prepaid expenses:

The bulk of this balance represents insurance premium prepaid at the beginning of the year. Compared to the same period of last year, there is a fall of PhP0.51 million or 11% due to the fact that the Surety Bond Insurance was terminated in second half of 2011.

Property and Equipment:

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

Compared to the same period of last year and end of fiscal year, the decrease is due to depreciation charges for the period.

Accounts payable:

There is an increase in this balance as compared with the same period of last year by PhP12.2 million or 5%. Compared to the end of last fiscal year, there is a fall of PhP19.9 million or 7%. The increase against last year same period is due to accrual of VAT for a tenant.

Accrued liabilities:

This balance increased by PhP9.5 million and PhP1.9 million against the same period of last year and end of last fiscal year respectively. The increase is due to accruals for retirement benefits.

Rental payable:

There is an increase in rental payable by PhP0.89 million and PhP5.7 million respectively against the same period of last year and end of last fiscal year as the Company has not settled its rental payment.

Due to associated/related companies:

As compared against the end of fiscal year, there is a significant increase of PhP14.6 million. But compared to the same period of last year, there is a increase of PhP4.2 million. The increase in balance against last fiscal year is due to the Company has not repaid its outstanding balance to related companies.

Refundable Deposit:

There is an increase of PhP3.7 million in refundable deposits compared with end of last fiscal year as a new tenant paid the deposit for the space.

Dividend payable:

Compared to end of last fiscal year, there is an increase of PhP105 million in dividend payable. In a Board of Directors meeting held on 15th May 2012, the Board of Directors approved the declaration of cash dividend of PhP2 per share for all the shareholders as of record date 29th May 2012..

Income tax payable:

Income tax payable decreased by PhP12.8 million or 64% due to payment of tax during the quarter and also lesser profit before tax this year.

Reserves:

This pertains to a reserve set up for operating equipments and at year end, the balance will be charged to profit and loss statements. The increase of PhP1.33 million against the end of last fiscal year is due to the provision of reserves during the year.

Treasury Stock:

There is an increase of PhP124 million in treasury stock compared with the same period of last year due to the share buyback exercise of the Company in the second half of year 2011.

Income Statement Analysis For the 6 Months Ended 30 June 2012

Revenue:

Total revenue decreased marginally by PhP2.9 million or 0.8% as compared to the same period last year. The decrease is mainly due to lower room revenue but offset by higher food and beverage (F&B) revenue..

Room revenue showed a decrease by PhP10.4 million or 5%. Occupancy decreased from 69% in year 2011 to 67% in the current year of review. Average room rate (ARR) also dropped by PhP108 or 3% versus same period of last year. As a consequent, Revenue per Available Room (Revpar) fell by about 5.9%. Due to the opening of newer hotels like Resort World and also the tense relationship the Philippines has with China, tourists arrival is affected in the second quarter of this year.

Food and beverage (F&B) business showed an improvement of PhP8.7 million or 9.5% relative to last year. This favorable variance is shown by the improvement in covers 24,032 or 14%. The improvement in F&B business is mainly in Banquet, Casino and Lobby lounge. Casino contributed PhP6.1 million in improvement in F&B revenue.

Cost of Sales:

Cost of sales for F&B registered an increase which is consistent with the higher revenue.

Gross Profit:

Gross profit is derived after deducting cost of sales from gross revenue. Gross profit as compared to last year registered a decrease of PhP6.2 million as a result of lower revenue.

Operating Expenses:

Operating expenses include among others, payroll and related expenses, utilities, depreciation charges, rental and other fixed expenses. This expense maintain about the same amount as the same period of last year despite lower revenue. This is mainly due to

higher energy and utilities costs and higher payroll costs. Payroll cost is higher as there was a government mandated minimum wage increase in the second half of year 2011. Energy cost is higher due to higher electricity rate.

Net Operating Income:

This is derived after deducting operating expenses from gross operating profit. Net operating income decreased by PhP6.2 million or 4.9% versus last year which is a result of lower revenue.

