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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	19-Feb-2010 21:01:00
Announcement No.	00175

>> Announcement Details

The details of the announcement start here ...

Announcement Title *	Announcement by Subsidiary Company, Grand Plaza Hotel Corporation on Full Year Results ended 31 December 2009
Description	Please see attached announcement released by Grand Plaza Hotel Corporation on 19 February 2010.
Attachments	GPHC.pdf Total size = **3415K** (2048K size limit recommended) **Total attachment size has exceeded the recommended value**

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Company Information

SEC Registration No.	0000166878
Company Name	GRAND PLAZA HOTEL CORP.
Industry Classification	
Company Type	Stock Corporation

Document Information

Document ID	102192010001016
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Department	CFD
Remarks	

COVER SHEET

1 6 6 8 7 8

S.E.C. Registration Number

GRAND PLAZA HOTEL CORPORATION

(Company's Full Name)

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

(Business Address : No Street Company / Town / Province)

Mr. Yam Kit Sung	854-8838
Contact Person	Company Telephone Number

1 2	3 1	A A F S	
Month	*Day*	FORM TYPE	*Month* *Day*
			Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

507		
Total No. of Stockholders	Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

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CERTIFICATE OF AUTHENTICATION

NATHANIEL G. IMPERIAL, Consul General of the Republic of

Philippines, Singapore, duly commissioned and qualified, do hereby certify that

WILSON YIP

e whom the annexed instrument has been executed to wit:
CURITIES AND EXCHANGE COMMISSION SEC FORM 17-A FOR THE
CAL YEAR ENDED 31 DECEMBER 2009 SIGNED AND EXECUTED BY
NG HONG REN, CHAIRMAN AND PRESIDENT OF GRAND PLAZA HOTEL
RPORATION

s e time he/she signed the same A Notary Public in Singapore and that

/he gnature affixed thereto is genuine.

En ssy assumes no responsibility for the contents of the annexed document.

I ITN S HEREOF, I have hereunto set my hand and affixed the seal of the Embassy of

t at Singapore, this ____________ day of 11-Feb-10

NATHANIEL G. IMPERIAL
Consul General

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION I
Date FEB 19 2010 SDS
RECEIVED

Ser No: 1/2010
Fee : S 50
OR : 3

NOTARIAL CERTIFICATE

TO ALL TO WHOM THESE PRESENTS SHALL COME

I, **WILSON YIP** Notary Public duly authorised and appointed practising in the Republic of Singapore **DO HEREBY CERTIFY AND ATTEST** that the document **"SEC FORM 17-A"** hereunto annexed was signed and executed by **WONG HONG REN** holder of Singapore Passport No S0016593Z and the person named and mentioned in the said document in his capacity as Chairman & President for and on behalf of **GRAND PLAZA HOTEL CORPORATION.**

IN FAITH AND TESTIMONY WHEREOF I have hereunto subscribed my name and affixed my seal of office this 9th day of February 2010.

Wilson Yip

NOTARY PUBLIC
Wilson Yip
N2009/0324
1 Apr 2009 - 31 Mar 2010
SINGAPORE

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

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

1. For the fiscal year ended 31 December 2009

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

4. Exact name of issuer as specified in its charter GRAND PLAZA HOTEL CORPORATION

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

6. (SEC Use Only)
Industry Classification Code:

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

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

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

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

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Stock	**87,318,270** (Inclusive of 22,337,637 treasury shares)

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

Yes [x] No [ ]

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

Stock Exchange : Philippine Stock Exchange
Securities : Common Shares

12. Check whether the issuer:

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

Yes [x]   No [ ]

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

Yes [x]   No [ ]

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

The share price of the Company as of 19 January 2010 is PhP37.50 and the total voting stock held by non-affiliates of the Company is 8,773,535. Therefore, the aggregate market value of the voting stock held by non-affiliates of the Company is PhP329,007,563.

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

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

Yes [ ]   No [ ]

DOCUMENTS INCORPORATED BY REFERENCE

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

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

PART I – BUSINESS & GENERAL INFORMATION

ITEM 1. BUSINESS

General

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

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

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

For the fiscal year ended 31 December 2009, the Company reported a net profit after tax of about PhP138.3 million as against PhP182.8 million in 2008 and PhP165.5 million in 2007.

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

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

Competitive Position

The main competitors of The Heritage Hotel Manila are Manila Diamond Hotel, Hyatt Casino and Hotel, Traders Hotel and Dusit Thani Hotel.

Based on information made available to us, the competitive position of these hotels is shown below:

NAME	MPI	ARI	RGI
Heritage Hotel	1.00	0.94	0.95
Diamond Hotel	0.99	0.90	0.90
Dusit Thani	1.14	1.10	1.25
Hyatt Casino Hotel	0.95	1.23	1.37
Traders Hotel	1.03	0.69	0.71

Note: MPI stands for Market Penetration Index, ARI stands for Average Room Rate Index and RGI stands for Revenue Growth Index. A figure of "1" means that the hotel is getting the fair share of the market.

Raw Materials and Services

The hotel purchases its raw material for food and beverage ("F&B") from both local and foreign suppliers. The top 3 suppliers for raw materials are Agathon Trading, HD Marketing and Distribution and Golden Horseshoe.

Dependence on Single Customer

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

Related Party Transactions

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

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

The Company has entered into a Management Contract with CDL Hotels (Phils.) Corporation for the latter to act as the hotel's administrator. Under the terms of the agreement, the Company is required to pay monthly basic management and incentive fees based on a certain percentage of revenue and gross operating profit.

Policy on Related Party Transactions

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

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

a. the nature of the related party relationship;
b. the type of transaction (e.g. supply or services contract, loans, guarantees);
c. the total amounts payable and receivable in the transaction from or to the related party;

d. the elements of the transaction necessary to understand the listed company's financial statements.

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

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

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

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

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

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

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

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

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

Patents, Trademarks, Etc.

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

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

Government Approval and Regulation

The hotel applies for Department of Tourism ("DOT") accreditation annually. The accreditation is based on a certain standard set by the DOT for deluxe class hotels. The DOT inspects the hotel to determine whether the hotel meets the criteria of the DOT. The DOT accredited the hotel and the Company for the year 2009.

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

Development Activities

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

Number of Employees

The hotel employed a total of 401 employees during the year 2009. Out of the 401 employees, 280 are regular employees and 121 are casual employees.

The number by type of employee is as follows:

	REGULAR	CASUAL	TOTAL
Hotel Operating Staff (All operating dept)	196	92	288
Management/Admin/Security (A&G Dept)	37	26	63
Sales & Marketing	17		17
Repairs & Maintenance	30	3	33
Total	280	121	401

Barring any unforeseen circumstance, for the year 2010, the Company will maintain more or less the same number of employees as in year 2009.

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

ITEM 2. PROPERTIES

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

The lease for the hotel site is for a period of 25 years renewable for another 25 years. The lease commenced on 1 January 1990.

The annual rental expenses for the hotel site and is PhP10.6 million.

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

ITEM 3. LEGAL PROCEEDINGS

On 12 September 2008, the Company made a disclosure to the Philippine Stock Exchange and Securities and Exchange Commission via SEC 17C report, the substance of which disclosure is reproduced below.

The Company filed on 12 September 2008 a surety bond with the Court of Tax Appeals ("CTA") in compliance with the condition imposed by the CTA in its Resolution dated 21 August 2008, granting the Company's Urgent Motion to Suspend Collection of Tax and Extremely Urgent Supplemental Motion to Suspend and Enjoin Collection of Taxes with Prayer for Immediate *Ex Parte* Issuance of Temporary Restraining Order.

With the filing of the surety bond, a Temporary Restraining Order came into effect enjoining the Bureau of Internal Revenue ("BIR") from, among other things, implementing (a) the Warrant of Distraint and/or Levy constructively served by the BIR on 11 August 2008 pursuant to which the BIR sought to (i) distrain the "goods, chattels or effects, and other personal property whatever character of [the Registrant]" and (ii) "levy upon the real property and interest in/or rights to real property of [the Registrant]", and "sell and/or forfeit in favour of the Republic of Philippines so much of such personal/real property as may be necessary to satisfy in full the sum/sums due ... ; and to cover such expenses as may be incurred in making this distraint/levy;" and (b) the Warrants of Garnishment issued by the BIR against the Company's bank accounts in the Philippines on 14 August 2008. Prior to the effectivity of the Temporary Restraining Order, and as a consequence of the Warrants of Garnishment, the Company was not able to operate the garnished bank accounts

As far as the Company is aware, the Warrant of Distraint and/or Levy and the Warrants of Garnishment were issued by the BIR in connection with a Final Decision on Disputed Assessment made by the BIR against the Company (the validity of the amounts claimed in which assessment the Company has disputed and continues to dispute) for deficiency value-added tax ("VAT") in an aggregate amount of PhP228,943,589.15 (consisting of PhP128,126,970.31 for deficiency VAT and 20% interest from 25 January 2003 to 31 December 2006 amounting to PhP100,816,618.83) in relation to payments for transactions with the Philippine Amusement and Gaming Corporation ("PAGCOR") from 1996 to 2002. The Company has filed with the CTA a Petition for Review of the Final Decision on Disputed Assessment against the Commissioner of Internal Revenue, docketed as CTA Case No. 7794 ("Petition for Review").

The Board of Directors of the Company has taken legal advice and, based upon such advice, is of the view that in light of the Supreme Court's decision in the case of *Commissioner of Internal Revenue v. Acesite (Philippines) Hotel Corporation (G.R. No. 147295, 16 February 2007)* which confirmed that PAGCOR's tax exemption privilege under its charter included the indirect tax of VAT and entitles persons dealing with PAGCOR in casino operations to a zero percent (0%)

VAT rate, the Company is not liable for the deficiency VAT claimed by the BIR and that the Company has strong defenses against the BIR's tax assessment.

On 3 March 2009, the Company's officer testified and identified certain documents in the CTA. On the same hearing, the CTA cancelled the calendared hearing date on 13 March 2009. Instead the CTA instructed the BIR to file its Comments to the Company's Motion. After the filing by BIR or expiry of the filing date, the CTA would resolve the Company's Motion for Preliminary Hearing without any hearing date.

On 20 April 2009, the Company received a resolution from the CTA granting the Company's "Motion for Preliminary Hearing for the Limited Purpose of Resolving the Legal Issues". There were also hearings set on 28 May 2009 and 2 June 2009 whereby the Company presented evidence and identified documents at the CTA.

On 19 June 2009, the Company presented its Formal Offer of Evidence ("FOE"). The BIR should have filed its comment to the Company's FOE within 15 days from its receipt. However, as at 17 July 2009, the Company has not received a copy of the BIR Comment.

On 4 September 2009, the CTA issued a Resolution granting the Company's FOE. On 5th October, the Company's counsel attended the hearing but the BIR counsel did not attend and case was reset to 12th November 2009.

On 12th November 2009, the Company's counsel again attended the hearing but the BIR counsel was not present. The Company moved for the BIR to be deemed to have waived their right to present evidence but the CTA denied the motion and instead reset the hearing to 26th November 2009.

On the 26th November 2009, BIR manifested that it is resting its case. Both parties were given until 25th January 2010 to file a Memorandum to support the legal issues.

The Company will continue to pursue its Petition for Review with the CTA and will file the necessary disclosure on the outcome thereof following the issuance of the judgment of the CTA.

Other than the above matter, there are no material legal proceedings to which the Company or any of its subsidiaries or affiliates is a party or of which any of its property is the subject.

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

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

In the 15 May 2009 annual stockholders meeting, the following were elected as directors of the Company:

Wong Hong Ren;

Eddie C.T. Lau;
Bryan Cockrell;
Eddie Yeo Ban Heng;
Mia Gentugaya (independent director)
Angelito Imperio; (independent director) and
Michele Dee Santos

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

PART II – OPERATIONAL AND FINANCIAL INFORMATION

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

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

The following are the high and low share prices of the Company for the year 2009 and 2008:

Amount in Peso:

	HIGH	LOW	HIGH	LOW
	Year 2009	Year 2009	Year 2008	Year 2008
First Quarter	No movement	No movement	No movement	No movement
Second Quarter	37.50	37.50	41.00	41.00
Third Quarter	No movement	No movement	No movement	No movement
Fourth Quarter	No movement	No movement	37.50	37.50

The last recorded trade of the shares of the Company during the fiscal year covered by this report occurred on 7 April 2009. The share price was PhP37.50.

Holders of Securities

The Company has only one class of shares, i.e., common shares. The total outstanding common shares as of 31 December 2009 is 87,318,270 inclusive of 22,337,637 treasury shares.

As of 31 December 2009, the number of shareholders of the Company is 507.

The list of the top 20 shareholders is as follows:

	NAME OF SHAREHOLDER	NO. OF SHARES	% OF SHAREHOLDING (INCLUSIVE OF

			TREASURY SHARES)
01	The Philippine Fund Ltd.	34,725,309	39.77%
02	Grand Plaza Hotel Corp- Treasury Stocks	22,337,637	25.58%
03	Zatrio Pte Ltd	21,481,789	24.60%
04	PCD Nominee Filipino	7,953,706	9.1%
05	PCD Nominee Non-Filipino	251,065	0.28%
06	Alexander Sy Wong	41,810	0.05%
07	Yam Kit Seng	7,000	<0.01%
08	Phoon Lin Mui	7,000	<0.01%
09	Yam Kum Cheong	7,000	<0.01%
10	Yam Poh Choo	7,000	<0.01%
11	Lucas M. Nunag	4,800	<0.01%
12	Natividad Kwan	4,148	<0.01%
13	Le Ying Tan-Lao	3,328	<0.01%
14	Yam Kit Sung	2,999	<0.01%
15	Peter Kan	2,443	<0.01%
16	Romeo L. Salonga	2,400	<0.01%
17	Christopher Lim	2,239	<0.01%
18	Robert Uy	2,000	<0.01%
19	James Jao & / Or Henry Jao	1,494	<0.01%
20	Zoriada C. Josue	1,000	<0.01%
	Total	86,846,167	99.46%

Dividends

The Board of Directors did not declare any dividends in 2009.

The Board of Directors, in its meeting held on 30 October 2007 approved the declaration of cash dividend in the total amount of PhP70,462,058 to be distributed among its shareholders as of record date 30 September 2007, pro-rata to their respective shareholdings and paid not later than 15 December 2007. The cash dividend declared is PhP1 per share.

Dividend Policy

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

Recent Sales of Unregistered Securities

The Company does not have any unregistered securities.

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

(A) Full Fiscal Year

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

	2009	2008	2007
Current ratio	**1.87**	1.57	1.16
Net book value per share (include treasury shares)	**PhP12.54**	PhP12.49	PhP11.48
Earnings per share	**PhP2.13**	PhP2.70	PhP2.35
Profit before tax margin ratio	**31.39%**	38.22%	35.95%
EBITDA	**PhP232.1 million**	PhP300.2 million	PhP277.8 million

Current ratio is derived by dividing the current assets with the current liabilities. This indicator measures the liquidity of the Company in the short-term. The current ratio has improved during the year of review mainly due to higher cash balance and receivables. Current liabilities have also reduced mainly in accounts payable and accrued expenses.

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. The net book value per share increased for the period of review due to higher liabilities.

