General Announcement::Announcement by Subsidiary Company, Grand Plaza Hotel Corporation

Issuer & Securities

Issuer/ Manager	CITY DEVELOPMENTS LIMITED
Securities	CITY DEVELOPMENTS LIMITED - SG1R89002252 - C09
Stapled Security	No

Announcement Details

Announcement Title	General Announcement
Date & Time of Broadcast	17-Feb-2017 18:24:45
Status	New
Announcement Sub Title	Announcement by Subsidiary Company, Grand Plaza Hotel Corporation
Announcement Reference	SG170217OTHRW2R6
Submitted By (Co./ Ind. Name)	Enid Ling Peek Fong
Designation	Company Secretary
Description (Please provide a detailed description of the event in the box below)	Please refer to the Announcement released by Grand Plaza Hotel Corporation on 17 February 2017 relating to Full Year Results for the Year Ended 31 December 2016.

Attachments	17022017_GPHC_2016_Full Year Results.pdf Total size =6910K

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SECURITIES AND EXCHANGE COMMISSION

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Company Information

SEC Registration No.	0000166878
Company Name	GRAND PLAZA HOTEL CORPORATION DOING BUSINESS UNDER THE NAME OF THE HERITAGE HOTEL MANILA
Industry Classification	
Company Type	Stock Corporation

Document Information

Document ID	102172017002166
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Department	CFD
Remarks	W/ FINANCIAL STATEMENT

COVER SHEET

for

AUDITED FINANCIAL STATEMENTS

SEC Registration Number

1 6 6 8 7 8

COMPANY NAME

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

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

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

Form Type	Department requiring the report	Secondary License Type, If Applicable
A A F S		

COMPANY INFORMATION

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

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

CONTACT PERSON INFORMATION

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

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

CONTACT PERSON's ADDRESS

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

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

GRAND PLAZA HOTEL CORPORATION

FINANCIAL STATEMENTS
December 31, 2016, 2015 and 2014

KPMG

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REPORT OF INDEPENDENT AUDITORS

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Grand Plaza Hotel Corporation ("the Company"), which comprise the statements of financial position as at December 31, 2016 and 2015, and the statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2016, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Grand Plaza Hotel Corporation as at December 31, 2016 and 2015, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2016 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date FEB 17 2017 SCES
ELMER B. TANAY

PRC-BOA Accreditation No. 0003, with extended validity until April 30, 2017 pursuant to Board Resolution No. 37 s. of 2017
SEC Accreditation No. 0004-FR-4, Group A, valid until November 10, 2017
IC Accreditation No. F-2014/014-R, valid until August 26, 2017
BSP Accredited, Category A, valid until December 17, 2017

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Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined that there are no key audit matters to communicate in our report.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2016, but does not include the financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2016 are expected to be made available to us after the date of this auditor's report.

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

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

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

KPMG

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

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

The engagement partner on the audit resulting in this independent auditor's report is Alicia S. Columbres.

R.G. MANABAT & CO.

ALICIA S. COLUMBRES
Partner
CPA License No. 069679
SEC Accreditation No. 1590-A, Group A, valid until September 29, 2019
Tax Identification No. 120-964-156
BIR Accreditation No. 08-001987-27-2014
Issued September 26, 2014; valid until September 25, 2017
PTR No. 5904922MD
Issued January 3, 2017 at Makati City

February 15, 2017
Makati City, Metro Manila

GRAND PLAZA HOTEL CORPORATION

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **Grand Plaza Hotel Corporation** (the **"Company"**), is responsible for the preparation and fair presentation of the financial statements, including the schedules attached therein, as at and for the years ended **December 31, 2016 and 2015**, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

Signature ____________________
Tse Sang Aloysius Lee - Chairman of the Board

Signature ____________________
Tse Sang Aloysius Lee - Chief Executive Officer

Signature ____________________
Yam Kit Sung - Chief Financial Officer

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date FEB 17 2017
ELMER B. TANAY