Non-operating income:

This balance registered an increase of PhP0.7 million versus last year same period due to higher interest income.

Provision for income tax:

This balance decreased by PhP1.9 million or 5% which is consistent with the lower profit before tax.

Income Statement Analysis For the Second Quarter Ended 30 June 2012

Revenue:

Total revenue decreased by PhP12 million or 6% as compared to the same period last year.

Room revenue showed a decrease of PhP11.9 million as a result of lower occupancy and Average Room Rate.

Food and beverage (F&B) business maintained the same revenue as last year of PhP45 million.

Rental income increased by PhP0.12 million as compared against same period of last year due to a new tenant which started in second quarter of 2012.

Cost of Sales:

Cost of sales for F&B registered a marginal increase as compared to last year.

Gross Profit:

Gross profit is derived after deducting cost of sales from gross revenue. Gross profit as compared to last year is lower by PhP13 million mainly due to lower room revenue.

Operating Expenses:

Operating expenses include among others, payroll and related expenses, utilities, depreciation charges, rental and other fixed expenses. There is an decrease of approximately PhP5 million due to cost containment measures implemented to cushion against the lower revenue.

Net Operating Income:

This is derived after deducting operating expenses from gross operating profit. The lower margin is due to lower room revenue.

Non-operating income:

Total non-operating income increased by PhP0.29 million as compared to the same period of last year. This is due to higher interest income.

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 6 months of 2012.

PART II – OTHER INFORMATION

Tax matter:

Tax matter:

In the middle of 2008, the Company received from the Bureau of Internal Revenue (BIR) a Final Decision on Disputed Assessment finding the Company liable for deficiency value added tax (VAT) with respect to the years 1996 to 2002 in total amount of P228.94 million and that the Company filed a petition for review with the Court of Tax Appeal (CTA) to appeal against such Final Decision on Disputed Assessment.

The BIR also issued a Warrant of Dstraint and/or Levy and Warrant of Garnishment against the Company and its assets. On 12 September 2008, the Company filed a surety bond with the CTA, and the CTA granted the Company's Urgent Motion to Suspend Collection of Tax and Extremely Urgent Supplemental Motion to Suspend and Enjoin Collection of Taxes and issued a Temporary Restraining Order enjoining the BIR from further efforts at collection of taxes, and particularly the implementation of the Warrant of Dstraint and/or Levy and the Warrant of Garnishment.

In 2009, the Company moved to have a preliminary hearing conducted to first resolve the legal issues. The CTA granted the motion and hearings were subsequently conducted. On 4 September 2009, the CTA granted the evidence presented by the Company.

On 6 January 2011, the Company received a CTA Resolution in which the CTA resolved to lift the Warrant of Garnishment (thereby lifting the Warrant of Dstraint and/or Levy as well) but denied the Company's Motion to Discharge Surety Bond.

On 22 June 2011, a copy of the CTA's resolution promulgated on 17 June 2011, which resolved the Motion in favor of the Company, thereby ordering that the surety bond posted by the Company for the suspension of collection of taxes be cancelled and withdrawn.

As mentioned in the CTA Resolution, in line with the decision of the Supreme Court in *Philippine Amusement and Gaming Corporation (PAGCOR) vs. The Bureau of Internal Revenue, et al.*, the CTA, in its decision dated 18 February 2011, cancelled the Bureau of Internal Revenue's ("BIR") assessment against the Company for deficiency value-added tax in the amount of PhP228,943,589.15 for taxable years 1996 to 2001. In its resolution dated 17 May 2011, the CTA denied the Commissioner of Internal Revenue's Motion for Reconsideration of the CTA's decision rendered on 18 February 2011. According to the CTA, considering that the assessment against the Company for deficiency VAT has been cancelled, the CTA deemed it proper that the surety bond posted by the Company be discharged.

On 1 September 2011, the CTA En Banc resolved to give course to BIR's appeal. The Company has filed its Memorandum in early October 2011. On 15 November 2011, the

CTA ruled that BIR for failure to file the Memorandum within the period prescribed by the Court and the Company has already filed its Memorandum, the case is now deemed for resolution.