Earning per share 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. The earnings per share decreased in year 2009 due to lower profitability.

Profit before tax margin ratio is computed by dividing the profit before tax against the total revenue. This ratio measures whether the Company is able to contain its expenses in relation to the revenue. The Company has recorded a lower ratio due to lower 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. The Company shows a fall of PhP68 million or 23% due to lower earnings.

Results of Operations:

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

YEAR	REVENUE – PHP	NIAT – PHP
2009	631,743,287	138,317,275
2008	732,760,830	182,877,353
2007	697,370,240	165,572,708

2009 Results of Operations

The sub-prime financial crisis that started in year 2008 has a spill over effect in year 2009. Coupled with the H1N1 swine flu crisis, year 2009 is not a strong year for tourism in the Philippines. In general, most hotels in Metro Manila registered a slow down in business. In addition, new hotels such as Marriott New Port which opened in the last quarter of year 2009 added more hotel rooms to the already soft market.

The Company reported a decrease of PhP101 million or 13% in revenue compared with last year. It also registered a lower profit after tax of PhP138 million or a decrease of 24% compared to the prior year.

Revenue:
Room division revenue decreased by PhP51 million or 13% as compared to the same period of last year. Occupancy for year 2009 was 55% compared to 63% in year 2008. Average Room Rate (ARR) remains similar to year 2008. As such, due to the fall in occupancy, total room revenue decreased by 13%.

Food and beverage (F&B) revenue registered a decrease of PhP43 million or 18%. Total food covers also posted a fall from 449,189 in year 2008 to 399,927 in year 2009. In addition, average food check also registered a fall of PhP14 or 3%. The biggest short fall in revenue is from the Riviera café, Banquet and Casino restaurants. The drop in Riviera café is mainly due to lesser breakfast revenue which is a result of lower room occupancy. As for casino, the cost cutting measures implemented by PAGCOR affected the F&B revenue of this outlet. Banquet posted lower revenue compared with prior year due to lesser meetings and events held in the hotel.

Others - The bulk of this comes from rental income from PAGCOR. A tenant has moved out at the end of year 2008 and the new tenant has not moved in until late December 2009 which affected the total rental income.

Cost of Sales:
Food and beverage cost of sales decrease by PhP10 million or 15% as against last year. The decrease in food and beverage cost of sales is consistent with the decrease in food and beverage revenue.

Gross Profit:
Gross profit is derived after deducting cost of sales from revenue. There is a drop in gross profit by 13.7% as compared with year 2008. This is due to lower revenue contribution.

Selling and Operating Expenses:
The detailed breakdown of this line item can be found in Note 16 of the Financial Statements. The bulk of this expense relates to payroll and related costs and also property operation, maintenance, energy and conservation (POMEC) expenses, guest supplies and laundry costs.

Payroll and related expenses have shown significant drop of PhP6.3 million. Property operation, maintenance, energy and conservation also show significant decrease of PhP17 million as a result of lower occupancy and energy saving actions.

Administrative and General Expenses:
The detailed breakdown of this line item can be found in Note 17 of the Financial Statements.
The bulk of this expense relates to payroll and related costs for overhead/supporting departments such as Engineering, Sales and Marketing, Human and Resources and Administrative and General.

Total payroll and related expenses has decreased by PhP5.6 million. Management and incentive fees decreased by 20% which were consistent with the lower revenue and gross operating profit. Property tax has increased by about PhP5 million due to reversal of over-accrual in prior year. Taxes and licenses increased by about PhP4.6 million relative to year 2008 due to payment of a deficient tax.

Other income/(expenses):
The Company registered an income of PhP5.8 million versus last year of PhP22.5 million in this section. The higher income for last year was due to the foreign exchange gain of PhP13.9 million while this year was a loss of PhP2 million.

Net Income before tax:
This is the income before tax but after deduction of all expenses. There is a drop of PhP82 million in year 2009 as compared to last year. The unfavorable variance is due to lower revenue.

Provision for income tax:
Total provision for income tax for year 2009 is PhP59 million (2008: PhP97 million). This decrease in provision is consistent with the lower profit and the lower income tax rate of 30% versus 35% in year 2008.

Net Income:

As a result of the significant lower revenue, the profit after tax of the Company showed a decrease of PhP44 million.

2008 Results of Operations

The Philippines tourism industry experienced steady growth during the first 3 quarters of year 2008. However, due to the worldwide credit crunch financial crisis, the impact on Philippines tourism was felt in the last quarter of year 2008. Hotels occupancy rate in Metro Manila registered a slow down in the last quarter of the year.

The Company reported an increase of PhP35 million or 5% growth in revenue compared to last year. In terms of profitability, it registered an increase of PhP17 million or 10%.

Revenue:
Rooms division revenue increased by PhP27 million or 7% versus the previous period. Occupancy for the year under review was 63% compared to the prior year of 66%. However, average room rate has improved from PhP3,271 to PhP3,630. The increase in average room rate is due to the overall increase in rates to clients as a result of the newly renovated rooms. As a result of the slight drop in occupancy but higher average room rate, overall room revenue increase by 7%.

Food and beverage (F&B) revenue registered an increase of PhP8 million or 3%. Total food covers dropped by about 23,827 or 5%. On the other hand, average food check increased by about PhP22 or 5%. The main contributor to the improvement in F&B revenue came from Casino outlet. The other outlets like Riviera, Banquet and Lobby Lounge all registered a drop in revenue compared to year 2007. Casino was able to increase its revenue by about PhP23 million versus prior year. Newly opened restaurants in various parts of Manila post a strong challenge to the F&B business of the hotel.

Other operated departments consisting of business center, laundry and telephone departments also showed a drop in revenue compared to last year by PhP2 million or 28%. The main reason for this unfavorable variance is due to the significant drop in telephone revenue.

Others - The bulk of this comes from rental income from PAGCOR and the lease to a restaurant operator. No significant variance for this balance.

Cost of Sales:
Food and beverage cost of sales increase by PhP4.9 million or 8% as against last year. The increase in food and beverage cost of sales is consistent with the increase in food and beverage revenue and also inflationary pressure during the first nine months of the year.

Gross Profit:
Gross profit is derived after deducting cost of sales from revenue. There is an improvement in gross profit by 5.2% as compared with year 2007. This is due to higher revenue contribution.

Selling and Operating Expenses:
The detailed breakdown of this line item can be found in Note 16 of the Financial Statements. The bulk of this expense relates to payroll and related costs and also property operation, maintenance, energy and conservation (POMEC) expenses, guest supplies and laundry costs. Payroll and related expenses have shown a marginal drop even though minimum wage has increased due to continue effort to reduce headcount in operation departments. Property operation, maintenance, energy and conservation show significant increase as fuel price has increased during the year by 33% even though consumption has reduced by 4%. Transport charges have also increased compared to prior year due to more groups that the hotel has taken in that requires transportation.

Administrative and General Expenses:
The detailed breakdown of this line item can be found in Note 17 of the Financial Statements. The bulk of this expense relates to payroll and related costs for overhead/supporting departments such as Engineering, Sales and Marketing, Human and Resources and Administrative and General. Total payroll and related expenses has increased to PhP56 million (2007: PhP52 million). Payroll cost has increased mainly in Administrative and General Department (A&G). In year 2007, there was a reversal of over-accrual made in previous years for provident funds. In addition for year 2008, there was a minimum wage increase. Management and incentive fees increased by 9% which were consistent with the higher revenue and gross operating profit. Depreciation has increased in the year of review due to higher depreciation charge out for the year as a result of the newly renovated rooms. Property tax has decreased by about PhP5 million due to reversal of over-accrual in prior year.

Other income/(expenses):
The Company registered an income of PhP22 million versus last year of PhP1 million in this section. This is mainly due to a foreign exchange gain of PhP13.9 million for the year under review. This gain is a result of the weakness of the Peso.

Net Income before tax:
This is the income before tax but after deduction of all expenses. There is an improvement of PhP30 million in year 2008 as compared to last year. The favorable variance is due to higher revenue and improved management of expenses.

Provision for income tax:
Total provision for income tax for year 2008 is PhP97 million (2007: PhP85 million). This increase in provision is consistent with the improvement in total revenue.

Net Income:
As a result of the significant improvement in revenue and effective cost control, the profit after tax of the Company showed an increase of PhP17 million.

2007 Results of Operations

With a stable political climate in the Philippines combined with the worldwide strong economy, Philippines tourism market showed strong growth in year 2007. The Company reported an increase of PhP26 million or 4% growth in revenue compared to last year. In terms of profitability, it registered an increase of PhP8 million or 5%.

Revenue:
Rooms division revenue improved by PhP25 million or 7% over the previous year. Occupancy has dropped by 4.38 percentage point due to partial closure of room for renovation as compared to last year. The drop in occupancy is mitigated by the significant improvement in room rate. Average room rate increased from PhP2,852 in year 2006 to PhP3,271 in year 2007. The improvement in average room rate is a result of the newly renovated rooms. Guests are willing to pay a higher room rate for the new rooms. As a result, the total room revenue increased by 7%.

Food and beverage (F&B) revenue registered an increase of PhP3 million or 1%. Food covers dropped by 56,787 or 10% as compared to last year. The main reason is due to lesser breakfast cover which is caused by lower room occupancy. Average food check increased by PhP34 or 10% versus last year. The casino and café did not perform better than last year. Banquet was able to increase its revenue by PhP6 million compared with last year.

Other operated departments consisting of business center, laundry and telephone departments registered a slight decrease in revenue. The drop is mainly due to lower telephone department revenue as more guests are using their mobile phone instead of hotel phone but this is partially offset by the higher internet charges.

Others - The bulk of this comes from rental income from PAGCOR and the lease to a restaurant operator.

Cost of Sales:
Food and beverage cost of sales increase by PhP0.4 million as against last year. The increase in food and beverage cost of sales is consistent with the increase in food and beverage revenue by 1% as compared with the previous year.

Gross Profit:
Gross profit is derived after deducting cost of sales from revenue. There is an improvement in gross profit by 4.3% as compared with year 2006. This is due to higher revenue contribution.

Selling and Operating Expenses:
The detailed breakdown of this line item can be found in Note 18 of the Financial Statements. The bulk of this expense relates to payroll and related costs and also property operation, maintenance, energy and conservation (POMEC) expenses, guest supplies and laundry costs. Payroll cost has increased mainly in the housekeeping department as a result of the increase in minimum wage during the year. POMEC showed a decrease compared to year 2006 due to the fact that the hotel has completed its rooms renovation so the POMEC cost is lower. Transport charges are higher than last year due to the transfer cost incurred for the Singapore Airlines crew.

Administrative and General Expenses:

The detailed breakdown of this line item can be found in Note 19 of the Financial Statements. The bulk of this expense relates to payroll and related costs for overhead/supporting departments such as Engineering, Sales and Marketing, Human and Resources and Administrative and General. Total payroll and related expenses has decreased to PhP52 million (2006: PhP55 million). Payroll cost has decreased mainly due to reduction in headcount for administrative and general division during the year. The other major expense for this line item is management and incentive fees. This relates to the fees paid to the operator of the Hotel. The fee has increased to PhP34.8 million (2006: PhP31.8 million) as a result of the increase in revenue and gross operating profits (GOP). Management and incentive fees are based on a percentage of gross revenue and GOP respectively. Data processing has shown an increase by 45% over the prior year. The increase is due to an accrual for a new data processing system. Miscellaneous expense decreased significantly mainly due to the reversal of property management system by PhP4 million and foreign exchange gain in year 2008 while 2007 was a loss. Depreciation has increased to PhP28 million from PhP25 million due to higher depreciation charges from the newly renovated rooms.

Non-operating income/(expenses):
The Company registered a net other income of PhP1.6 million (2006: PhP19 million). The reason for the significant drop is due to a foreign exchange loss of PhP12 million in year 2007 versus a gain of PhP1 million in the year 2006. The unfavorable variance is due to the strengthening of the Philippines Peso against US dollars. Moreover interest income also dropped by PhP5.8 million as a result of lower cash balance.

Net Income before tax:
This is the income before tax but after deduction of all expenses. There is an improvement of PhP16 million in year 2007 as compared to last year. The favorable variance is due to higher revenue and improved management of expenses.

Provision for income tax:
Total provision for income tax for year 2007 is PhP85.1 million (2006: PhP76.5 million). This increase in provision is consistent with the improvement in total revenue. Moreover, with effective from 1 November 2005, the Internal Revenue increased the corporate income tax rate from 32% to 35%.

Net Income:
As a result of the significant improvement in revenue and effective cost control, the profit after tax of the Company showed an increase of PhP8 million.

Financial Conditions:

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

YEAR	ASSETS - PHP	LIABILITIES – PHP
2009	1,435,656,659	340,902,878
2008	1,419,676,667	329,046,211
2007	1,413,628,798	365,998,395

2009 Financial Conditions

Total assets for the year 2009 increased by PhP16 million or 1% as compared to the last period of review. While total liabilities increased by PhP11 million or 3% as compared to end of last year 2008.

Assets:

- Cash and cash equivalents: There is a significant increase in this balance by PhP45 million or 25% compared to prior year. The main reasons are due to lower capital expenditures during the year and no payment of cash dividends.

- Receivables net: There is an increase of PhP17.6 million or 7% relative to the end of last period. The increase is mainly due to higher receivables from a major tenant.

- Due from related parties: There is an increase in this balance by PhP4.6 million as compared to the previous year and the reason is due to the fact that related parties have not settled for outstanding amount.

- Prepayment and other current assets: As compared to end of last year, the balance decrease by PhP8.2 million or 36% which is due to the amortization of prepaid insurance expense on the Surety Bond.

- Property and equipment net: There is a fall of PhP32.6 million in property and equipment which is due to depreciation for the year and also disposal of fixed assets during the year.

- Other assets: This balance decreased by about PhP10 million relative to end of last year. This is mainly attributed to the PhP10.6 million of prepaid rental recorded in year 2008. It has been amortized in year 2009.

Liabilities and Equity:

- Accounts payable and accrued expenses: This balance fell by PhP11.7 million or 16% compared to end of last year. This is mainly due to lower trade payable which is a result of lesser business this year.

- Income tax payable: This balance decreased by about PhP2.7 million mainly due to lower profit and tax rate has reduced from 35% in year 2008 to 30% in year 2009.

- Due to related parties: As compared to last year, this balance increased by PhP8.6 million or 77%. The increment is mainly due to the unpaid bills to a related company in Singapore as at year end.

- Other current liabilities: There is an increase of PhP14.8 million or 8% relative to end of last year. The increase is attributed to the higher output VAT payable.

- Refundable deposits: The increase of PhP2.4 million in this balance is attributed to the deposit given by a new tenant for the Chinese restaurant.

- Treasury stock: Treasury stock increased by PhP134 million or 13% due to the share buyback exercise in year 2009. During the year 2009, the Company conducted a share buyback exercise in which it purchased back 1 share for every 25 shares held by each shareholder at the price of PhP50 per share. The total amount paid out to shareholders is about PhP134 million.

2008 Financial Conditions

Total assets for the year 2008 increased by PhP6 million as compared to the last period of review. The main assets that have shown significant increase are cash and cash equivalent, inventories and prepayments and other current assets.