Signed this 15 day of Feb 2017

GRAND PLAZA HOTEL CORPORATION
STATEMENTS OF FINANCIAL POSITION

		December 31	
	Note	**2016**	2015
ASSETS			
Current Assets			
Cash and cash equivalents	*4, 25*	**P260,870,964**	P239,183,149
Receivables - net	*5, 14, 25*	**89,544,802**	106,060,371
Loan receivable	*9, 14, 25*	**15,500,000**	15,500,000
Due from related parties	*14, 25*	**179,746**	50
Inventories	*6, 15*	**12,461,866**	12,340,792
Prepaid expenses and other current assets	*7*	**16,619,963**	14,074,733
Total Current Assets		**395,177,341**	387,159,095
Noncurrent Assets			
Property and equipment - net	*10*	**564,632,930**	590,922,343
Investment in an associate	*8, 14*	**50,697,525**	52,613,701
Deferred tax assets - net	*22*	**17,910,444**	8,958,812
Other noncurrent assets	*11, 14, 20, 25*	**87,791,609**	87,791,609
Total Noncurrent Assets		**721,032,508**	740,286,465
		P1,116,209,849	P1,127,445,560
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and accrued expenses	*12, 25*	**P66,138,740**	P83,099,316
Refundable deposits - current portion	*19, 20*	**25,349,438**	25,349,438
Due to related parties	*14, 20, 25*	**28,733,572**	6,798,190
Other current liabilities	*13, 25*	**14,821,141**	17,827,940
Total Current Liabilities		**135,042,891**	133,074,884
Noncurrent Liabilities			
Refundable deposits - net of current portion	*19, 20*	**3,946,131**	5,396,673
Accrued retirement benefits liability	*21*	**25,757,196**	25,489,767
Total Noncurrent Liabilities		**29,703,327**	30,886,440
Total Liabilities		**164,746,218**	163,961,324
Equity			
Capital stock	*24*	**873,182,700**	873,182,700
Additional paid-in capital		**14,657,517**	14,657,517
Remeasurement gains on defined benefit plan	*21*	**8,629,869**	7,425,564
Retained earnings:			
Appropriated	*23*	**1,680,020,370**	1,680,020,370
Unappropriated		**54,993,545**	68,218,455
Treasury stock	*24*	**(1,680,020,370)**	(1,680,020,370)
Total Equity		**951,463,631**	963,484,236
		P1,116,209,849	P1,127,445,560

See Notes to the Financial Statements.

GRAND PLAZA HOTEL CORPORATION
STATEMENTS OF PROFIT OR LOSS

		Years Ended December 31		
	Note	**2016**	2015	2014
REVENUES				
Rooms		**P230,242,108**	P287,584,011	P312,084,720
Food and beverage		**123,428,183**	137,481,964	141,017,832
Other operating departments		**4,933,879**	4,767,442	6,491,294
Others	*20*	**9,943,873**	17,518,267	7,353,953
		368,548,043	447,351,684	466,947,799
COST OF SALES AND SERVICES	*15*			
Food and beverage		**43,805,576**	50,925,932	53,388,923
Other operating departments		**2,761,511**	3,581,260	2,897,083
		46,567,087	54,507,192	56,286,006
		321,980,956	392,844,492	410,661,793
SELLING EXPENSES	*16*	**178,467,537**	192,493,454	211,628,674
ADMINISTRATIVE EXPENSES	*17*	**181,732,506**	212,349,400	217,135,639
		360,200,043	404,842,854	428,764,313
NET OPERATING LOSS		**(38,219,087)**	(11,998,362)	(18,102,520)
OTHER INCOME (EXPENSES)				
Foreign exchange gain - net		**10,675,578**	9,379,100	180,991
Interest income	*4, 9, 11, 14, 20*	**5,349,544**	8,946,563	5,344,592
Equity in net income of an associate	*8*	**2,083,824**	2,372,464	1,774,099
Income from refundable deposits		**-**	3,986,875	-
Loss on disposal of property and equipment	*10*	**-**	(1,166,747)	-
Reversal of accruals		**-**	-	14,767,900
Others		**30,000**	880,460	-
		18,138,946	24,398,715	22,067,582
INCOME (LOSS) BEFORE INCOME TAX		**(20,080,141)**	12,400,353	3,965,062
INCOME TAX EXPENSE (BENEFIT)	*22*	**(6,855,231)**	6,628,274	3,571,164
NET INCOME (LOSS)		**(P13,224,910)**	P5,772,079	P393,898
Basic and Diluted Earnings (Loss) Per Share	*18*	**(P0.25)**	P0.11	P0.01