On 24th February 2012, the Company filed a Motion for Early Resolution with the CTA and is still waiting decision from CTA.

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 June 2012, it holds bulk of its cash and cash equivalent in Philippines peso. The United States dollars are used to settle foreign obligations. As such, the Company does not have currency risk exposure.

The Company does not have any third party loans so it has no interest rate risk. The

Company in the ordinary course of business extends credit to its customers. Exposure to credit risk is monitored on an ongoing basis, credit review being performed for clients requesting for credit limit. The total exposure to trade receivables as at 30 June 2012 is Peso31.8 million.

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk by forecasting projected cash flows and maintaining a balance between continuity of funding and flexibility. As at 30 June 2012, the Company has Peso767million current assets and Peso497 million liabilities so the current assets are able to cover its 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 Australian and New Zealand Bank (ANZ).

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 June 2012	30 June 2012	31 December 2011	31 December 2011
	Carrying amount	Fair value	Carrying amount	Fair value
Cash and cash equivalents	425,793,822	425,793,822	354,346,638	354,346,638
Receivables net	278,088,209	278,088,209	271,253,706	271,253,706
Due from related party	18,737,046	18,737,046	19,413,876	19,413,876
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	319,149,428	319,149,428	337,156,462	337,156,462
Due to related party	17,517,592	17,517,592	2,915,485	2,915,485

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

June 30, 2012 and 2011

(With comparative figures for the year ended December 31, 2011)

(In Philippine Pesos)

ASSETS	Unaudited June 30, 2012	Unaudited June 30, 2011	Audited Dec. 31, 2011
Current Assets			
Cash and short-term notes	425,793,822.00	357,688,703.95	354,346,638.82
Accrued interest receivable	166,759.99	198,681.45	170,257.52
Accounts receivable - trade	266,852,494.99	250,004,307.40	265,394,964.60
Accounts receivable - others	11,265,317.64	8,758,700.20	5,866,891.36
Provision for bad debts	(196,361.00)	(89,263.00)	(178,406.00)
Deferred tax assets/(liabilities)	11,449,948.35	8,213,168.51	10,082,611.52
Input tax	-		
Advances to associated/related companies	18,031,770.14	28,471,805.79	18,969,525.44
Advances to immediate holding company	705,276.50	385,433.46	444,351.06
Inventories	17,239,640.05	12,079,599.72	12,590,052.06
Prepaid expenses	3,977,767.23	4,487,453.17	3,678,834.33
Creditable withholding tax		81.62	5,249.98
Other current assets	12,484,544.69	11,735,797.48	11,766,306.18
Advances to/from THHM	-	-	-
<i>Total Current Assets</i>	<u>767,770,980.58</u>	<u>681,934,469.75</u>	<u>683,137,276.87</u>
Property and Equipment	679,066,479.19	709,886,406.43	696,497,184.23
Investment in Stock of Associated Company	47,627,855.67	47,076,757.86	47,400,841.22
Deposit on Lease Contract	78,000,000.00	78,000,000.00	78,000,000.00
Loans Receivable	15,500,000.00	15,500,000.00	15,500,000.00
Other Assets			
Miscellaneous investments and deposits	5,085,790.50	5,085,790.50	5,085,790.50
Others	1,010,000.00	1,010,000.00	1,010,000.00
<i>Total Other Assets</i>	<u>6,095,790.50</u>	<u>6,095,790.50</u>	<u>6,095,790.50</u>
Total Assets	<u><u>1,594,061,105.94</u></u>	<u><u>1,538,493,424.54</u></u>	<u><u>1,526,631,092.82</u></u>

GRAND PLAZA HOTEL CORPORATION

Balance Sheets

June 30, 2012 and 2011

(With comparative figures for the year ended December 31, 2011)

(In Philippine Pesos)