Assets:

- Cash and cash equivalents: There is a significant increase in this balance by PhP25 million or 16% compared to prior year. The main reasons are due to lower capital expenditures during the year, no payment of cash dividends and improved trading.

- Due from related parties: There is a drop in this balance by PhP4.7 million as compared to the previous year and the reason is due to settlement by related parties for outstanding amount.

- Inventories: Inventories increase by PhP2 million or 23% as a result of higher general supplies. This is due to the change over of accounting software in November 2008 and the hotel over record general supplies by about PhP2.9 million.

- Prepayments and other current assets: There is an increase of PhP5.6 million or 33% due to increase in input tax and prepayments. Higher input tax is due to higher volume of purchases which is consistent with higher turnover. The increase in prepayment is mainly due to the recognition of insurance premium for a surety bond.

- Deferred tax assets: Deferred tax assets dropped by PhP5.3 million or 45% compared to prior year. This is basically due to lower balances for deferred rental income and accrual of retirement costs.

- Property and equipment: This balance decreased by PhP30.7 million or 3%. The main reason is the recording of disposal of old fixed assets during the renovation period and higher depreciation charge during the year.

Liabilities and Equity:

- Accounts payable and accrued expenses: The increase in this balance is mainly due to large volume of unreleased checks from PhP11 million in year 2007 to PhP17 million in year 2008 due to the long holidays in the second half of December 2008. In addition, the Company also accrued for some capital expenditures items like the electronic door lock system, telephone system and computer system for the year 2008.

- Due to related parties: This balance increased by PhP4.2 million or 60% as the Company has not settled its obligations with the related companies as at year end.

- Other current liabilities: This balance decreased by PhP42 million or 19% as a result of lower deferred rental. The lower deferred rental is due to a change in billing cycle for a tenant. This tenant used to pay 6 months rental in advance but due to the fact that the renewal of contract of lease is not yet final, the billing is on a monthly basis, so deferred rental is low. In addition, there is also a reversal of operating equipment and decrease in final withholding tax for cash dividend since there is no cash dividend for year 2008.

- Accrued retirement liability: The Company on a monthly basis accrued for employee retirement benefits in accordance with the Republic Act 7641 which is unfunded. The increase in value by PhP3 million or 14% is due to the accruals for the year 2008.

- Treasury stock: Treasury stock increased by PhP140 million and this is due to the share buyback exercise for the year 2008. In the year 2008, the Company approved a share buyback at 1 share for every 25 shares held by each shareholder at PhP50 per share.

2007 Financial Conditions

Total assets for the year 2007 decreased by PhP24 million versus last period of review. The main reason for the drop is due to lower cash balance.

Assets:

- Cash and cash equivalents: There is a significant drop in this balance by PhP82 million. The lower cash balance is due to higher payout for share buyback and cash dividends. In addition, the Company also incurred expenses for the renovation of all guestrooms.

- Accounts receivables: This balance increased by PhP16 million or 7% over the same period of last year. This is consistent with the higher revenue.

- Due from related parties: As the related parties have not repaid their outstanding balance during the year, this balance increased by about PhP4 million compared to prior year.

- Property and equipment – net: This balance increased by PhP35 million or 4% as against last year. The increase is due to the addition of fixed assets from the renovation of rooms.

Liabilities:

- Accounts payable and accrued expenses: This balance includes payment to suppliers and accrual of operating expenses. The increase of PhP1 million is minimal and consistent with the increase in revenue.

- Income tax payable: Income tax payable is PhP1.6 million higher than last year as a result of better business and higher tax payment.

- Due to related parties: There is an increase of PhP2.7 million or 63% as the Company has not repaid its outstanding balance to the related parties.

- Other current liabilities: This balance increased by PhP20 million. The main reason for the increase in this account is due to higher output tax charged to a certain government corporation.

Risks

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

ITEM 7. FINANCIAL STATEMENTS

Please see attachments.

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

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

PART III – CONTROL AND COMPENSATION INFORMATION

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

NAME	OFFICE	CITIZENSHIP	FAMILY RELATION (*)	AGE
Wong Hong Ren	Chairman & President	Singaporean	No relation	58
Bryan Cockrell	Director	American	No relation	62
Eddie C. T. Lau	Director	Chinese	No relation	54
Michele Dee Santos	Director	Filipino	No relation	42
Angelito Imperio	Independent Director	Filipino	No relation	70
Mia Gentugaya	Independent Director	Filipino	No relation	58
Eddie Yeo Ban Heng	Director / Vice-President / Assistant Compliance Officer / General Manager of The Heritage Hotel Manila	Malaysian	No relation	62
Yam Kit Sung	General Manager of the Company / Chief Finance Officer / Compliance Officer / Chief Audit Executive	Singaporean	No relation	39
Lawrence Wee	Assistant General Manager of The Heritage Hotel Manila	Singaporean	No relation	55
Alvin Ng	Executive Chef	Singaporean	No relation	54
Maria Christina J. Macasaet-Acaban	Corporate Secretary	Filipino	No relation	36
Alain Charles J. Veloso	Assistant Corporate Secretary	Filipino	No relation	29
Arlene De Guzman	Treasurer	Filipino	No relation	49

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

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

None of the directors and executive officers are related within the 4^{th} civil degree of consanguinity or affinity.

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

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

Business Experience:

WONG HONG REN
CHAIRMAN & PRESIDENT

Mr. Wong Hong Ren was first elected Director and Chairman of the Board of Directors in May 1996. Since 1988 he has held the position of Group Investment Manager of Hong Leong Management Services Pte. Ltd.. Before joining the Hong Leong Group in 1988, he was the Director and General Manager of Investment and Property of Haw Par Brothers International Ltd. and First Capital Corporation where he was actively involved in the management of the companies' funds in international equities.

BRYAN K. COCKRELL
DIRECTOR

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

ANGELITO C. IMPERIO
INDEPENDENT DIRECTOR

Atty. Imperio has been a Director of the Company continuously since August 1992 and during that span of time, he served as independent Director from 2001 to 2004, and again from 2008 up to the present. He completed his legal education at the University of the Philippines (LL.B.) and was admitted to the bar in 1966. He was a senior partner of the law firm SyCip Salazar Hernandez & Gatmaitan until his retirement in October 2004. He is now acting as of counsel to the same law firm. He also sits on the Board of Directors of various companies.

MIA G. GENTUGAYA
INDEPENDENT DIRECTOR

Atty. Gentugaya is a senior partner of SyCip Salazar Hernandez & Gatmaitan. She has been a Director of the Company since August 1992 and served as independent director since 2005. She was admitted to the Philippine Bar in 1978 after completing her legal education at the University of the Philippines (LL.B.). Atty. Gentugaya practices corporate and commercial law, and has been named by Global Chambers and International Financial Law Review as one of the world's leading lawyers in project finance and commercial law. She is a member of the International Bar Association, the Philippine Bar Association, the Maritime Law Association of the Philippines (charter member; Trustee, 1988 – 1989) and the Makati Business Club. She also serves in the Board of Directors of various companies.

MICHELE DEE-SANTOS
DIRECTOR

Ms. Santos was appointed on 7 February 2006. She obtained a B.A. International Business from Marymount College, New York, U.S.A. She started her career as a Staff Operations Manager of American Express Bank in New York City. She is currently the Executive Vice President of AY Foundation, President of Sandee Unlimited Inc., Chairperson and President of Luis Miguel Foods, Inc., Treasurer of Mico Equities, Inc. Ms. Dee-Santos also sits on the Board of Malayan Insurance Co., Bankers Assurance Corporation., First Nationwide Assurance Corporation, Pan Malayan Express Inc. Aequitas Holdings, Inc. and RCBC Savings Bank She is not a director of any other reporting company

EDDIE K. YEO
DIRECTOR, VICE-PRESIDENT, ASSISTANT COMPLIANCE OFFICER & GENERAL MANAGER OF THE HERITAGE HOTEL MANILA

Mr. Eddie Yeo is appointed as a Director and General Manager of The Heritage Hotel Manila on 13 January 2005. Prior to his current position, he was the General Manager of Copthorne Kings Hotel Singapore from January 1999 to 2004. He has more than 30 years experience in managing and developing hotel projects in Singapore, Malaysia, Thailand, Australia, USA and Vietnam. He holds a Master of Business Administration from the University of South Australia, is a Certified Hotel Administrator (CHA) from the Educational Institute of the American Hotel & Motel Association, Michigan, USA and a Member of the Chartered Management Institute, UK.

EDDIE C.T. LAU
DIRECTOR

Mr. Eddie Lau, a Chinese and was appointed Director of the Company since 17 January 2005. He obtained his MBA from the University of Durham, UK. He is a fellow member of both the Hong Kong Institute of Certified Public Accountants and the Chartered Institute of Certified Accountants in UK. Mr. Lau is also an associate member of the Chartered Institute of Bankers in UK. He has more than 25 years experience in the financial industry and has extensive practical exposures in financial control, business planning and operational management. He had worked with Hang Seng Bank, Standard Chartered Bank, Bank Austria and The Long-Term Credit Bank of Japan. For the past twelve years, he was the Financial Controller of those banks that he worked with. Mr. Lau had also served in the Hong Kong Monetary Authority as a Bank Examiner to monitor the banks' compliance in Hong Kong. Currently, Mr. Lau is the Senior Vice President – Head of Group Finance of Asia Financial Holdings group. He joined Asia Financial Holdings group since July 2000.

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

Mr. Yam obtained his Bachelor of Accountancy (Honors) degree from Nanyang Technological University in Singapore. Upon graduation, he joined the international accounting firm, Price Waterhouse based in Singapore as an auditor and later joined CDL Hotels International Limited as an internal auditor. In 1996, he joined The Heritage Hotel Manila as an Operations Analyst and was appointed General Manager of the Company in April 2000. In June 2006, Mr. Yam was appointed Vice President Finance for HLG Enterprise Limited formerly known as LKN Primefield Limited, a company listed on the Singapore Stock Exchange. He also sits on the Board of several companies in the HLG Enterprise Limited group.

Maria Christina J. Macasaet-Acaban
CORPORATE SECRETARY

Ms. Macasaet-Acaban is a partner of the law firm of Quisumbing Torres. She joined Quisumbing Torres in 1998 after graduating *cum laude* from the University of the Philippines College of Law (LLB. 1998). She was also a recipient of the Dean's Medal for Academic Excellence and a member of the Order of the Purple Feather, the honors society of the University of the Philippines College of Law. She was admitted to the Philippine Bar in 1999.

Ms. Macasaet-Acaban practices corporate and commercial law, with focus on foreign investments, mergers and acquisitions, outsourcing and corporate compliance. She has represented multinational corporations in Philippine and cross-border transactions, including mergers and acquisitions and government contracts. She advises foreign companies on equity restrictions, investment structures and joint ventures for Philippine business operations.

She serves as corporate secretary and assistant corporate secretary of various private companies. She is not a director of any reporting company.

Attendance Record

Meeting Attendance of the Company's Board of Directors in 2009:

Date of Board of Directors' meetings	Name of Directors						
	Wong Hong Ren	Bryan Cockrell	Angelito Imperio	Mia Gentugaya	Michele Dee-Santos	Eddie Lau	Eddie Yeo
6 February 2009	P	P	P	P	P	P	P
6 March 2009	A	P	P	P	P	P	P
28 April 2009	P	P	P	P	P	P	P
15 May 2009 (10:30 a.m.)	P	P	P	P	P	P	P
15 May 2009[1] (11:30 a.m.)	P	P	P	P	P	A	P
15 May 2009 (1:00 p.m.)	P	P	P	P	P	A	P
28 July 2009	P	P	P	P	P	P	P
3 September 2009	A	P	P	P	A	P	P
29 October 2009	P	P	P	P	P	P	P
Total	7 out of 9	9 out of 9	9 out of 9	9 out of 9	8 out of 9	7 out of 9	9 out of 9
Percentage of Attendance	78%	100%	100%	100%	89%	78%	100%

Meeting Attendance of the Company's Audit Committee in 2009:

Date of the Audit Committee meetings	Name of Directors		
	Bryan Cockrell	Mia Gentugaya	Michele Dee-Santos
6 February 2009	P	P	P
6 March 2009	P	P	P
28 April 2009	P	P	P
28 July 2009	P	P	P
29 October 2009	P	P	P
Total	5 out of 5	5 out of 5	5 out of 5
Percentage of Attendance	100%	100%	100%

Meeting Attendance of the Company's Nomination Committee in 2009:

[1] Annual Stockholders' Meeting

Date of the Nomination's Committee meetings	Name of Directors			
	Eddie Lau	Bryan Cockrell	Michele Dee-Santos	Mia Gentugaya
6 March 2009	P	P	P	P
23 March 2009	P	P	P	P
Total	2 out of 2	2 out of 2	2 out of 2	2 out of 2
Percentage of Attendance	100%	100%	100%	100%

ITEM 10. EXECUTIVE COMPENSATION

EXECUTIVE AND DIRECTORS COMPENSATION

NAME	POSITION	YEAR	SALARY	BONUS	OTHERS/ DIRECTOR FEES
Wong Hong Ren	Chairman & President	2009			
Eddie Yeo Ban Heng	General Manager of Hotel	2009			
Yam Kit Sung	General Manager of the Company	2009			
Lawrence Wee	Resident Manager of Hotel	2009			
Alvin Ng	Executive Chef	2009			
Total		2009	17,384,879	1,397,933	296,570
Directors		2009			2,566,565
All officers & Directors as a group		2009	17,384,879	1,397,933	2,863,135

The estimated total compensation for officers and directors in year 2010 is as follows:

Salary – PhP18 million
Bonus – PhP2 million
Other Fees – PhP3 million

FOR THE LAST 2 FINANCIAL YEARS – 2008 & 2007

NAME	POSITION	YEAR	SALARY	BONUS	OTHERS/ DIRECTOR FEES
WONG HONG REN	CHAIRMAN & PRESIDENT	2008			
EDDIE YEO BAN HENG	GENERAL MANAGER OF HOTEL	2008			
YAM KIT SUNG	GENERAL MANAGER	2008			
STANLEY KON	RESIDENT MANAGER OF HOTEL	2008			
SUNNY GOH	EXECUTIVE CHEF	2008			
TOTAL		2008	17,423,181	5,647,458	254,960
DIRECTORS		2008			2,330,882
ALL OFFICERS & DIRECTORS AS A GROUP		2008	17,423,181	5,647,458	2,585,842
NAME	POSITION	YEAR	SALARY	BONUS	OTHERS/ DIRECTOR FEES
Wong Hong Ren	Chairman & President	2007			
Eddie Yeo Ban Heng	General Manager of Hotel	2007			
Yam Kit Sung	General Manager	2007			
Stanley Kon	Resident Manager of Hotel	2007			
Sunny Goh	Exe. Chef	2007			
Total		2007	16,038,781	3,145,175	456,616
Directors		2007			1,739,185
All officers & Directors as a group		2007	16,038,781	3,145,175	2,195,801

The compensations of the directors are one-time directors' fees and do not involve any other form of remuneration. There are no arrangements, such as consulting contracts, pursuant to which any director of the Company was compensated, or is to be compensated, directly or indirectly, during the Company's last completed fiscal year, and the ensuing year, for any service provided as director.