See Notes to the Financial Statements.

GRAND PLAZA HOTEL CORPORATION
STATEMENTS OF COMPREHENSIVE INCOME

		Years Ended December 31		
	Note	**2016**	2015	2014
NET INCOME (LOSS)		**(P13,224,910)**	P5,772,079	P393,898
OTHER COMPREHENSIVE INCOME (LOSS)				
Item that will never be reclassified to profit or loss				
Remeasurement of net defined benefit plan	*21*	**1,720,436**	3,899,323	(1,984,581)
Income tax relating to an item that will not be reclassified subsequently		**(516,131)**	(1,169,797)	595,374
		1,204,305	2,729,526	(1,389,207)
TOTAL COMPREHENSIVE INCOME (LOSS)		**(P12,020,605)**	P8,501,605	(P995,309)

See Notes to the Financial Statements.

GRAND PLAZA HOTEL CORPORATION
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2016, 2015 AND 2014

	Note	Capital Stock (Note 24)	Additional Paid-in Capital	Remeasurement Gains on Defined Benefit Plan	Retained Earnings		Treasury Stock (Note 24)	Total Equity
					Appropriated	Unappropriated		
Balance at January 1, 2014		P873,182,700	P14,657,517	P6,085,245	P1,630,777,870	P111,294,978	(P1,630,777,870)	P1,005,220,440
Net income for the year		-	-	-	-	393,898	-	393,898
Other comprehensive loss for the year	*21*	-	-	(1,389,207)	-	-	-	(1,389,207)
Total comprehensive loss for the year		-	-	(1,389,207)	-	393,898	-	(995,309)
Appropriation for acquisition of treasury shares	*23, 24*	-	-	-	49,242,500	(49,242,500)	(49,242,500)	(49,242,500)
Balance at December 31, 2014		P873,182,700	P14,657,517	P4,696,038	P1,680,020,370	P62,446,376	(P1,680,020,370)	P954,982,631
Balance at January 1, 2015		P873,182,700	P14,657,517	P4,696,038	P1,680,020,370	P62,446,376	(P1,680,020,370)	P954,982,631
Net income for the year		-	-	-	-	5,772,079	-	5,772,079
Other comprehensive income for the year	*21*	-	-	2,729,526	-	-	-	2,729,526
Total comprehensive income for the year		-	-	2,729,526	-	5,772,079	-	8,501,605
Balance at December 31, 2015		P873,182,700	P14,657,517	P7,425,564	P1,680,020,370	P68,218,455	(P1,680,020,370)	P963,484,236
Balance at January 1, 2016		**P873,182,700**	**P14,657,517**	**P7,425,564**	**P1,680,020,370**	**P68,218,455**	**(P1,680,020,370)**	**P963,484,236**
Net loss for the year		**-**	**-**	**-**	**-**	**(13,224,910)**	**-**	**(13,224,910)**
Other comprehensive income for the year	*21*	**-**	**-**	**1,204,305**	**-**	**-**	**-**	**1,204,305**
Total comprehensive loss for the year		**-**	**-**	**1,204,305**	**-**	**(13,224,910)**	**-**	**(12,020,605)**
Balance at December 31, 2016		**P873,182,700**	**P14,657,517**	**P8,629,869**	**P1,680,020,370**	**P54,993,545**	**(P1,680,020,370)**	**P951,463,631**

See Notes to the Financial Statements.