LIABILITIES AND STOCKHOLDERS' EQUITY	Unaudited June 30, 2012	Unaudited June 30, 2011	Dec. 31, 2011
Current Liabilities			
Accounts payable	256,750,375.44	244,496,538.28	276,687,841.52
Accrued liabilities	62,399,053.13	52,895,250.16	60,468,621.43
Rental payable	6,665,201.20	5,775,316.20	952,171.60
Due to associated/related companies	17,517,592.52	13,231,928.46	2,915,485.95
Advances from immediate holding company - net	-		
Refundable deposit	31,356,636.22	28,537,477.97	27,655,055.49
Deferred rental	5,073,129.66	4,896,160.88	4,896,160.87
Dividend payable	105,044,884.00	499,999.00	
Income tax payable	7,259,683.08	17,175,768.93	20,117,735.00
Other current liabilities	3,949,450.74	3,841,754.49	3,614,013.01
Reserves	1,348,103.16	(614,198.61)	12,500.00
<i>Total Current Liabilities</i>	<u>497,364,109.15</u>	<u>370,735,995.76</u>	<u>397,319,584.87</u>
Long - Term Liabilities			
<i>Total Long - Term Liabilities</i>	<u>-</u>	<u>-</u>	<u>-</u>
Capital Stock			
Authorized - 115,000,000 shares in March 31, 2009 and December 31, 2008 at P10.00 par value per share			
Capital stock	873,182,699.00	873,182,699.00	873,182,699.00
Premium on capital stock	11,965,903.78	11,965,903.78	11,965,903.78
Paid-in capital in excess of par - Warrants	2,691,613.81	2,691,613.81	2,691,613.81
Treasury stock	(1,369,513,270.00)	(1,245,759,170.00)	(1,369,513,270.00)
Retained earnings/(deficit) - beginning	1,610,984,561.36	1,434,920,830.88	1,434,920,830.88
Retained profit/(loss) for the period	87,240,510.84	90,755,551.31	176,063,730.48
Dividend declared	(119,855,022.00)	-	-
<i>Total Stockholders' Equity</i>	<u>1,096,696,996.79</u>	<u>1,167,757,428.78</u>	<u>1,129,311,507.95</u>
Total Liabilities and Stockholders' Equity	<u>1,594,061,105.94</u>	<u>1,538,493,424.54</u>	<u>1,526,631,092.82</u>

GRAND PLAZA HOTEL CORPORATION

Income Statements

For the years ended June 30, 2012 and 2011

(With comparative figures for the year ended December 31, 2011)

(In Philippine Pesos)

	Unaudited Year-to-date June 30, 2012	Unaudited Year-to-date June 30, 2011	Audited Full Year Dec. 31, 2011
Revenue			
Rooms	182,723,091.65	193,200,912.64	367,797,596.57
Food & Beverage	100,775,234.08	92,059,194.15	203,305,339.89
Other Operated Depts.	5,141,812.42	5,345,532.14	10,827,511.54
Rental Income/Others	68,093,769.79	69,032,872.77	136,897,660.15
Total Revenue	356,733,907.94	359,638,511.70	718,828,108.15
Cost of Sales			
Food & Beverage	30,994,434.57	27,706,963.80	62,086,990.72
Other Operated Depts.	1,854,368.82	1,834,815.89	3,701,434.69
Total Cost of Sales	32,848,803.39	29,541,779.69	65,788,425.41
Gross Profit	323,885,104.55	330,096,732.01	653,039,682.74
Operating Expenses	203,930,207.81	203,872,154.05	410,676,608.54
Net Operating Income	119,954,896.74	126,224,577.96	242,363,074.20
Non-operating Income/(Loss)			
Interest Income	5,228,115.67	4,388,455.17	9,114,224.73
Dividend Income	10,750.00	-	-
Gain/(Loss) on Disposal of Fixed Assets	14,000.00	12,600.00	12,600.00
Exchange Gain/(Loss)	(2,141,567.13)	(1,837,574.60)	(1,974,642.72)
Share in Net Income/(Loss) of Associated Co.	227,014.45	(16,215.96)	307,867.40
Other Income	-	-	201,234.71
Total Non-Operating Income	3,338,312.99	2,547,264.61	7,661,284.12
Net Income/(Loss) Before Tax	123,293,209.73	128,771,842.57	250,024,358.32
Provision for Income Tax	36,052,698.89	38,016,291.26	73,960,627.84
Net Income/(Loss) After Tax	87,240,510.84	90,755,551.31	176,063,730.48
Earnings per share	1.46	1.45	2.94
Dilluted earnings per share	1.46	1.45	2.94