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

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

Security Ownership of Management

The following table shows the shareholding beneficially held by the officers of the Company as at 31 December 2009.

TITLE OF CLASS	NAME OF BENEFICIAL OWNER / (CITIZENSHIP)	AMOUNT & NATURE OF BENEFICIAL OWNERSHIP	PERCENT OF CLASS
Common shares	Yam Kit Sung (Singaporean)	2,999 shares beneficial	Less than 1%
Common shares	Eddie Yeo Ban Heng (Malaysian)	1 share beneficial	Less than 1%

The following entitles are directly or indirectly the beneficial owners of more than 5% of the Company's voting shares (common) as of 31 December 2009.

S/N	NAME OF SHAREHOLDER	CITIZENSHIP	NO. OF SHARES	% OF SHAREHOLDING (EXCLUSIVE OF TREASURY SHARES)
1	The Philippine Fund Limited	Bermuda	34,725,309[2]	53.44%
2	Zatrio Pte. Ltd.	Singapore	21,481,789	33.06%
3	RCBC Trust &	Filipino	7,071,654	10.88%

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[2] The Philippine Fund Limited is owned by:

Shareholder's Name	Class of Shares Owned	% Held
1. Hong Leong Hotels Pte. Ltd. P.O. Box 309 Grand Cayman British West Indies, Cayman Islands	Ordinary	60%
2. Pacific Far East (PFE) Holdings Corporation (formerly Istethmar International Corporation) Suite 2705-09, 27Flr. Jardine House 1 Connaught Place, Central, Hong Kong	Ordinary	20%
3. Robina Manila House Limited 8/F Bangkok Bank Building 28 Des Voeux Road, Central Hong Kong	Ordinary	20%

	Investment				

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Please see Note 15 of the audited financial statements for details.

ITEM 13. CORPORATE GOVERNANCE

Under the Revised Manual of Corporate Governance of the Company, the Compliance Officer is responsible for monitoring compliance with the provisions and requirements, as well as violations of the Revised Manual of Corporate Governance and the Revised Code of Corporate Governance, and issues a certification regarding the level of compliance of the Company.

The Company complies with the rules, regulations, and issuances issued by government authorities pertaining to corporate governance and is committed to adhering to good corporate governance principles.

Section 7.2 of the Revised Manual of Corporate Governance of the Company provides that the Manual shall be reviewed quarterly unless the Board of Directors provides otherwise. Moreover, the Audit Committee of the Company reports regularly to the board of directors its quarterly review of the financial performance of the Company.

Implementation of the Revised Code of Corporate Governance

In compliance with Article 9 of the Philippine Securities and Exchange Commission Memorandum Circular No. 6, Series of 2009 or the Revised Code of Corporate Governance, the Board of Directors, in a meeting held on 29 October 2009, approved the amendment of the Company's Manual on Corporate Governance. The amendment of the Company's Manual on Corporate Governance was made to establish and implement the Company's corporate governance rules in accordance with the Revised Code of Corporate Governance.

Appointment of Independent Director as Chairperson of the Audit Committee

In compliance with Article 3 (K) of the Revised Code of Corporate Governance, which provides that the Chairperson of the Audit Committee should be an Independent Director, the Board of Directors of the Company, in a meeting held on 28 July 2009, appointed Atty. Gentugaya, one of the Independent Directors of the Company, as the Chairperson of the Audit Committee.

Appointment of Assistant Compliance Officer

To assist in monitoring the Company's compliance with the Revised Code of Corporate Governance, and in preparing and filing the necessary reports and disclosures of the Company to the PSE and the SEC, in the absence or unavailability of the Compliance Officer, the Board of

Directors of the Company, in a meeting held on 28 July 2009, appointed Mr. Yeo as the Company's Assistant Compliance Officer.

Participation in the Annual Corporate Governance Scorecard for Listed Companies

The Company participates in the SEC's Annual Corporate Governance Scorecard for Listed Companies ("Scorecard") to measure the performance of the Board of Directors and Management of the Company in accordance with the corporate governance best practices provided for in the Scorecard. In compliance with the SEC Memorandum Circular No. 12, dated 18 August 2009, the Company submitted its Scorecard with the SEC on 18 September 2009. Based on the Company's self-assessment, its scores in the Scorecard have generally improved from the previous years.

Audit Committee Report for 2009

Further to the compliance with applicable corporate governance rules and principles, the Audit Committee reports that:

a. During the meeting of the Audit Committee on 8 February 2010, KPMG Manabat Sanagustin & Co., the Company's External Auditor, presented the results of its examinations of the Company's financial statements. Upon review and discussion with Management and KPMG Manabat Sanagustin & Co., the Audit Committee, during that meeting, approved and indorsed to the Board of Directors the Company's financial statements as at and for the year ended 31 December 2009. During its meeting on 8 February 2010, the Board of Directors approved the Company's financial statements as at and for the year ended 31 December 2009.

b. In the meetings of the Audit Committee held on 28 April 2009, 28 July 2009, and 29 October 2009 the Audit Committee reviewed the Company's quarterly and half-year financial statements before their submission for the approval of the Board of Directors.

c. The Audit Committee's review of the Company's financial statements were made in the presence of the Company's External Auditor as well as the Company's Chief Audit Executive, with particular focus on the following matters:

   - Any change/s in accounting policies and practices;
   - Major judgmental areas;
   - Significant adjustments resulting from the audit;
   - Going concern assumption;
   - Compliance with accounting standards; and
   - Compliance with tax, legal, and regulatory requirements.

d. During the meeting of the Audit Committee on 29 October 2009, KPMG Manabat Sanagustin & Co. presented the overall scope, plans, strategy, and focus areas for the audit of the Company's financial statements for the year ended 31 December 2009.

During the period 11 to 22nd January 2010, the Group Internal Auditors conducted an internal audit review of the Company for the year 2009. The formal audit report will be released later in February 2010. However, based on initial discussion with the Group Internal Auditors, there were no significant issues raised.

Corporate Social Responsibility ("CSR") Report for 2009

It has been a year marked with a roller coaster ride on the global economic front and riddled with a spate of natural crisis and disasters on Philippine shores, yet despite these circumstances, the Heritage Hotel Manila fueled the glowing embers of hope, unity and charity for its various stakeholders.

Fund-Raising Concert for Abandoned & Street Children

Though it seems that weary street children have been permanent fixtures and accoutrements of Manila's urban cosmos, the Heritage Hotel in partnership with Shepherd of the Hills Foundation, initiated a fund-raising concert in light of taking the abandoned children out of the streets and providing for their basic & socio-emotional needs and education. The fund-raising concert was part of the Hotel's Corporate Social Responsibility program to help rebuild the lives of this marginalized sector of the society. Local celebrities lent their talents and influential wattage to help bring a brighter prospect of the future for the street children.

The abandoned children under the stewardship of the 3-decade in service Shepherd of the Hills Foundation also took center stage as musicians and vocalists alongside accomplished performing artists during the fund-raising concert. The Shepherd of the Hills Foundation has been honing the children's skills in music as part of their developmental therapy, socialization and confidence building activities. After the Hotel's other fund-raising efforts that benefited the said foundation, the concert is the culminating and paramount event that aimed to benefit hundreds of deserted children taken under the wings of the Shepherd of the Hills in three care centers in Manila, Baguio City, and San Antonio, Zambales. The children range in age from teens to infants.

Advocacy for Reading among Children and Promotion of Peace & Harmony in a Multi-Ethnic Society

The children's story-telling is a key pillar of the Heritage Hotel's Corporate Social Responsibility program to inculcate the love of reading among children. During the festive season, the Hotel invited a local media personality to render a meaningful and colorful story-telling that aimed to instill in the hearts and minds of the future leaders of their generation to underscore the importance of honor, dignity and sanctity of every human life, care for others and promotion of multi-cultural understanding and tolerance.

Proactive and Preventive Measures for H1N1 Virus

In view of its health and safety trust that "prevention is always better than cure," the Heritage Hotel was one of the first 5-star Deluxe Hotels in Manila to enjoin its stakeholders to work together and take "socially responsible" actions for healthy living in Manila and mitigation of the risk of a global pandemic of the H1N1 Swine Flu virus through simple yet important health & safety measures. One of the Hotel's flagship campaigns was the implementation of the temperature check at the guests and staff entrance. Those who were unwell were sent to the clinic doctors for immediate diagnosis and treatment. Moreover, the Hotel stepped up its cleaning regimen and enforced strict personal hygiene checks on our staff members. Guests were also given reminders on basic sanitation practices.

Relief Aid for Victims of Typhoon Ondoy (Ketsana)

As part of the Singapore-based Millennium & Copthorne International Limited (MCIL) chain of Hotels, the Heritage Hotel worked hand in hand with Singaporean humanitarian NGO, Mercy Relief (MR) to answer the urgent call to aid victims of the unprecedented devastation of Typhoon Ondoy (Ketsana) in Metro Manila.

The Heritage Hotel worked with the Mercy Relief disaster response team to distribute relief supplies and provide ground assessment for future relief engagement. The Heritage Hotel also provided accommodation for the Mercy Relief volunteer team during the five-day mission.

Since the disaster struck, staff of the Heritage Hotel Manila raised funds to supplement Mercy Relief's stock of relief supplies and have volunteered to support Mercy Relief's distribution exercise at the Paco Convent in Manila where they gave out food packs to communities living near the creeks.

In the aftermath of typhoon Ondoy's devastating effects to human life and property, The Heritage Hotel Manila team demonstrated the Bayanihan spirit, a Filipino trait that shows willingness to help alleviate the plight of fellowmen directly impacted by the disaster.

The Hotel's Relief Operations Committee also raised additional funds and pooled together basic necessities such as grocery items, bottled water and clothes among the entire staff in order to provide immediate relief to fellow staff and other typhoon victims in key localities who were directly impacted by the typhoon and whose homes and properties were wreaked and inundated. Though the Hotel's efforts may seem small, the Hotel aspired to bring hope and renewal to those in need of aid.

Fire Drill & Disaster Preparedness Program

In compliance with the Presidential Decree No. 1185 otherwise known as the Fire Code of the Philippines, the Heritage Hotel took pride in its Annual Fire Drill and Disaster Preparedness Program which demonstrated the 100% readiness of the Hotel team to rapidly respond to fire emergencies and the good working condition of the Hotel's fire detection and alarm system.

The activity was spearheaded by the Hotel's Engineering and Human Resources team with the support of the Hotel's First Aid Responders and the participation of the Pasay City Fire Fighters and Rescue Team.

The success of the fire drill was in part due to the vigorous preparation, training and coordination meeting among representatives of each division of the Hotel. Various rescue techniques were applied from the previous First Aid & Basic Life Support training.

The Earth Hour Campaign against Global Warming & Climate Change

For the second year in a row, the Heritage Hotel switched off its lights during the Earth Hour in solidarity with the global community. The Heritage Hotel joined the influential worldwide Earth Hour social movement as part of its advocacy to mobilize action against global warming and climate change through the simple act of turning off lights.

The key landmarks along the Roxas Boulevard strip including the Rizal Monument, Mall of Asia and the Heritage Hotel were blanketed in symbolic darkness for the observance of the switch-off campaign to shed light on the imperative to minimize the world's carbon foot prints in order to curb global warming.

Once more, in the spirit of Bayanihan, the Heritage Hotel supported the Earth Hour initiated by WWF, the Department of Energy, Green Army Network and SWITCH movement. The Hotel united with various establishments and key landmarks across the globe such as the Eiffel Tower, Paris; Big Ben, London; Empire State Building, New York; Sydney Opera House; Bird's Nest, Beijing and key landmarks in the Roxas Boulevard to take a symbolic giant step forward towards putting the welfare of the environment on the forefront of humanity's agenda.

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

Exhibits

None

Reports on SEC Form 17-C

The following events were reported in SEC Form 17-C during the period January 2009 to December 2009:

Date of SEC Form 17-C	Summary of the matter disclosed
8 January 2009	Certification on the Corporation's compliance with its Manual on Corporate Governance.
8 January 2009	Certification on the attendance record of the Corporation's Board of Directors' meetings held from 1 January 2008 to 31 December 2008.
15 May 2009	Board of Directors' approval of the proposal for the purchase by the Corporation of a portion of its outstanding shares from stockholders of record as of 5 June 2009.
15 May 2009	Election of the members of the Board of Directors and re-

	appointment of the Corporation's External Auditor by the stockholders.
15 May 2009	Election of the Corporation's officers by the newly-elected members of the Board of Directors.
2 June 2009	Revised timetable of the Corporation's offer to purchase ("Buyback Offer") a portion of its outstanding shares from stockholders of record as of 5 June 2009; Appointment of AB Capital Securities, Inc., as the transacting broker for the Buyback Offer; Copies of the documents that will be distributed in connection with the Buyback Offer.
19 June 2009	Report on the result of the Corporation's Buyback Offer, i.e., list of stockholders who tendered shares under the Buyback Offer and the number of shares tendered by each stockholder.
26 June 2009	Report on the completion of the Corporation's Buyback Offer, i.e., the number of shares that were purchased by the Corporation from the stockholders who tendered their shares as of 19 June 2009.
28 July 2009	Election of Ms. Mia G. Gentugaya, and Independent Director, as Chairperson of the Audit Committee, and appointment of Mr. Eddie Yeo as Assistant Compliance Officer, by the Corporation's Board of Directors.
14 August 2009	Passing of Mr. Christopher L. Lim, the Corporation's Corporate Secretary and the assumption of Ms. Maria Christina Macasaet-Acaban as Acting Corporate Secretary until the election of a new Corporate Secretary.
29 October 2009	Election of Ms. Maria Christina Macasaet-Acaban as Corporate Secretary of the Corporation to replace the late Mr. Christopher L. Lim, by the Board of Directors; Amendment of the Corporation's Manual on Corporate Governance in compliance with the Revised Code of Corporate Governance.

SIGNATURES

Pursuant to the requirements of Section 17 of the Securities Regulation Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of ______________________ on __________, 20__.

By:

Wong Hong Ren
Chairman & President

Yam Kit Sung
General Manager
Vice President Finance

Christina Macasaet-Acaban
Corporate Secretary

SUBSCRIBED AND SWORN to before me this FEB 09 2010 ________ 2010__ affiant(s) exhibiting to me their Community Tax Certificates/Passports, as follows:

Names	CTC/Passport No.	Date of Issue	Place of Issue
Christina Macasaet-Acaban	01484242/XX2019184	6 Jan 2010 / 12 Dec 2002	Manila
Yam Kit Sung	S7013301	16 Sept 2002	Singapore

Notary Public

ATTY. DELFIN R. ARCAOILI JR.
NOTARY PUBLIC
PTR NO. 9236238-01/7/2010 MLA
IBP NO. 794114-01/7/2010 MLA
ROLL NO. 24655 TIN NO. 144-519-066

Doc. No. 146
Page No. 15
Book No. F-II
Series of 2010.

SIGNATURES

Pursuant to the requirements of Section 17 of the Securities Regulation Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of ___________________________on___________, 20__.

notary attestation
to Wong Hong Ren only

By:

Wong Hong Ren
Chairman & President

NOTARY PUBLIC
Wilson Yip
N2009/0324
1 Apr 2009 – 31 Mar 2010
SINGAPORE

- 9 FEB 2010

Yam Kit Sung
General Manager/
Vice President Finance

Christina Macasaet-Acaban
Corporate Secretary

SUBSCRIBED AND SWORN to before me this _____ day of _________ 2010 affiant(s) exhibiting to me their Community Tax Certificates/Passports, as follows:

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

____
Notary Public

Doc. No.
Page No.
Book No.
Series of 2010.