GRAND PLAZA HOTEL CORPORATION
STATEMENTS OF CASH FLOWS

			Years Ended December 31	
	Note	**2016**	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES				
Income (loss) before income tax		**(P20,080,141)**	P12,400,353	P3,965,062
Adjustments for:				
Depreciation and amortization	*10, 17*	**40,066,242**	39,558,871	38,864,197
Retirement benefits cost	*21*	**2,862,578**	3,154,728	2,952,313
Provision for impairment losses on receivables	*5, 17, 25*	**662,207**	94,343	13,156,558
Write-off of receivables	*5, 17*	**-**	12,617,105	-
Loss on disposal of property and equipment	*10*	**-**	1,166,747	-
Unrealized foreign exchange loss (gain)		**(10,736,407)**	(9,033,582)	1,380,284
Interest income	*4, 9, 11, 14, 20*	**(5,349,544)**	(8,946,563)	(5,344,592)
Equity in net income of an associate	*8*	**(2,083,824)**	(2,372,464)	(1,774,099)
Operating income before working capital changes		**5,341,111**	48,639,538	53,199,723
Decrease (increase) in:				
Receivables		**14,996,484**	(18,400,281)	(1,779,537)
Due from related parties		**(179,696)**	300	1,884,750
Inventories		**(121,074)**	1,652,437	(410,782)
Prepaid expenses and other current assets		**112,221**	306,550	6,252,296
Other noncurrent assets		**-**	(3,695,818)	-
Increase (decrease) in:				
Accounts payable and accrued expenses		**(16,960,576)**	5,180,054	351,573
Refundable deposits		**(1,450,542)**	(25,373,708)	26,999,029
Due to related parties		**21,935,382**	707,947	3,974,822
Other current liabilities		**(3,006,799)**	(9,131,411)	3,575,163
Net cash generated from (absorbed by) operations		**20,666,511**	(114,392)	94,047,037
Interest received		**6,206,422**	8,883,369	11,866,287
Income taxes paid		**(5,269,983)**	(8,311,866)	(7,999,596)
Retirement benefits paid	*21*	**(874,713)**	(400,306)	(217,003)
Net cash provided by operating activities		**20,728,237**	56,805	97,696,725
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to property and equipment	*10*	**(13,776,829)**	(6,985,301)	(15,886,533)
Dividends received from an associate	*8*	**4,000,000**	-	-
Net cash used in investing activities		**(9,776,829)**	(6,985,301)	(15,886,533)

Forward

			Years Ended December 31	
	Note	**2016**	2015	2014
CASH FLOW FROM A FINANCING ACTIVITY				
Acquisition of treasury stock	*23, 24*	**P -**	P -	(P49,242,500)
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**10,736,407**	9,033,582	(1,380,284)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**21,687,815**	2,105,086	31,187,408
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	*4*	**239,183,149**	237,078,063	205,890,655
CASH AND CASH EQUIVALENTS AT END OF YEAR	*4*	**P260,870,964**	P239,183,149	P237,078,063

See Notes to the Financial Statements.

GRAND PLAZA HOTEL CORPORATION
NOTES TO THE FINANCIAL STATEMENTS

1. Reporting Entity

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

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

2. Basis of Preparation

Statement of Compliance

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

The financial statements as at and for the year ended December 31, 2016 were approved and authorized for issue by the Board of Directors (BOD) on February 15, 2017.

Basis of Measurement

The financial statements have been prepared on the historical cost basis of accounting except for the present value of the defined benefit obligation less fair value of plan assets, if any.

Functional and Presentation Currency

The Company's financial statements are presented in Philippine peso, which is also the Company's functional currency. All values are rounded off to the nearest peso, except when otherwise stated.