Notes:

In June 30, 2012 total shares outstanding is 59,927,511 net of 27,390,759 treasury shares

In June 30, 2011 , total shares outstanding is 62,402,593 shares

net of 24,915,677 treasury shares.

GRAND PLAZA HOTEL CORPORATION
Income Statements
For the 2nd quarters ended June 30, 2012 and 2011
(In Philippine Pesos)

	Unaudited 2nd Quarter June 30, 2012	Unaudited 2nd Quarter June 30, 2011
Revenue		
Rooms	86,794,141.40	98,761,500.00
Food & Beverage	45,697,467.89	45,853,828.92
Other Operated Depts.	2,394,216.17	2,775,395.19
Rental Income/Others	34,046,136.22	33,919,731.09
	<u>168,931,961.68</u>	<u>181,310,455.20</u>
Total Revenue		
	<u>168,931,961.68</u>	<u>181,310,455.20</u>
Cost of Sales		
Food & Beverage	14,126,601.51	13,456,951.17
Other Operated Depts.	910,836.77	921,219.80
	<u>15,037,438.28</u>	<u>14,378,170.97</u>
Total Cost of Sales		
	<u>15,037,438.28</u>	<u>14,378,170.97</u>
Gross Profit	153,894,523.40	166,932,284.23
Operating Expenses	100,721,150.70	105,784,261.77
Net Operating Income	<u>53,173,372.70</u>	<u>61,148,022.46</u>
Non-operating Income/(Loss)		
Interest Income	2,515,079.24	2,305,889.02
Dividend Income	-	-
Gain/(Loss) on Disposal of Fixed Assets	-	4,900.00
Exchange Gain/(Loss)	(483,459.34)	(391,292.01)
Share in Net Income/(Loss) of Associated Co.	144,140.74	(35,232.12)
	<u>2,175,760.64</u>	<u>1,884,264.89</u>
Total Non-Operating Income		
	<u>2,175,760.64</u>	<u>1,884,264.89</u>
Net Income/(Loss) Before Tax	55,349,133.34	63,032,287.35
Provision for Income Tax	16,157,598.70	18,568,544.19
Net Income/(Loss) After Tax	<u><u>39,191,534.64</u></u>	<u><u>44,463,743.16</u></u>

GRAND PLAZA HOTEL CORPORATION
Statements of Changes in Equity
For the years ended June 30, 2012 and 2011
(With comparative figures for the year ended December 31, 2011)
(In Philippine Pesos)

	<u>Unaudited June 30, 2012</u>	<u>Unaudited June 30, 2011</u>	<u>Audited Dec. 31, 2011</u>
Balance - beginning	1,129,311,507.95	1,077,001,877.47	1,077,001,877.47
Prior period adjustment	-	-	-
Balance - as adjusted	1,129,311,507.95	1,077,001,877.47	1,077,001,877.47
Net income for the period	87,240,510.84	90,755,551.31	176,063,730.48
Dividends	(119,855,022.00)	-	-
Retirement of shares	-	-	-
Buyback of shares	-	-	(123,754,100.00)
Balance - end	<u>1,096,696,996.79</u>	<u>1,167,757,428.78</u>	<u>1,129,311,507.95</u>

GRAND PLAZA HOTEL CORPORATION

Cash Flow Statements

For the years ended June 30, 2012 and 2011

(With comparative figures for the year ended December 31, 2011)

(In Philippine Pesos)