GRAND PLAZA HOTEL CORPORATION

8 February 2010

Statement of Management's Responsibility For Financial Statements

SECURITIES AND EXCHANGE COMMISSION
SEC Building, EDSA, Greenhills
City of Mandaluyong

The management of **GRAND PLAZA HOTEL CORPORATION** is responsible for all information and representations contained in the financial statements as of and for the years ended December 31, 2009, 2008 and 2007. The financial statements have been prepared in conformity with generally accepted accounting principles in the Philippines and reflect amounts that are based on the best estimates and informed judgment of management with an appropriate consideration to materiality.

In this regard, management maintains a system of accounting and reporting which provides for the necessary internal controls to ensure that transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or disposition and liabilities are recognized. The management likewise discloses to the Company's audit committee and to its external auditor: (i) all significant deficiencies in the design or operation of internal controls that could adversely affect its ability to record, process, and report financial data; (ii) material weaknesses in the internal controls; and (iii) any fraud that involves management or other employees who exercise significant roles in internal controls.

The Board of Directors reviews the financial statements before such statements are approved and submitted to the stockholders of the Company.

KPMG Manabat Sanagustin & Co., the independent auditors appointed by the stockholders, has audited the financial statements of the Company in accordance with generally accepted auditing standards in the Philippines and has expressed its opinion on the fairness of presentation upon completion of such audit, in its report to the Board of Directors and Stockholders.

Wong Hong Ren
Chairman and President

Yam Kit Sung
General Manager & Chief Financial Officer

Subscribed and sworn to before me a notary public for and in the City of PASAY CITY this ______ day of 08 FEB 2010, the signatories exhibiting to me their Community Tax Certificates/Passports details of which are as follows:

Name	Community Tax Certificate/ Passport Number	Date	Place of Issue
Wong Hong Ren			
Yam Kit Sung	S7023301	16 SEPT. 2002	SINGAPORE

Notary Public
ATTY. ROGELIO U. MARAVILES
NOTARY PUBLIC
UNTIL DECEMBER 31, 2010
PTR NO. 1602301-01/04/2010 P.C.
ROLL NO. 23259

Doc. No. 291
Page No. 50
Book No. IV
Series of 2010.

FOREIGN SERVICE OF THE
REPUBLIC OF THE PHILIPPINES

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

CERTIFICATE OF AUTHENTICATION

NATHANIEL G. IMPERIAL, Consul General of the Republic of

t[illegible]Philippines, Singapore, duly commissioned and qualified, do hereby certify that

WILSON YIP

be[illegible] whom the annexed instrument has been executed to wit:
[illegible]ATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL
[illegible]ATEMENTS DATED 08 FEBRUARY 2010 ADDRESSED TO SECURITIES
[illegible] EXCHANGE COMMISSION, PHILIPPINES DULY SIGNED BY WONG
[illegible]G REN, CHAIRMAN AND PRESIDENT OF GRAND PLAZA HOTEL
C[illegible]PORATION

[illegible]s a[illegible]e time he/she signed the same A Notary Public in Singapore and that

[illegible]/he[illegible]gnature affixed thereto is genuine.

[illegible] Em[illegible]ssy assumes no responsibility for the contents of the annexed document.

I[illegible]ITN[illegible]S HEREOF, I have hereunto set my hand and affixed the seal of the Embassy of

t[illegible]Phili[illegible]es at Singapore, this ________ day of 11-Feb-10

NATHANIEL G. IMPERIAL
Consul General

Se[illegible] No: [illegible]50/2010

Fe[illegible]id : [illegible]2.50

OR[illegible] : [illegible]1

NOTARIAL CERTIFICATE

TO ALL TO WHOM THESE PRESENTS SHALL COME

I, **WILSON YIP** Notary Public duly authorised and appointed practising in the Republic of Singapore **DO HEREBY CERTIFY AND ATTEST** that the document **"STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS"** dated 8 February 2010 hereunto annexed was signed and executed by **WONG HONG REN** holder of Singapore Passport No S0016593[illegible] and the person named and mentioned in the said document in his capacity as Chairman & President for and on behalf of **GRAND PLAZA HOTEL CORPORATION.**

IN FAITH AND TESTIMONY WHEREOF I have hereunto subscribed my name and affixed my seal of office this 9th day of February 2010.

Wilson Yip

NOTARY PUBLIC
Wilson Yip
N2009/0324
1 Apr 2009 - 31 Mar 2010
SINGAPORE

GRAND PLAZA HOTEL CORPORATION

8 February 2010

Statement of Management's Responsibility For Financial Statements

SECURITIES AND EXCHANGE COMMISSION
SEC Building, EDSA, Greenhills
City of Mandaluyong

The management of **GRAND PLAZA HOTEL CORPORATION** is responsible for all information and representations contained in the financial statements as of and for the years ended December 31, 2009, 2008 and 2007. The financial statements have been prepared in conformity with generally accepted accounting principles in the Philippines and reflect amounts that are based on the best estimates and informed judgment of management with an appropriate consideration to materiality.

In this regard, management maintains a system of accounting and reporting which provides for the necessary internal controls to ensure that transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or disposition and liabilities are recognized. The management likewise discloses to the Company's audit committee and to its external auditor: (i) all significant deficiencies in the design or operation of internal controls that could adversely affect its ability to record, process, and report financial data; (ii) material weaknesses in the internal controls; and (iii) any fraud that involves management or other employees who exercise significant roles in internal controls.

The Board of Directors reviews the financial statements before such statements are approved and submitted to the stockholders of the Company.

KPMG Manabat Sanagustin & Co., the independent auditors appointed by the stockholders, has audited the financial statements of the Company in accordance with generally accepted auditing standards in the Philippines and has expressed its opinion on the fairness of presentation upon completion of such audit, in its report to the Board of Directors and Stockholders.

to Wong Hong Ren only

NOTARY PUBLIC
Wilson Yip
N2009/0324
1 Apr 2009 - 31 Mar 2010
SINGAPORE

- 9 FEB 2010

Wong Hong Ren
Chairman and President

Yam Kit Sung
General Manager & Chief Financial Officer

Subscribed and sworn to before me a notary public for and in the City of __________ this ______ day of ____________ 2010, the signatories exhibiting to me their Community Tax Certificates/Passports details of which are as follows:

Name	Community Tax Certificate/ Passport Number	Date	Place of Issue
Wong Hong Ren			
Yam Kit Sung			

Notary Public

Doc. No.
Page No.
Book No.
Series of 2010.

REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE

FILING REFERENCE NO.

TIN	: 000 -460-602-000
Name	: GRAND PLAZA HOTEL CORPORATION
RDO	: 116
Form Type	: 170 2
Reference No.	: 12100000358 1532
Amount Payable (Over Remittance)	: 15, 842,145.63
Accounting Type	: C - Calendar
For Tax Period	: 12/ 31/2009
Date Filed	: 02/ 18/2010
Tax Type	: IT

Proceed to Payment

[BIR Main | eFPS Login | User Menu | Help]

LAND BANK OF THE PHILIPPINES

ELECTRONIC TAX PAYMENT SYSTEM

CONFIRMATION RECEIPT

Your account has been successfully debited with details as follows:

Transaction Date & Time	Feb 18, 2010 02:53 PM
TIN	000160602000
Corporate's Name	GRAND PLAZA HOTEL CORPORATION
Account Number	1773975777
Reference Number	121000003581532
Transaction Number	101836555
Amount Paid	15,842,145.63
Confirmation Number	00021820101453216870

To view your payments, click here

[Help]

Important !

- An email advice has been sent to the authorizers regarding this transaction.
- This will serve as your official receipt.
- Print this confirmation advice for your record.
- For security reasons, do not forget to close this window.

[Print this receipt] [Close Window]

GRAND PLAZA HOTEL CORPORATION

FINANCIAL STATEMENTS
December 31, 2009 and 2008

Approved for Printing by:

Manabat Sanagustin & Co., CPAs
The KPMG Center, 9/F
6787 Ayala Avenue
Makati City 1226, Metro Manila, Philippines

Branches: Subic · Cebu · Bacolod · Iloilo

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Fax +63 (2) 894 1985
Internet www.kpmg.com.ph
E-mail manila@kpmg.com.ph

PRC-BOA Registration No. 0003
SEC Accreditation No. 0004-FR-2
BSP Accredited

REPORT OF INDEPENDENT AUDITORS

Board of Directors and Stockholders
Grand Plaza Hotel Corporation

We have audited the accompanying financial statements of Grand Plaza Hotel Corporation, which comprise the statements of financial position as at December 31, 2009 and 2008, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the years in the three-year period ended December 31, 2009, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Philippine Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Grand Plaza Hotel Corporation as of December 31, 2009 and 2008, and its financial performance and its cash flows for each of the years in the three-year period ended December 31, 2009 in accordance with Philippine Financial Reporting Standards.

Manabat Sanagustin & Co.

February 8, 2010
Makati City, Metro Manila

Manabat Sanagustin & Co., CPAs
The KPMG Center, 9/F
6787 Ayala Avenue
Makati City 1226, Metro Manila, Philippines

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Internet www.kpmg.com.ph
E-Mail manila@kpmg.com.ph

PRC-BOA Registration No. 0003
SEC Accreditation No. 0004-FR-2
BSP Accredited

REPORT OF INDEPENDENT AUDITORS TO ACCOMPANY FINANCIAL STATEMENTS FOR FILING WITH THE BUREAU OF INTERNAL REVENUE

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

We have audited the accompanying financial statements of Grand Plaza Hotel Corporation as of and for the year ended December 31, 2009, on which we have rendered our report dated February 8, 2010.

In compliance with Revenue Regulation V-20, we are stating that:

1. No partner of our Firm is related by consanguinity or affinity to the president or any member of the Board of Directors and Stockholders of the Company; and

2. The taxes paid and/or accrued by the Company during the year are shown in the Schedule of Taxes and Licenses attached to the Annual Income Tax Return.

MANABAT SANAGUSTIN & CO., CPAs

JIMMY S. QUIÑONES
Partner
CPA License No. 0085650
SEC Accreditation No. 0679-A
Tax Identification No. 112-072-024
BIR Accreditation No. 08-001987-17-2007
Issued December 11, 2007; Valid until December 10, 2010
PTR No. 2092725MB
Issued January 7, 2010 at Makati City

February 8, 2010
Makati City, Metro Manila

Manabat Sanagustin & Co., CPAs
The KPMG Center, 9/F
6787 Ayala Avenue
Makati City 1226, Metro Manila, Philippines

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E-Mail manila@kpmg.com.ph

PRC-BOA Registration No. 0003
SEC Accreditation No. 0004-FR-2
BSP Accredited

REPORT OF INDEPENDENT AUDITORS

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

We have audited the accompanying financial statements of Grand Plaza Hotel Corporation, which comprise the statements of financial position as at December 31, 2009 and 2008, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the years in the three-year period ended December 31, 2009, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Philippine Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Grand Plaza Hotel Corporation as of December 31, 2009 and 2008, and its financial performance and its cash flows for each of the years in the three-year period ended December 31, 2009 in accordance with Philippine Financial Reporting Standards.

MANABAT SANAGUSTIN & CO., CPAs

JIMMY S. QUIÑONES
Partner
CPA License No. 0085650
SEC Accreditation No. 0679-A
Tax Identification No. 112-072-024
BIR Accreditation No. 08-001987-17-2007
Issued December 11, 2007; Valid until December 10, 2010
PTR No. 2092725MB
Issued January 7, 2010 at Makati City

February 8, 2010
Makati City, Metro Manila

GRAND PLAZA HOTEL CORPORATION
STATEMENTS OF FINANCIAL POSITION

		December 31	
	Note	2009	2008
ASSETS			
Current Assets			
Cash and cash equivalents	*4, 25*	**P225,930,716**	P180,473,346
Receivables - net	*5, 14, 25*	**267,491,850**	249,895,391
Loan receivable	*9, 14, 25*	**15,500,000**	15,500,000
Due from related parties	*14, 25*	**5,045,714**	384,148
Inventories	*6*	**10,403,562**	10,618,707
Prepayments and other current assets	*7*	**14,689,756**	22,932,220
Total Current Assets		**539,061,598**	479,803,812
Noncurrent Assets			
Deferred tax assets	*21*	**6,360,601**	6,459,892
Investment in an associate	*8, 14*	**46,801,413**	46,674,476
Property and equipment - net	*10*	**759,337,256**	791,964,131
Other assets	*11, 14, 19, 25*	**84,095,791**	94,774,356
Total Noncurrent Assets		**896,595,061**	939,872,855
		P1,435,656,659	P1,419,676,667
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and accrued expenses	*12, 25*	**P59,824,530**	P71,619,576
Income tax payable		**15,842,146**	18,608,932
Due to related parties	*14, 19*	**19,940,234**	11,251,378
Other current liabilities	*13, 25*	**193,053,036**	178,162,193
Total Current Liabilities		**288,659,946**	279,642,079
Noncurrent Liabilities			
Refundable deposits	*19*	**28,132,002**	25,655,067
Accrued retirement liability	*20*	**24,110,930**	23,749,065
Total Noncurrent Liabilities		**52,242,932**	49,404,132
Total Liabilities		**340,902,878**	329,046,211
Equity			
Capital stock		**873,182,700**	873,182,700
Additional paid-in capital		**14,657,517**	14,657,517
Retained earnings:			
Appropriated	*22*	**1,116,857,170**	982,663,220
Unappropriated		**206,913,564**	202,790,239
Treasury stock	*23*	**(1,116,857,170)**	(982,663,220)
Total Equity		**1,094,753,781**	1,090,630,456
		P1,435,656,659	P1,419,676,667

See Notes to the Financial Statements.

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GRAND PLAZA HOTEL CORPORATION
STATEMENTS OF COMPREHENSIVE INCOME

		Years Ended December 31		
	Note	2009	2008	2007
REVENUES				
Rooms		**P329,614,729**	P381,341,736	P354,014,675
Food and beverage		**192,402,411**	236,045,080	228,051,537
Other operating departments		**4,247,054**	5,169,302	7,181,751
Others	*19*	**105,479,093**	110,204,712	108,122,277
		631,743,287	732,760,830	697,370,240
COST OF SALES	*15*			
Food and beverage		**56,926,411**	66,953,642	62,005,563
Other operating departments		**1,202,042**	963,721	3,378,134
		58,128,453	67,917,363	65,383,697
GROSS PROFIT		**573,614,834**	664,843,467	631,986,543
SELLING EXPENSES	*16*	**189,870,220**	212,480,589	202,090,935
ADMINISTRATIVE EXPENSES	*17*	**191,281,131**	194,155,320	180,848,412
		381,151,351	406,635,909	382,939,347
NET OPERATING INCOME		**192,463,483**	258,207,558	249,047,196
OTHER INCOME (EXPENSES)				
Interest income	*9, 14*	**7,817,319**	8,252,267	11,274,535
Foreign exchange gain (loss)		**(2,169,120)**	13,907,914	(12,311,564)
Equity in net income of an associate	*8*	**126,937**	825,831	1,139,859
Others		**74,975**	(465,438)	1,557,623
		5,850,111	22,520,574	1,660,453
INCOME BEFORE INCOME TAX		**198,313,594**	280,728,132	250,707,649
INCOME TAX EXPENSE	*21*	**59,996,319**	97,850,779	85,134,941
NET INCOME / TOTAL COMPREHENSIVE INCOME		**P138,317,275**	P182,877,353	P165,572,708
Basic and Diluted Earnings Per Share	*18*	**P2.10**	P2.66	P2.31

See Notes to the Financial Statements.