Use of Estimates and Judgments

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

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

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

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

Determining whether an Agreement Contains a Lease

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

Operating Lease

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

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

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

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

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

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

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

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

Estimating Allowance for Impairment Losses on Receivables
The Company maintains an allowance for impairment losses at a level considered adequate to provide for potential uncollectable receivables. The level of this allowance is evaluated by management on the basis of factors that affect the collectability 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 at December 31, 2016 and 2015, the allowance for impairment losses on trade receivables amounted to P14,068,729 and P13,406,522, respectively, while the carrying amount of receivables amounted to P89,544,802 and P106,060,371, respectively (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 cost, amounted to P12,461,866 and P12,340,792 as at December 31, 2016 and 2015, 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 the assets are expected to be available for use. The estimated useful lives of property and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. In addition, the estimation of the useful lives of property and equipment is based on collective assessment of internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances.

As at December 31, 2016 and 2015, the carrying amount of property and equipment amounted to P564,632,930 and P590,922,343, respectively (see Note 10).

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

As at December 31, 2016 and 2015, the Company's deferred tax assets amounted to P24,829,882 and P14,851,272, respectively (see Note 22).

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

The Company's retirement benefits liability amounted to P25,757,196 and P25,489,767 as at December 31, 2016 and 2015, respectively. The retirement benefits cost recognized in profit or loss amounted to P2,862,578 and P3,154,728 for the years ended December 31, 2016 and 2015, respectively. Cumulative actuarial gain amounted to P12,328,385 and P10,607,949 as at December 31, 2016 and 2015, respectively (see Note 21).

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

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

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

- significant negative industry or economic trends.

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

There were no impairment losses on the Company's nonfinancial assets recognized for the years ended December 31, 2016 and 2015.

Estimating Provisions and Contingencies
The Company, in the ordinary course of business, sets up appropriate provisions for its present legal or constructive obligations in accordance with its policies on provisions and contingencies. The estimate of the probable costs for the resolution of possible claims has been developed in consultation with its legal counsel and is based upon an analysis of potential results.

There were no provisions or contingencies recognized as at December 31, 2016 and 2015.

3. Summary of Significant Accounting Policies

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

<u>Adoption of New or Revised Standards, Amendments to Standards and Interpretations</u>

The Company has adopted the following amendments to standards starting January 1, 2016 and accordingly, changed its accounting policies. Except as otherwise indicated, the adoption of these amendments to standards did not have any significant impact on the Company's financial statements.

- *Disclosure Initiative (Amendments to PAS 1)* addresses some concerns expressed about existing presentation and disclosure requirements and to ensure that entities are able to use judgment when applying PAS 1, *Presentation of Financial Statements*. The amendments clarify that:

  - Information should not be obscured by aggregating or by providing immaterial information.

  - Materiality considerations apply to all parts of the financial statements, even when a standard requires a specific disclosure.

  - The list of line items to be presented in the statement of financial position and statement of profit or loss and other comprehensive income can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements.

  - An entity's share of OCI of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss.

- *Clarification of Acceptable Methods of Depreciation and Amortization (Amendments to PAS 16 and PAS 38).* The amendments to PAS 38, *Intangible Assets*, introduce a rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate. This presumption can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue.

  The amendments to PAS 16, *Property, Plant and Equipment,* explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. This is because such methods reflect factors other than the consumption of economic benefits embodied in the asset - e.g. changes in sales volumes and prices.

Standards Issued but Not Yet Adopted

A number of new standards and amendments to standards are effective for annual periods beginning after January 1, 2016. However, the Company has not applied the following new or amended standards in preparing these financial statements. Unless otherwise stated, none of these are expected to have a significant impact on the Company's financial statements.

Effective January 1, 2017

- *Disclosure Initiative (Amendments to PAS 7, Statements of Cash Flows)*. The amendments address financial statements users' requests for improved disclosures about an entity's net debt relevant to understanding an entity's cash flows. The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes - e.g. by providing a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities.

  The amendments are effective for annual periods beginning on or after January 1, 2017. Early adoption is permitted. When an entity first applies the amendments, it is not required to provide comparative information for preceding periods.