	Unaudited Year-to-date June 30, 2012	Unaudited Year-to-date June 30, 2011	Audited Full Year Dec. 31, 2011
Cash flows from operating activities			
Net income	87,240,510.84	90,755,551.31	176,063,730.48
Adjustments to reconcile net income to net cash provided by operating activities			
Prior period adjustments	-		-
Depreciation and amortization	19,190,997.58	19,054,507.12	38,360,256.64
Equity in net income of associated company	(227,014.45)	16,215.96	(307,867.40)
Provision for bad debts	196,361.00	89,263.00	178,406.00
Changes in operating assets and liabilities			
(Increase) decrease in			
Accrued interest receivable	3,497.53	(32,715.30)	(4,291.37)
Accounts receivable - trade	(1,635,936.39)	(4,652,365.62)	(20,043,022.82)
Accounts receivable - others	(5,398,426.28)	1,002,805.63	3,894,614.47
Deferred income tax	(1,367,336.83)	439,235.93	(1,430,207.08)
Input tax	-	-	-
Advances to associated company	937,755.30	(3,697,784.74)	5,804,495.61
Advances to immediate holding company	(260,925.44)	(385,433.46)	(444,351.06)
Inventories	(4,649,587.99)	1,271,991.86	761,539.52
Prepaid expenses	(298,932.90)	1,962,970.41	2,771,589.25
Creditable withholding tax	5,249.98	17.08	(5,151.28)
Other current assets	(718,238.51)	2,878,006.24	2,847,497.54
Advances to/from THHM	-	-	-
Increase (decrease) in			
Accounts payable	(19,937,466.08)	13,689,544.34	45,880,847.58
Accrued liabilities	1,930,431.70	134,994.55	7,708,365.82
Notes payable	-	-	-
Rental payable	5,713,029.60	3,808,686.40	(1,014,458.20)
Due to associated company	14,602,106.57	7,281,463.19	(3,034,979.32)
Advances from immediate holding company - net	-	-	-
Advances from intermediate holding company	-	-	-
Refundable deposit	3,701,580.73	6,505,866.48	5,623,444.00
Deferred rental - Pagcor	176,968.79	3,177,597.10	3,177,597.09
Due to City e-Solutions Limited (formerly CHIL)	-	-	-
Due to Byron	-	-	-
Dividend payable	105,044,884.00	(54,190,043.00)	(54,690,042.00)
Output tax	-	-	-
Income tax payable	(12,858,051.92)	1,039,553.23	3,981,519.30
Other current liabilities	335,437.73	(679,442.21)	(907,183.69)
Reserves	1,335,603.16	(626,698.61)	-
	<u>193,062,497.72</u>	<u>88,843,786.89</u>	<u>215,172,349.08</u>
Cash flows from investing activities			
Acquisition of property and equipment - net	(1,760,292.54)	(8,219,351.27)	(14,135,878.59)
Dividend (declared)/received	(119,855,022.00)	-	-
(Receipts)/Refund of deposit on lease contract	-	-	-
(Receipts)/Payments relating to other assets	-	-	-
Buyback of shares - net	-	-	(123,754,100.00)
	<u>(121,615,314.54)</u>	<u>(8,219,351.27)</u>	<u>(137,889,978.59)</u>
Cash flows from financing activities			
Increase/(Decrease) in reserves	-	-	-
	-	-	-
Net increase in cash and short-term notes	71,447,183.18	80,624,435.62	77,282,370.49
Cash and short-term notes, Beginning	<u>354,346,638.82</u>	<u>277,064,268.34</u>	<u>277,064,268.34</u>
Cash and short-term notes, Ending	<u>425,793,822.00</u>	<u>357,688,703.96</u>	<u>354,346,638.83</u>

GRAND PLAZA HOTEL CORPORATION
Cash Flow Statements
For the 2nd quarters ended June 30, 2012 and 2011
(In Philippine Pesos)