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GRAND PLAZA HOTEL CORPORATION
STATEMENTS OF CHANGES IN EQUITY

	Note	2009	2008	2007
		Years Ended December 31		
CAPITAL STOCK				
Common stock - P10 par value				
Authorized - 115,000,000 shares				
Issued - 87,318,270 shares		**P873,182,700**	P873,182,700	P873,182,700
ADDITIONAL PAID-IN CAPITAL		**14,657,517**	14,657,517	14,657,517
RETAINED EARNINGS				
Appropriation for acquisition of treasury stock				
Balance at beginning of year		**982,663,220**	842,785,920	697,078,470
Additions during the year	22	**134,193,950**	139,877,300	145,707,450
Balance at end of year		**1,116,857,170**	982,663,220	842,785,920
Unappropriated				
Balance at beginning of year		**202,790,239**	159,790,186	210,386,986
Net income for the year		**138,317,275**	182,877,353	165,572,708
Appropriation during the year	22	**(134,193,950)**	(139,877,300)	(145,707,450)
Dividends declared during the year	24	-	-	(70,462,058)
Balance at end of year		**206,913,564**	202,790,239	159,790,186
		1,323,770,734	1,185,453,459	1,002,576,106
TREASURY STOCK, at cost - 22,337,637 shares, 19,653,758 shares, and 16,856,212 shares, and in 2009, 2008 and 2007, respectively	23			
Balance at beginning of year		**(982,663,220)**	(842,785,920)	(697,078,470)
Acquisition of treasury stock during the year	22	**(134,193,950)**	(139,877,300)	(145,707,450)
Balance at end of year		**(1,116,857,170)**	(982,663,220)	(842,785,920)
		P1,094,753,781	P1,090,630,456	P1,047,630,403

See Notes to the Financial Statements.

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GRAND PLAZA HOTEL CORPORATION
STATEMENTS OF CASH FLOWS

	Note	2009	2008	2007
		Years Ended December 31		
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		**P198,313,594**	P280,728,132	P250,707,649
Adjustments for:				
Depreciation and amortization	*10*	**39,704,531**	39,750,917	28,565,678
Interest income		**(7,817,319)**	(8,252,267)	(11,274,535)
Unrealized foreign exchange loss (gain)		**(3,258,003)**	(3,688,558)	2,852,636
Provision for retirement expense	*20*	**2,811,702**	3,128,769	3,799,613
Impairment (recovery of) losses on receivables		**184,406**	237,172	(293,413)
Equity in net income of an associate	*8*	**(126,937)**	(825,831)	(1,139,859)
Dividend income		**(74,150)**	(75,371)	(221,591)
Gain on disposal of property and equipment		**(825)**	(278,073)	(1,138,010)
Operating income before working capital changes		**229,736,999**	310,724,890	271,858,168
Decrease (increase) in:				
Receivables		**(13,107,917)**	(12,661,396)	(15,473,326)
Inventories		**215,145**	(2,008,901)	(985,656)
Prepayments and other current assets		**(3,916,881)**	(17,935,914)	(12,737,291)
Other assets		**10,678,565**	-	-
Increase (decrease) in:				
Accounts payable and accrued expenses		**(11,795,046)**	7,695,190	(2,700,147)
Due to related parties		**8,688,856**	4,291,731	2,691,836
Refundable deposits		**2,476,935**	(2,737,064)	1,002,697
Other current liabilities		**14,890,843**	(11,076,184)	20,132,685
Cash generated from operations		**237,867,499**	276,292,352	263,788,966
Income taxes paid		**(50,504,469)**	(87,344,910)	(71,773,028)
Retirement benefits paid		**(2,449,837)**	(67,338)	(95,485)
Interest received		**3,144,371**	7,694,413	10,715,552
Net cash provided by operating activities		**188,057,564**	196,574,517	202,636,005
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to property and equipment	*10*	**(7,077,656)**	(40,089,597)	(63,734,790)
Proceeds from disposal of property and equipment		**825**	279,629	1,217,427
Dividend received		**74,150**	75,371	221,591
Decrease in other assets		**-**	-	32,999
Net cash used in investing activities		**(7,002,681)**	(39,734,597)	(62,262,773)

Forward

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	Note	2009	2008	2007
		Years Ended December 31		
CASH FLOWS FROM FINANCING ACTIVITIES				
Decrease (increase) in due from related parties		**(P4,661,566)**	P4,789,799	(P4,161,421)
Acquisition of treasury stock	*23*	**(134,193,950)**	(139,877,300)	(145,707,450)
Dividends paid	*24*	-	-	(70,462,058)
Net cash used in financing activities		**(138,855,516)**	(135,087,501)	(220,330,929)
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**3,258,003**	3,688,558	(2,852,636)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**45,457,370**	25,440,977	(82,810,333)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**180,473,346**	155,032,369	237,842,702
CASH AND CASH EQUIVALENTS AT END OF YEAR	*4*	**P225,930,716**	P180,473,346	P155,032,369

See Notes to the Financial Statements.

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GRAND PLAZA HOTEL CORPORATION
NOTES TO THE FINANCIAL STATEMENTS

1. Reporting Entity

Grand Plaza Hotel Corporation (the "Company") was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on August 9, 1989 primarily to own, lease or manage one or more hotels, inns or resorts, all adjuncts and accessories thereto, and all other tourist-oriented businesses as may be necessary in connection therewith. The Company is 57% owned by The Philippine Fund Limited (TPFL), a corporation organized in Islands of Bermuda. The ultimate parent of the Company is Hong Leong Investment Holdings Pte Ltd., a corporation organized in Singapore.

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

2. Basis of Preparation

Statement of Compliance

The financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS).

The financial statements as of and for the year ended December 31, 2009 were approved by the Board of Directors (BOD) on February 8, 2010.

Basis of Measurement

The financial statements have been prepared on the historical cost basis.

Functional and Presentation Currency

The Company's financial statements are presented in Philippine peso, which is the Company's functional currency.

Use of Estimates and Judgments

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

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

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The estimates and underlying assumptions are reviewed on an ongoing basis and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

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

Functional Currency
Based on the economic substance of the underlying circumstances relevant to the Company, the functional currency has been determined to be the Philippine peso. It is the currency that mainly influences the sales price of goods and services and the costs of providing these goods and services.

Estimated Allowance for Impairment Losses on Receivables
The Company maintains an allowance for impairment losses at a level considered adequate to provide for potential uncollectible receivables. The level of this allowance is evaluated by management on the basis of factors that affect the collectibility of the accounts. These factors include, but are not limited to, the length of the Company's relationship with the customers, customers' payment behavior and known market factors. The Company reviews the age and status of receivables, and identifies accounts that are to be provided with allowance on a regular basis. The amount and timing of recorded expenses for any period would differ if the Company made different judgments or utilized different estimates. An increase in allowance for impairment losses would increase the recorded administrative expenses and decrease current assets.

As of December 31, 2009 and 2008, allowance for impairment losses on receivables amounted to P568,223 and P383,817, respectively (see Note 5). As of December 31, 2009 and 2008, the carrying value of receivables amounted to P267,491,850 and P249,895,391 (see Note 5).

Estimating Net Realizable Value of Inventories
In determining the net realizable value of inventories, the Company considers inventory obsolescence, physical deterioration, physical damage and changes in price levels or other causes based on specific identification and as determined by management for inventories estimated to be salable in the future. The Company adjusts the cost of inventory to recoverable value at a level considered adequate to reflect market decline in value of the recorded inventories. The Company reviews its inventories on a regular basis to identify those which are to be written down to net realizable values.

Inventories, at lower of cost and net realizable value, amounted to P10,403,562 and P10,618,707 as of December 31, 2009 and 2008, respectively (see Note 6).

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

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As of December 31, 2009 and 2008, the carrying amount of property and equipment amounted to P759,337,256 and P791,964,131, respectively (see Note 10).

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

As of December 31, 2009 and 2008, the Company's deferred tax assets amounted to P6,360,601 and P6,459,892, respectively (see Note 21).

Retirement Benefits
The Company accrues retirement benefit cost based on the requirements under its Employees' Retirement Plan, which is in accordance with Republic Act (R.A.) 7641. The determination of the obligation and cost of retirement and other employee benefits is dependent on the selection of certain assumptions used by the actuary in calculating such amounts. Those assumptions include among others, discount rates and salary increase rates. In accordance with PFRS, actual results that differ from the Company's assumptions, subject to the 10% corridor test, are accumulated and amortized over future periods and therefore, generally affect the recognized expense and recorded obligation in such future period.

While the Company believes that the assumptions are reasonable and appropriate, significant differences between actual experience and assumptions may materially affect the cost of employee benefits and related obligations.

As of December 31, 2009 and 2008, the Company's accrued retirement liability amounted to P24,110,930 and P23,749,065, respectively. Retirement expense amounted to P2,811,702, P3,128,769 and P3,799,613 in 2009, 2008 and 2007, respectively (see Note 20).

Operating lease - Company as lessor
The Company has entered into a lease of its commercial spaces. The Company has determined that it retains all significant risks and rewards of ownership of these spaces which are leased out under operating leases arrangements (see Note 19).

Operating lease - Company as lessee
The Company has entered into a lease of land. All the significant risks and rewards of ownership of the leased land remain with the lessor, since the leased property, together with the buildings thereon, and all attached permanent fixtures will be returned to the lessor upon the termination of the lease (see Note 19).

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

- significant underperformance relative to the expected historical or projected future operating results;

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- significant changes in the manner of use of the acquired assets or the strategy for overall business; and

- significant negative industry or economic trends.

An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount.

3. Summary of Significant Accounting Policies

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

Adoption of New or Revised Standards, Amendments to Standards and Interpretations
The Financial Reporting Standards Council approved the adoption of a number of new or revised standards, amendments to standards, and interpretations as part of PFRS. Accordingly, the Company changed its accounting policies in the following areas:

Revised Standard, Amendments to Standard and Interpretations Adopted in 2009
Effective January 1, 2009, the Company adopted the following revised standard, amendments to standard and interpretations:

- Revised Philippine Accounting Standard (PAS) 1, *Presentation of Financial Statements* (2007), introduces the term total comprehensive income, which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the statement of income and all non-owner changes in equity in a single statement), or in a statement of income and a separate statement of comprehensive income.

- Amendments to PFRS 7, *Financial Instruments: Disclosures - Improving Disclosures about Financial Instruments*, require disclosures relating to fair value measurements using a three-level fair value hierarchy that reflects the significance of the inputs used in measuring fair values and provide more direction on the form of quantitative disclosures about fair value measurements and require information to be disclosed in a tabular format unless another format is more appropriate. In addition, the amendments clarify and enhance the existing requirements for the disclosure of liquidity risk.

- Philippine Interpretation International Financial Reporting Interpretations Committee (IFRIC) -13, *Customer Loyalty Programmes*, addresses the accounting by entities that operate, or otherwise participate in, customer loyalty programmes under which the customer can redeem credits for awards such as free or discounted goods or services. The interpretation takes effect for annual periods beginning on or after July 1, 2008.

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- *Improvements to Philippine Financial Reporting Standards 2008* - various standards (except as related to PFRS 5 *Non-current Assets Held for Sale and Discontinued Operations),* discuss 35 amendments and is divided into two parts: (a) Part I includes 24 amendments that result in accounting changes for presentation, recognition or measurement purposes; and (b) Part II includes 11 terminology or editorial amendments that the IASB expects to have either no or only minimal effects on accounting. These amendments are effective for annual periods beginning on or after January 1, 2009.

The adoption of the above revised standard, amendments to standard and interpretations did not have a material effect on the Company's financial statements. Additional disclosures required by the revised standard, amendments to standard and interpretations were included in the financial statements as deemed necessary.

New Standard, Revised Standard and Amendments to Standards Not Yet Adopted
The Company will adopt the following new or revised standards, amendments to standards and interpretations on the respective effective dates:

- PFRS 9 *Financial Instruments*, is the first standard issued as part of a wider project to replace PAS 39. PFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and contractual cash flow characteristics of the financial asset. The guidance in PAS 39 on impairment of financial assets and hedge accounting continues to apply. The new standard is effective for annual periods beginning on or after January 1, 2013.

- Revised PAS 24 *Related Party Disclosures* (2009), amends the definition of a related party and modifies certain related party disclosure requirements for government-related entities. The revised standard is effective for annual periods beginning on or after January 1, 2011.

- *Improvements to PFRS 2009,* include 15 amendments to 12 standards. Some of the these amendments may have significant implications for current practice, in particular the amendments to PAS 17 *Leases* may affect the classification of leases of land and buildings, particularly in jurisdictions in which such leases often are for a long period of time. The improvements are generally effective for annual periods beginning on or after January 1, 2010.

These new standard, revised standard, amendments to standards and improvements to standard are not expected to have any material effect on the financial statements.

Financial Instruments
Non-derivative Financial Instruments
Non-derivative financial instruments consist of cash and cash equivalents, receivables, loan receivable, due from related parties, accounts payables and accrued expenses, due to related parties, refundable deposits, and other current liabilities.

A financial instrument is recognized if the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when (a) the Company's contractual rights to the cash flows from the financial assets expire or (b) the Company transfers the financial asset to another party without retaining control or substantially all the risks and rewards of the asset. Regular way purchases or sales of financial assets are accounted for at settlement date, i.e., the date that an asset is delivered to or by the Company. Financial liabilities are derecognized when the Company's obligations specified in the contract expire or are discharged or cancelled.

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Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as a liability are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial assets and financial liabilities are offset and net amount is reported in the statements of financial position if, and only if, there is a currently enforceable legal right to offset the amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Financial assets are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. When financial assets are initially recognized, they are measured at fair value. In the case of investments not at fair value through profit or loss, fair value at initial recognition includes directly attributable transaction costs. The Company determines the classification of its financial assets and financial liabilities upon initial recognition and, where allowed and appropriate, re-evaluates this designation at each reporting date.

The Company has no financial assets at fair value through profit or loss, held-to-maturity investments and available-for-sale financial assets.

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

Receivables
Receivables are recognized and carried at original invoice amount less an allowance for impairment losses. An allowance for impairment losses is maintained at a level considered adequate to provide for probable uncollectible receivables. The level of this allowance is evaluated by management on the basis of factors that affect the collectibility of the accounts. A review of the age and status of receivables, designed to identify accounts to be provided with allowance, is performed regularly.

Accounts payable and Accrued Expenses, Due to Related Parties, Refundable Deposits and Other Current Liabilities
These are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between proceeds (net of transaction costs) and the redemption value is recognized in the statements of comprehensive income over the period of the borrowing using the effective interest method.