- *Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to PAS 12)*. The amendments clarify that:

  - the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset;

  - the calculation of future taxable profit in evaluating whether sufficient taxable profit will be available in future periods excludes tax deductions resulting from the reversal of the deductible temporary differences;

  - the estimate of probable future taxable profit may include the recovery of some of an entity's assets for more than their carrying amount if there is sufficient evidence that it is probable that the entity will achieve this; and

  - an entity assesses a deductible temporary difference related to unrealized losses in combination with all of its other deductible temporary differences, unless a tax law restricts the utilization of losses to deduction against income of a specific type.

  The amendments are to be applied retrospectively for annual periods beginning on or after January 1, 2017. Early adoption is permitted. On initial application, the change in the opening equity of the earliest comparative period may be recognized in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. If an entity applies the relief, it shall disclose that fact.

Effective January 1, 2018

- PFRS 9, *Financial Instruments (2014)*. PFRS 9 (2014) replaces PAS 39, *Financial Instruments: Recognition and Measuremen*t, and supersedes the previously published versions of PFRS 9 that introduced new classifications and measurement requirements (in 2009 and 2010) and a new hedge accounting model (in 2013). PFRS 9 includes revised guidance on the classification and measurement of financial assets, including a new expected credit loss model for calculating impairment, guidance on own credit risk on financial liabilities measured at fair value and supplements the new general hedge accounting requirements published in 2013. PFRS 9 incorporates new hedge accounting requirements that represent a major overhaul of hedge accounting and introduces significant improvements by aligning the accounting more closely with risk management.

  The new standard is to be applied retrospectively for annual periods beginning on or after January 1, 2018, with early adoption permitted.

  The Company is still assessing the potential impact on its financial statements resulting from the application of PFRS 9.

- PFRS 15, *Revenue from Contracts with Customers* replaces PAS 11*, Construction Contracts*, PAS 18, *Revenue*, IFRIC 13, *Customer Loyalty Programmes*, IFRIC 18, *Transfer of Assets from Customers* and SIC-31, *Revenue - Barter Transactions Involving Advertising Services*. The new standard introduces a new revenue recognition model for contracts with customers which specifies that revenue should be recognized when (or as) a company transfers control of goods or services to a customer at the amount to which the company expects to be entitled. Depending on whether certain criteria are met, revenue is recognized over time, in a manner that best reflects the company's performance, or at a point in time, when control of the goods or services is transferred to the customer. The standard does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other PFRSs. It also does not apply if two companies in the same line of business exchange non-monetary assets to facilitate sales to other parties. Furthermore, if a contract with a customer is partly in the scope of another IFRS, then the guidance on separation and measurement contained in the other PFRS takes precedence.

  The new standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.

Effective January 1, 2019

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

PFRS 16 is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted for entities that apply PFRS 15 Revenue from Contracts with Customers at or before the date of initial application of PFRS 16.

The Company is currently assessing the potential impact of PFRS 16 and plans to adopt this new standard on leases on the required effective date.

Financial Instruments

Non-derivative Financial Instruments

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

The Company recognizes a financial asset or a financial liability in the statements of financial position when it becomes a party to the contractual provisions of the instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using settlement date accounting.

Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The fair value of the consideration given or received is determined by reference to the transaction price or other market prices. If such market prices are not reliably determinable, the fair value of the consideration is estimated as the sum of all future cash payments or receipts, discounted using the prevailing market rate of interest for similar instruments with similar maturities. The initial measurement of financial instruments, except for those designated at fair value through profit or loss (FVPL), includes transaction cost.

Subsequent to initial recognition, the Company classifies its financial assets in the following categories: held-to-maturity (HTM) investments, available-for-sale (AFS) financial assets, financial assets at FVPL, and loans and receivables; while the Company classifies its financial liabilities in the following categories: financial liabilities at FVPL and other financial liabilities. The classification depends on the purpose for which the investments are acquired and whether they are quoted in an active market. Management determines the classification of the Company's financial assets and financial liabilities at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

The Company has no financial assets at HTM investments, AFS financial assets, financial assets at FVPL and financial liabilities at FVPL.