	Unaudited 2nd quarter June 30, 2012	Unaudited 2nd quarter June 30, 2011
Cash flows from operating activities		
Net income	39,191,534.64	44,463,743.16
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	9,623,442.68	9,509,004.10
Equity in net income of associated company	(144,140.74)	35,232.12
Provision for bad debts	196,361.00	89,263.00
Changes in operating assets and liabilities		
(Increase) decrease in		
Accrued interest receivable	34,482.88	(22,817.80)
Accounts receivable - trade	9,278,999.16	(11,214,061.51)
Accounts receivable - others	1,227,140.57	(145,234.33)
Deferred income tax	6,744,806.88	(149,070.55)
Input tax	-	-
Advances to associated company	(3,014,199.92)	(509,008.26)
Advances to immediate holding company	-	(234,566.70)
Inventories	(1,319,569.99)	899,071.86
Prepaid expenses	400,326.40	2,040,152.55
Creditable withholding tax	-	(37.45)
Other current assets	(521,933.84)	(2,583,370.94)
Advances to/from THHM	-	-
Increase (decrease) in		
Accounts payable	(1,196,405.47)	20,969,611.58
Accrued liabilities	(2,678,840.33)	(957,874.06)
Notes payable	-	-
Rental payable	2,856,514.80	952,171.60
Due to associated company	2,927,266.86	(5,175,208.40)
Advances from immediate holding company - ne	-	-
Advances from intermediate holding company	-	-
Refundable deposit	1,634,900.20	5,690,614.80
Deferred rental - Pagcor	(23,139,663.93)	(21,546,944.73)
Due to City e-Solutions Limited (<i>formerly CHIL</i>)	-	-
Due to Byron	-	-
Dividend payable	105,044,884.00	-
Output tax	-	-
Income tax payable	(16,546,125.34)	2,538,108.25
Other current liabilities	161,384.64	(777,396.96)
Reserves	759,180.78	(1,076,819.28)
	<u>131,520,345.93</u>	<u>42,794,562.05</u>
Cash flows from investing activities		
Acquisition of property and equipment - net	(347,321.42)	(2,515,491.08)
(Receipts)/Payments relating to other assets	-	-
Retirement of treasury stocks	-	-
Buyback of shares	-	-
	<u>(120,202,343.42)</u>	<u>(2,515,491.08)</u>
Cash flows from financing activities		
Increase/(Decrease) in reserves	-	-
	<u>-</u>	<u>-</u>
Net increase in cash and short-term notes	11,318,002.51	40,279,070.97
Cash and short-term notes, Beginning	<u>414,475,819.48</u>	<u>317,409,632.98</u>
Cash and short-term notes, Ending	<u><u>425,793,822.00</u></u>	<u><u>357,688,703.95</u></u>

Grand Plaza Hotel Corporation
Aging Report As At 30 June 2012

Customer Type	0 to 8 days	9 to 30 days	31 to 60 days	61 to 90 days	91 to 120 days	Over 120 days	Total	%
Airlines	1,367,278	2,108,450	1,977,226	41,202			5,494,156	17.26%
Credit card	2,214,420						2,214,420	6.96%
PAGCOR	1,533,351	6,052,052	2,984,470	612,603			11,182,476	35.13%
Individual - local							-	0.00%
Company - local	819,797	2,557,862	3,702,975	2,445,364	172,423	220,300	9,918,721	31.16%
Overpayment	(7,341)	(13,170)	(264,799)	(26,620)	(42,687)	(398,131)	(752,748)	-2.36%
Permanent accounts	(1,422)	24,384	20,001	10,760			53,723	0.17%
Embassy & government	135,000	77,500		340,800			553,300	1.74%
Travel Agent - Local	326,640	1,083,248	70,047	7,480			1,487,415	4.67%
Temporary credit	219,964	505,762	109,160				834,886	2.62%
Travel Agent - Foreign	440,439	328,544	76,236				845,219	2.66%
TOTAL	7,048,126	12,724,632	8,675,316	3,431,589	129,736	(177,831)	31,831,568	100.00%
%	22.14%	39.97%	27.25%	10.78%	0.41%	-0.56%	100.00%	