<u>Inventories</u>
Inventories are measured at the lower of cost and net realizable value. Cost is determined using the first-in, first-out (FIFO) principle, and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of selling expenses. Obsolete inventories are disposed of and related costs are recognized in the statements of comprehensive income.

Investment in an Associate
Investment in an associate, Harbour Land Corporation (HLC), which is 40%-owned by the Company and in which the Company has significant influence is accounted for under the equity method of accounting. Under the equity method, the investment is carried in the statements of financial position at cost plus post-acquisition changes in the Company's share in the net assets of the investee company. After the application of the equity method, the Company determines whether it is necessary to recognize any additional impairment loss with respect to the Company's net investment in the investee company. The statements of comprehensive income reflect the share in the results of the operations of the investee company.

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

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

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

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

The estimated useful lives are as follows:

	Number of Years
Building and building improvements	46 - 50
Furniture, fixtures and equipment	5 - 10
Transportation equipment	5
Leasehold improvements	5

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

Construction in progress, which pertains to renovation of rooms, is stated at cost and is not depreciated until such time the renovation is completed.

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

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Impairment of Assets

Financial Assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognized in the statements of comprehensive income.

Non-financial Assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If any such indication exists and where the carrying amount of an asset exceeds its recoverable amount, the asset or cash-generating unit is written down to its recoverable amount. The estimated recoverable amount is the higher of an asset's value in use and fair value less costs to sell. The fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction less the cost of disposal while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in the statements of comprehensive income.

Recovery of impairment losses recognized in prior years is recorded when there is an indication that the impairment losses recognized for the asset no longer exist or have decreased. The recovery is recorded in the statements of comprehensive income. However, the increase in carrying amount of an asset due to a recovery of an impairment loss is recognized to the extent that it does not exceed the carrying amount that would have been determined (net of depreciation and amortization) had no impairment loss been recognized for that asset in prior years.

Foreign Currency Transactions

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

Operating Leases

Leases in which a significant portion of the risks and rewards of ownership is retained by the lessor are classified as operating leases. Payments made under operating leases are recognized in the statements of comprehensive income on a straight-line basis over the term of the lease.

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Revenue and Expense Recognition
Revenue is recognized when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. The following specific recognition criteria must also be met before revenue is recognized:

Room Revenue: Revenue is recognized upon actual room occupancy.

Food and Beverage: Revenue is recognized upon delivery of order.

Other Operating Departments: Revenue is recognized upon rendering of service.

Rent Income: Rent income is recognized on a straight-line basis over the lease term.

Other income, including interest income which is presented net of tax, is recognized when earned.

Costs and expenses are recognized when incurred.

Income Tax
Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to items recognized directly in equity or in other comprehensive income.

Current income tax is expected tax due on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred income tax is provided using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related income tax benefit will be realized.

Treasury Stock
Treasury stock is carried at cost.

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

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

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Retirement Costs
The Company has an unfunded, noncontributory, defined benefit retirement plan covering substantially all of its employees, except for its directors of hotel operations and executive officers. The Company's retirement expense is determined using the projected unit credit method. This method considers each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. Gains and losses on the curtailment or settlement of retirement benefits are recognized when the curtailment or settlement occurs. Actuarial gains and losses are recognized as income or expense when the net cumulative unrecognized actuarial gains and losses at the end of the previous reporting period exceeded 10% of the higher of the present value of the defined benefit obligation and the fair value of the plan assets at that date. These gains and losses are recognized over the expected average remaining working lives of the employees participating in the plan.

The retirement liability is the aggregate of the present value of the defined benefit obligation and actuarial gains and losses not recognized or reduced by past service cost not yet recognized and the fair value of plan assets out of which the obligation are to be settled directly.

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

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

Events After the Reporting Date
Post year-end events that provide additional information about the Company's position at the reporting date (adjusting events) are recognized in the financial statements when material. Post year-end events that are not adjusting events are disclosed in the notes to the financial statements when material.

4. Cash and Cash Equivalents

This account consists of:

	Note	**2009**	2008
Cash on hand and in banks		**P29,045,326**	P18,294,620
Short-term investments		**196,885,390**	162,178,726
	25	**P225,930,716**	P180,473,346

Cash in banks earn interest at the prevailing bank deposit rates. Short-term investments consist mainly of time deposits which earn interest at prevailing market rates.

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The Company pledged a portion of its short-term investments amounting to P94.4 million and P93.8 million in 2009 and 2008, respectively, to secure the bond in connection with the value added tax (VAT) case (see Note 5).

5. Receivables

This account consists of:

	Note	2009	2008
Trade			
Receivables from Philippine Amusement and Gaming Corporation (PAGCOR)		**P192,674,873**	P178,815,386
Charge customers	*25*	**39,108,760**	42,192,468
Other trade receivables		**15,451,972**	7,389,510
		247,235,605	228,397,364
Interest	*14*	**17,889,784**	13,214,788
Advances to contractors		**140,427**	1,035,410
Advances to employees		**215,798**	329,995
Other receivables		**2,578,459**	7,301,651
		268,060,073	250,279,208
Less allowance for impairment losses on trade receivables		**568,223**	383,817
	25	**P267,491,850**	P249,895,391

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

Receivables from PAGCOR include billings for output value added tax (VAT) of P174.3 million and P164.0 million as of December 31, 2009 and 2008, respectively. The collection of this amount is still pending as PAGCOR is seeking clarification from the Bureau of Internal Revenue (BIR) whether PAGCOR is subject to 10% VAT considering its status as a government corporation. The corresponding 10% output VAT payable from the billings to PAGCOR is likewise not remitted to the BIR pending the clarification from the BIR (see Note 13).

Under Revenue Regulation 16-2005 "Consolidated Value Added Tax Law" which took effect on November 1, 2005, it was legislated that PAGCOR is subject to the value added tax of 12%. Management believes that this law has a prospective application and therefore the previously recorded VAT on transactions with PAGCOR (prior to November 1, 2005) would have to be reversed when the position from the BIR is secured.

On August 8, 2008, the Company received a final decision on the disputed assessment in which the BIR required the Company to pay P228.94 million, inclusive of interest and penalties, for deficiency VAT pertaining to transactions with PAGCOR. In reply, the Company filed a petition for review with the Court of Tax Appeal (CTA). However, BIR issued a warrant of distraint and/or levy on August 11, 2008.

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On September 12, 2008, the Company filed a surety bond with the CTA in compliance with the condition imposed by the CTA in its Resolution dated August 21, 2008, granting the Company's Urgent Motion to Suspend Collection of Tax and Extremely Urgent Supplemental Motion to Suspend and Enjoin Collection of Taxes with Prayer for Immediate *Ex Parte* Issuance of Temporary Restraining Order.

In addition, the Company filed a supplement to the petition for review and was admitted by the CTA First Division in a resolution dated November 20, 2008.

This case was set for pre-trial on November 7, 2008 and on November 21, 2008. However, the Company filed a motion to reset pre-trial, the last one requesting permission from the CTA to file a supplemental answer. This motion was granted on January 12, 2009 and a pre-trial was reset on January 30, 2009.

On March 3, 2009, the Company's officer testified and identified certain documents in the CTA. On the same hearing, the CTA cancelled the calendared hearing date on March 13, 2009. Instead the CTA instructed the BIR to file its Comments to the Company's Motion. After the filing by BIR or expiry of the filing date, the CTA would resolve the Company's Motion for Preliminary Hearing without any hearing date.

On April 20, 2009, the Company received a resolution from the CTA granting the Company's "Motion for Preliminary Hearing for the Limited Purpose of Resolving the Legal Issues". There were also hearings set on May 28, 2009 and June 2, 2009 whereby the Company presented evidence and identified documents at the CTA.

On June 19, 2009, the Company presented Formal Offer of Evidence (FOE). The BIR should have filed its comment to the Company's FOE within 15 days from its receipt. However, as at July 17, 2009, the Company has not received a copy of the BIR Comment.

On September 4, 2009, the CTA issued a Resolution granting the Company's FOE. On 5th October, the Company's counsel attended the hearing but the BIR counsel did not attend and case was reset to November 12, 2009.

On November 12, 2009, the Company's counsel again attended the hearing but the BIR counsel was not present. The Company moved for the BIR to be deemed to have waived their right to present evidence but the CTA denied the motion and instead reset the hearing to November 26, 2009.

On the November 26, 2009, BIR manifested that it is resting its case. Both parties were given until January 25, 2010 to file a Memorandum to support the legal issues.

The Company, based upon legal advice, is of the view that in light of the Supreme Court's decision in the case of Commissioner of Internal Revenue v. Acesite (Philippines) Hotel Corporation (G.R. No. 147295, 16 February 2007) which confirmed that PAGCOR's tax exemption privilege under its charter included the indirect tax of VAT and entitles persons dealing with PAGCOR in casino operations to a zero percent (0%) VAT rate, the Company has strong defenses against the BIR's tax assessment and that the Company is not liable for the deficiency VAT claimed by the BIR.

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

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6. Inventories

This account consists of:

	2009	2008
Food	**P1,879,329**	P959,549
General supplies	**3,534,084**	5,255,621
Beverage and tobacco	**992,921**	1,907,875
Engineering supplies	**842,753**	926,989
Others	**3,154,475**	1,568,673
	P10,403,562	P10,618,707

7. Prepayments and Other Current Assets

This account consists of:

	2009	2008
Input VAT	**P10,086,551**	P14,352,735
Prepaid expenses	**4,312,835**	8,319,716
Others	**290,370**	259,769
	P14,689,756	P22,932,220

Input value added taxes are current and can be applied against output taxes.

8. Investment in an Associate

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

This account consists of:

	2009	2008
Acquisition cost	**P48,200,000**	P48,200,000
Accumulated share in net losses:		
Balance at beginning of year	**(1,525,524)**	(2,351,355)
Equity in net income of associate during the year	**126,937**	825,831
Balance at end of year	**(1,398,587)**	(1,525,524)
	P46,801,413	P46,674,476

A summary of the financial information of HLC follows:

	2009	2008
Total assets	**P151,186,116**	P153,604,490
Total liabilities	**88,182,582**	90,918,299
Total equity, net of subscription receivable of P54 million	**63,003,534**	62,686,191
Revenue	**10,678,560**	10,678,560
Net income	**317,342**	2,064,578

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9. Loan Receivable

This pertains to the loan granted to Rogo Realty Corporation (RRC), a company under common control, which is collateralized by RRC's investment in shares of stock of HLC with a carrying value P72.3 million as of December 31, 2009 and is payable on demand with interest rate of 5% per annum. The loan is carried at cost.

Interest income in 2009, 2008 and 2007 amounted to P775,000.

10. Property and Equipment

The movements in this account are as follows:

	Building and Building Improvements	Furniture, Fixtures and Equipment	Transportation Equipment	Leasehold Improvements	Construction in Progress	Total
Gross carrying amount:						
Balance, January 1, 2008	P972,268,264	P362,787,489	P4,158,198	P385,157	P4,400,668	P1,343,999,776
Additions	-	40,089,597	-	-	-	40,089,597
Disposals	-	(34,846,455)	-	-	-	(34,846,455)
Reclassification	-	4,400,668	-	-	(4,400,668)	-
Balance, December 31, 2008	972,268,264	372,431,299	4,158,198	385,157	-	1,349,242,918
Additions	6,212,456	865,200	-	-	-	7,077,656
Disposals	-	(17,634,465)	-	-	-	(17,634,465)
Balance, December 31, 2009	**978,480,720**	**355,662,034**	**4,158,198**	**385,157**	**-**	**1,338,686,109**
Accumulated depreciation and amortization:						
Balance, January 1, 2008	281,069,975	237,702,883	2,093,883	385,157	-	521,251,898
Depreciation and amortization during the year	21,267,713	17,803,383	679,821	-	-	39,750,917
Disposals	-	(3,724,028)	-	-	-	(3,724,028)
Balance, December 31, 2008	302,337,688	251,782,238	2,773,704	385,157	-	557,278,787
Depreciation and amortization during the year	21,267,638	17,757,072	679,821	-	-	39,704,531
Disposals	-	(17,634,465)	-	-	-	(17,634,465)
Balance, December 31, 2009	**323,605,326**	**251,904,845**	**3,453,525**	**385,157**	**-**	**579,348,853**
Carrying amount:						
December 31, 2008	P669,930,576	P120,649,061	P1,384,494	P -	P -	P791,964,131
December 31, 2009	**P654,875,394**	**P103,757,189**	**P704,673**	**P -**	**P -**	**P759,337,256**

As of December 31, 2009 and 2008, there is no indication of impairment loss on the carrying value of property and equipment since it is still in use and generating revenue.

11. Other Assets

This account consists of:

	Note	2009	2008
Lease deposit	*14, 19, 25*	**P78,000,000**	P78,000,000
Miscellaneous investments and deposits		**5,085,791**	5,085,791
Prepaid rent	*14, 19, 25*	**-**	10,678,565
Others		**1,010,000**	1,010,000
		P84,095,791	P94,774,356

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12. Accounts Payable and Accrued Expenses

This account consists of:

	2009	2008
Trade payables	**P30,097,258**	P42,270,131
Accrued payroll	**14,236,009**	11,577,071
Accrued utilities	**10,248,881**	8,707,472
Accrued other liabilities	**4,743,257**	8,565,777
Others	**499,125**	499,125
	P59,824,530	P71,619,576

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

13. Other Current Liabilities

This account consists of:

	2009	2008
Output VAT payable	**P174,341,868**	P164,018,219
Withholding taxes	**2,887,725**	1,308,307
Deferred rental	**1,718,564**	1,718,464
Others	**14,104,879**	11,117,203
	P193,053,036	P178,162,193

Output VAT payable represents output tax charged to PAGCOR, as discussed in Note 5.

14. Related Party Transactions

The Company has significant transactions and balances with related parties as follows:

	Nature	2009	2008
Due from related parties:			
RRC	Advances	**P356,446**	P216,391
HLC	Advances	**4,633,155**	114,837
The Philippine Fund Limited (TPFL)	Advances	**56,113**	52,920
		P5,045,714	P384,148

Due to related parties:			
CDL Hotels (Phils.) Corporation (CDL)	Management and incentive fees	**P2,724,998**	P2,781,794
HLC	Rent payable	**62,287**	2,856,515
Millenium & Copthorne Int'l Ltd. (M & C)	Advances	**17,152,949**	5,613,069
		P19,940,234	P11,251,378

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Other balances with related parties are as follows:

Related Party	Nature	*Note*	2009	2008
RRC	Interest	*9*	**P13,989,784**	P13,214,788
HLC	Interest	*19*	**3,900,000**	-
		5	**17,889,784**	13,214,788
RRC	Loan	*9*	**15,500,000**	15,500,000
HLC	Lease deposit	*11,*	**78,000,000**	78,000,000
HLC	Prepaid rent	*11,*	-	10,678,565

In the normal course of business, the Company grants/obtains advances to/from related parties for working capital purposes. These advances are non-interest bearing and payable on demand.

The interest receivable from HLC represents the uncollected interest on the lease deposit of the Company to HLC at 5% a year (see Note 19). The related interest income amounted to P3.9 million in 2009, 2008 and 2007.