The measurement of non-derivative financial instruments subsequent to initial recognition is described below:

Loans and Receivables. Loans and receivables are nonderivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not designated as AFS financial assets or financial asset at FVPL. Loans and receivables are carried at cost or amortized cost, less any allowance for impairment losses. Amortization is determined using the effective interest rate method. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through amortization process.

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

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

Other Financial Liabilities. This category pertains to nonderivative financial liabilities that are not held for trading or not designated at FVPL at the inception of the liability. They are initially measured at fair value plus transaction costs. Subsequently, these are measured at amortized cost, taking into account the impact of applying the effective interest rate method of amortization (or accretion) for any related premium, discount and any directly attributable transaction costs.

Included in this category are the Company's accounts payable and accrued expenses, refundable deposits, due to related parties, and other current liabilities except for output VAT payable and withholding taxes payable.

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

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

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

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

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

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

Financial Liabilities. A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

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

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

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

<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 expenditures 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 profit or loss.

<u>Investment in an Associate</u>
An associate is an entity in which the Company has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Company holds between 20 and 50 percent of the voting power of another entity.

Investment in an associate is accounted for under the equity method of accounting and is recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount is increased or decreased to recognize the Company's share of the profit or loss of the associate after the date of acquisition until such time the Company loses its significant influence. The Company's share of the profit or loss of the associate is recognized as "Equity in net income of an associate" in profit or loss.

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

Property and Equipment

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

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

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

The estimated useful lives are as follows:

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

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

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

Impairment of Assets

Financial Assets

Financial assets are reviewed for impairment at each reporting date.

Assets Carried at Amortized Cost. If there is objective evidence that an impairment loss on receivable carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced through the use of an allowance account and the amount of the loss is recognized in profit or loss. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Receivables together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral, if any, has been realized or has been transferred to the Company. If in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognized in profit or loss. Any subsequent reversal of an impairment loss is recognized in profit or loss, to the extent that the carrying amount of the asset does not exceed its amortized cost at the reversal date.

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in the collective assessment of impairment. For the purpose of specific evaluation of impairment, the Company assesses whether financial assets are impaired through assessment of collectability of financial assets considering the debtor's capacity to pay, history of payment, and the availability of other financial support. For the purpose of collective evaluation of impairment, if necessary, financial assets are grouped on the basis of such credit risk characteristics such as debtor type, payment history, past-due status and terms.

Assets Carried at Cost. If there is objective evidence that an impairment loss is incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Nonfinancial Assets

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

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

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

Capital Stock

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

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

Treasury Stock

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

Retained Earnings

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

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

Revenue 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. Revenue is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. The following specific recognition criteria must also be met before revenue is recognized:

Rooms: 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.

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

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

Costs and expenses are recognized when incurred.

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

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

- whether the Company has discretion in establishing prices; and

- whether the Company bears the credit risk.

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

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

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

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

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

Operating Leases - Company as Lessee
The Company leases the land it occupies from a related party under a long-term lease agreement. Management has determined that all significant risks and rewards of this property remain with the lessor. Accordingly, such lease is accounted for as operating lease.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

4. Cash and Cash Equivalents

This account consists of:

	Note	**2016**	2015
Cash on hand and in banks		**P60,186,867**	P45,741,556
Short-term investments		**200,684,097**	193,441,593
	25	**P260,870,964**	P239,183,149

Cash in banks earn annual interest at the prevailing bank deposit rates. Short-term investments consist mainly of time deposits which earn annual interest ranging from 0.15% to 0.5% in 2016, 2015 and 2014. Interest income earned from this account amounted to P686,805, P575,745 and P669,592 for the years ended December 31, 2016, 2015 and 2014, respectively.