The interest receivable from RRC the uncollected interest on the loan granted by the Company to RRC at 5% a year (see Note 9). The related interest income amounted to P0.76 million in 2009, 2008 and 2007.

The Company has a management contract with CDL under which the latter provides management, technical and administrative services to the Company in return for a yearly management and incentive fees equivalent to 2% of total gross revenue and 7% of gross operating profit, respectively (see Note 17).

The relationship of the Company with the related parties is shown below:

Related Party	**Relationship**
RRC	Under common control
HLC	Associate
CDL	Under common control
TPFL	Intermediate parent company
M & C	Under common control

Transactions with Key Management Personnel

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

	2009	2008	2007
Directors of Hotel operations	**P3,745,830**	P3,859,733	P3,281,032
Executive officers	**15,234,958**	17,296,987	21,391,327
	P18,980,788	P21,156,720	P24,672,359

The Company does not provide post-employment and equity-based compensation benefits to its directors of hotel operation and executive officers.

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15. Cost of Sales

This account consists of:

	Note	2009	2008	2007
Inventories at beginning of year	*6*	**P10,618,707**	P8,609,806	P7,624,150
Purchases		**57,913,308**	69,926,264	66,369,353
Available for sale		**68,532,015**	78,536,070	73,993,503
Inventories at end of year	*6*	**(10,403,562)**	(10,618,707)	(8,609,806)
		P58,128,453	P67,917,363	P65,383,697

16. Selling Expenses

This account consists of:

	Note	2009	2008	2007
Salaries, wages and employee benefits:	*20*			
Food and beverage		**P39,676,413**	P45,778,159	P45,672,927
Rooms		**26,690,934**	26,826,902	27,221,647
Other operated departments		**1,247,333**	1,400,407	2,825,447
		67,614,680	74,005,468	75,720,021
Property operation, maintenance, energy and conservation		**86,208,910**	103,279,038	95,635,433
Guest supplies		**11,268,774**	9,534,800	9,042,134
Kitchen fuel		**4,632,554**	2,968,056	3,064,683
Transport charges		**4,186,458**	5,085,423	2,999,942
Printing and stationery		**2,959,011**	2,283,388	2,645,619
Laundry and dry cleaning		**2,677,098**	4,651,194	4,256,758
Cleaning supplies		**1,573,959**	1,449,740	1,497,651
Permits and licenses		**1,409,280**	1,563,221	1,209,142
Commission		**1,160,566**	1,011,201	612,473
Music and entertainment		**1,008,609**	1,602,242	1,569,097
Miscellaneous		**5,170,321**	5,046,818	3,837,982
		P189,870,220	P212,480,589	P202,090,935

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17. Administrative Expenses

This account consists of:

	Note	2009	2008	2007
Hotel Overhead Departments				
Salaries, wages and employee benefits:	*20*			
Administrative and general		**P32,737,701**	P38,897,712	P33,531,559
Engineering		**9,011,262**	8,745,080	9,555,590
Sales and marketing		**6,976,123**	6,770,057	7,484,769
Human resources		**2,320,774**	2,252,221	2,287,548
		51,045,860	56,665,070	52,859,466
Management and incentive fees	*14*	**30,509,299**	37,988,564	34,833,634
Credit card commission		**4,530,887**	5,330,643	5,181,258
Legal and professional fees		**1,474,453**	1,016,682	2,883,416
Entertainment		**759,248**	1,826,988	1,161,600
Awards and social activities		**639,909**	530,104	425,551
Miscellaneous		**7,475,899**	3,746,783	11,120,404
		96,435,555	107,104,834	108,465,329
Corporate Office				
Depreciation and amortization	*10*	**39,704,531**	39,750,917	28,565,678
Insurance		**13,092,592**	14,589,252	12,463,244
Leased land rental	*19*	**10,678,560**	10,678,560	10,678,560
Property tax		**9,265,681**	4,265,681	9,265,681
Taxes and licenses		**6,563,740**	1,950,158	1,597,501
Professional fees		**4,185,824**	6,228,037	1,916,880
Directors' fees		**2,566,565**	2,330,882	1,739,185
Miscellaneous		**8,788,083**	7,256,999	6,156,354
		94,845,576	87,050,486	72,383,083
		P191,281,131	P194,155,320	P180,848,412

18. Earnings Per Share

Basic and diluted earnings per share are computed as follows:

	2009	2008	2007
Weighted average number of common shares			
Balance at beginning of year	**67,664,512**	70,462,058	73,376,207
Weighted average number of shares acquired during the year	**(1,677,424)**	(1,748,466)	(1,821,343)
	65,987,088	68,713,592	71,554,864

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	2009	2008	2007
Net income for the year	**P138,317,275**	P182,877,353	P165,572,708
Divided by weighted average outstanding shares	**65,987,088**	68,713,592	71,554,864
	P2.10	P2.66	P2.31

There are no potential dilutive common stock for the years presented.

19. Leases

Lease Receivables

The Company leases certain portions of the Hotel premises to third parties for a term of three years with options for extension/renewal upon mutual agreement of the parties. The leases include provisions for rental increment ranging from 5% to 12% upon renewal of the contracts subject to renegotiations of both parties. Future minimum lease receivables are as follows:

	2009	2008
Due within one year	**P92,797,070**	P99,073,335
After one year but not more than five years	**185,594,140**	-
	P278,391,210	P99,073,335

The lease agreements with the third parties required the latter to give the Company lease deposits amounting to a total of P26,199,617 and P23,470,282 in 2009 and 2008, respectively, shown as part of "Refundable Deposits" in the statements of financial position.

Lease Obligations

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

a. Annual rental on the land of P10,678,565;

b. Required lease deposit (shown as part of "Other Assets" in the statements of financial position) of P78 million; and

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

Future minimum rental obligations on the land are as follows:

	2009	2008	2007
Due within one year	**P10,678,560**	P10,678,560	P10,678,560
After one year but not more than five years	**42,714,240**	42,714,240	42,714,240
More than five years	**-**	10,678,560	21,357,120
	P53,392,800	P64,071,360	P74,749,920

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Advance rental payment (as of December 31, 2008 shown as part of "Other Assets" in the statements of financial position) of P10,678,565 was applied against rent expense in 2009.

20. Retirement Cost

The Company's employees are entitled to retirement benefits in accordance with RA No. 7641, which is unfunded.

The reconciliation of the present value of the defined benefit obligation to the recognized liability presented as "Accrued Retirement Liability" in the Company's statements of financial position is shown below:

	2009	2008
Present value of defined benefit obligation	**P21,277,161**	P16,969,517
Unrecognized actuarial gains	**2,833,769**	6,779,548
Liability recognized in the statements of financial position	**P24,110,930**	P23,749,065

The movements in the present value of the defined benefit obligation for the years ended December 31 are as follows:

	2009	2008
Present value of obligation at beginning of year	**P16,969,517**	P17,553,702
Current service cost	**1,647,488**	1,822,942
Interest cost	**1,527,257**	1,404,296
Benefits paid	**(2,449,837)**	(67,338)
Actuarial gains	**3,582,736**	(3,744,085)
Present value of obligation at end of year	**P21,277,161**	P16,969,517

The amounts of retirement expense which are recorded under "Salaries, wages and employee benefits" in the statements of comprehensive income for the years ended December 31 are as follows:

	2009	2008	2007
Current service cost	**P1,647,488**	P1,822,942	P2,318,503
Interest cost	**1,527,257**	1,404,296	1,481,110
Amortization of actuarial gain	**(363,043)**	(98,469)	-
Retirement expense	**P2,811,702**	P3,128,769	P3,799,613

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

	2009	2008	2007
Discount rate	9%	8%	9%
Future salary increases	7%	7%	7%

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The historical information of the amounts for the current and previous annual periods are as follows:

	2009	2008	2007	2006
Present value of defined benefit obligation	**P21,277,161**	P16,969,517	P17,553,702	P16,456,780
Deficit in the plan	**P21,277,161**	P16,969,517	P17,553,702	P16,456,780
Experience adjustments on plan liabilities	**P1,563,774**	(P1,187,329)	(P5,067,912)	P489,009

21. Income Tax

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

	2009	2008	2007
Current tax expense	**P59,897,028**	P92,530,617	P86,440,416
Deferred tax expense (benefit)	**99,291**	5,320,162	(1,305,475)
	P59,996,319	P97,850,779	P85,134,941

The reconciliation of the income tax expense computed at statutory income tax rate to the income tax expense shown in the statements of comprehensive income follows:

	2009	2008	2007
Income before income tax	**P198,313,594**	P280,728,132	P250,707,649
Income tax expense at statutory tax rate	**P59,494,078**	P98,254,846	P87,747,677
Additions to (reductions in) income tax resulting from the tax effects of:			
Non deductible expense	**1,500,058**	-	-
Income subjected to final tax	**(959,736)**	(1,191,675)	(2,213,785)
Equity in net income of an associate	**(38,081)**	(289,041)	(398,951)
Effect of change in tax rate	-	1,076,649	-
	P59,996,319	P97,850,779	P85,134,941

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

	2009	2008
Accrual of retirement expense	**P6,651,996**	P6,935,775
Foreign exchange difference gain	**(977,401)**	(1,106,567)
Deferred rental income	**515,539**	515,539
Provision for impairment losses on receivables	**170,467**	115,145
	P6,360,601	P6,459,892

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On May 24, 2005, Republic Act No. 9337 entitled "An Act Amending the National Internal Revenue Code, as Amended, with Salient Features" (Act), was passed into law effective November 1, 2005. Among others, the Act includes the following significant revisions to the rules of taxation:

a. Change in the corporate income tax rates from 32% to 35% starting November 1, 2005 and to 30% starting January 1, 2009; and

b. Change in the amount of interest expense disallowed as tax-deductible expense equivalent to a certain percentage applied to the interest income subjected to final tax; such percentage was changed from 38% to 42% starting November 1, 2005 and to 33% starting January 1, 2009.

22. Appropriation of Retained Earnings

The Company has appropriated the amount of P134,193,950, P139,877,300, and P145,707,450 in 2009, 2008 and 2007, respectively, to finance the acquisition of treasury stock during those years.

23. Treasury Stock

The board of directors approved the acquisition of treasury shares in the last three years as follows:

Date of meeting	No. of shares purchased	Stockholders on record as of	Ratio of purchase	Cost per share	Amount
May 15, 2009	2,683,879	June 5, 2009	1:25	P50	P134,193,950
May 15, 2008	2,797,546	June 5, 2008	1:25	50	139,877,300
May 15, 2007	2,914,149	June 5, 2007	1:25	50	145,707,450

As of December 31, 2009 and 2008, 22,337,637 shares and 19,653,758 shares, respectively, were held in treasury.

24. Dividend Declaration

On October 30, 2007, the Board of Directors of the Company declared cash dividends equivalent to P70,462,058 out of the unrestricted retained earnings as of December 31, 2006 payable on or before December 19, 2007 to the stockholders of record as of November 15, 2007.

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25. Financial Risk and Capital Management

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

- Credit Risk
- Liquidity Risk
- Market Risk

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

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

The BOD has overall responsibility for the establishment and oversight of the Company's risk management framework. The BOD, through the Executive Committee, is responsible for developing and monitoring the Company's risk management policies. The committee identifies all issues affecting the operations of the Company and reports regularly to the BOD on its activities.

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

The 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.

<u>Credit Risk</u>

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

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

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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 to credit risk of the counterparty if the counterparty is unwilling or unable to fulfill its obligations and the Company consequently suffers financial loss. Credit risk management involves entering into financial transactions only with counterparties with acceptable credit rating. The treasury policy sets aggregate credit limits of any one counterparty and management annually reviews the exposure limits and credit ratings of the counterparties.

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

The maximum exposure to credit risk for trade receivables from charge customers as of December 31, 2009 and 2008 by type of customer is as follows:

	Note	**2009**	2008
PAGCOR		**P15,043,904**	P13,034,715
Corporations		**11,242,080**	13,718,494
Travel agencies		**4,725,728**	7,003,069
Credit cards		**2,126,210**	3,486,922
Airlines		**1,679,943**	2,951,131
Others		**4,290,895**	1,998,137
		39,108,760	42,192,468
Less allowance for impairment losses on trade receivables		**568,223**	383,817
	5	**P38,540,537**	P41,808,651

The Company's most significant customer, PAGCOR, accounts for 38.47% and 30.89% of the trade receivables from charge customers as of December 31, 2009 and 2008, respectively.

The aging of trade receivables as of December 31, 2009 and 2008 is as follows:

	2009		2008	
	Gross Amount	**Impairment**	Gross Amount	Impairment
Current	**P24,138,987**	**P -**	P25,716,468	P -
Over 30 days	**11,818,298**	**-**	12,662,272	-
Over 60 days	**1,786,973**	**-**	2,972,024	-
Over 90 days	**1,364,502**	**568,223**	841,704	383,817
	P39,108,760	**P568,223**	P42,192,468	P383,817

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

	Amount
Balance at January 1, 2008	P146,645
Impairment losses on receivables	237,172
Reversals in 2008	-
Balance at December 31, 2008	383,817
Impairment losses on receivables	184,406
Balance at December 31, 2009	P568,223

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The allowance for impairment losses on trade receivables as of December 31, 2009 and 2008 of P568,223 and P383,817, respectively, relates to outstanding accounts of customers that are more than 90 days past due.

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.

The Company's current liabilities as of December 31, 2009 and 2008 amounted to P288,659,946 and P279,642,079, respectively, which are less than its current assets of P539,061,598 and P479,803,812, respectively. Thus, the Company has sufficient funds to pay for its current liabilities and has minimal liquidity risk.

Market Risk

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

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

Room Rates

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

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

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

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

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Fair Values

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

	2009		2008	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and cash equivalents	P225,930,716	P225,930,716	P180,473,346	P180,473,346
Receivables - net	267,491,850	267,491,850	249,895,391	249,895,391
Loan receivable	15,500,000	15,500,000	15,500,000	15,500,000
Due from related parties	5,045,714	5,045,714	384,148	384,148
Lease deposit	78,000,000	78,000,000	78,000,000	78,000,000
Accounts payable and accrued expenses	59,824,530	59,824,530	71,619,576	71,619,576
Due to related parties	19,940,234	19,940,234	11,251,378	11,251,378
Other current liabilities	191,180,105	191,180,105	178,162,193	178,162,193

Estimation of Fair Values

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

Cash and Cash Equivalents

The carrying amount approximates the fair value due to the short maturity.

Receivables/Due from Related Parties/Loan Receivable/Accounts Payable and Accrued Expenses/Due to Related Parties/Other Current Liabilities

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

Short-term Investment/Lease Deposit

Short-term investment and lease deposit are both interest bearing. The carrying value of short-term investment and lease deposit approximates its fair value, because the effective interest rate used for discounting the short-term investment and lease deposit approximates the current market rate of interest for similar transactions.

Capital Management

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

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

The Company is not subjected to externally imposed capital requirements.

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

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26. Contingencies

The Company, in the ordinary course of business, is a party to certain labor and other cases which are under protest or pending decisions by the courts, the outcome of which are not presently determinable. In the opinion of management and its legal counsel, the eventual liability arising from these cases or claims, if any, will not have a material effect on the Company's financial position or results of operations.

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