5. Receivables

This account consists of:

	Note	**2016**	2015
Trade:			
Charge customers	*25*	**P22,507,555**	P39,079,304
Others		**27,954,816**	29,829,657
		50,462,371	68,908,961
Deposits to suppliers		**19,108,114**	16,801,170
Utility charges		**17,600,656**	17,482,878
Interest	*14*	**10,218,814**	11,075,692
Advances to employees		**1,360,583**	1,379,312
Others	*14*	**4,862,993**	3,818,880
		103,613,531	119,466,893
Less allowance for impairment losses on trade receivables	*25*	**14,068,729**	13,406,522
	25	**P89,544,802**	P106,060,371

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

The Company was assessed by the Bureau of Internal Revenue (BIR) in 2008 for deficiency VAT with respect to the years 1996 to 2002, related to the accumulated 10% VAT (up to 2005; before transition of VAT rate) and 12% VAT (2006; effective of VAT rate transition) on transactions with PAGCOR, which the Company contested in the Court of Tax Appeals (CTA).

On February 18, 2011, the CTA ruled in favor of the Company and cancelled the VAT deficiency assessment.

On May 17, 2011, the CTA denied the Commissioner of Internal Revenue's (CIR) motion for reconsideration of the February 18, 2011 CTA's decision. The BIR then filed its appeal with the CTA En Banc.

On July 27, 2012, the CTA En Banc resolved that consistent with the pronouncement of the SC in the cases of BIR vs. Acesite Hotel Corporation and PAGCOR vs. BIR, that services rendered to PAGCOR are exempt from VAT, BIR's petition has no leg to stand on and must necessarily fall. The BIR filed a Motion for Reconsideration.

On October 8, 2012, the CTA En Banc resolved that BIR's Motion for Reconsideration is denied and the earlier decision of the CTA promulgated on May 17, 2011 is affirmed. On December 5, 2012, the BIR filed with the SC a Petition for Review.

On May 6, 2013, the Company filed its Comment/Opposition to the Petition for Review and is awaiting feedback from the SC. On October 17, 2013, the Company received a Notice from the SC directing the BIR to file a reply within 10 days from receipt of Notice.

On October 8, 2014, the SC declared the BIR Manifestation and Motion dated April 11, 2014 as unsatisfactory compliance with the Resolution dated January 28, 2013. The SC directed the BIR to comply with the Resolution by submitting the required documents within five days from notice.

On December 16, 2014, the Company filed a Manifestation and Motion to Dismiss the Petition by the BIR for non-compliance with the jurisdictional requirements.

On June 9, 2015, the Company received a Notice from the Court of the First Division of the SC stating that on February 11, 2015, the First Division of the SC resolved to note the Company's Manifestation and grant the Company's Motion to Dismiss the Commissioner of Internal Revenue's ("CIR") Petition for Review on Certiorari ("Petition") of the Tax Case for failure of the CIR to comply with the resolutions issued by the SC, which required the CIR to submit a verified statement of material date and the duplicate original or certified true copies of the assailed CTA decision and resolution. The Notice also stated that the Tax Case is considered closed and terminated.

On June 24, 2015, the BIR filed a Motion for Reconsideration with the SC even though the SC has previously ruled that the case is considered closed and terminated.

On November 13, 2015, the Company received a Notice from the SC denying the Motion for Reconsideration of the BIR and ruled it with finality in favor of the Company.

Trade-others include receivables from PAGCOR amounting to P29,409,140, in 2016 and 2015 which mainly consist of unpaid billings from the contract with PAGCOR which was terminated in July 2013. The collection of the remaining receivables from PAGCOR is subject to the ongoing reconciliation of records between the Company and PAGCOR who have not yet reached an agreement as to the net amount of settlement due to each party (see Note 19).

With the termination of the case, the Company reversed in 2015 the VAT receivable from PAGCOR amounting to P216,419,467 and the related Output VAT payable amounting to P203,802,362. The difference of P12,617,105 between the amounts reversed was recognized as part of "Administrative Expenses" (see Note 17).

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

6. Inventories

This account consists of:

	Note	**2016**	2015
Food		**P4,688,602**	P4,798,446
General supplies		**3,929,878**	3,766,389
Engineering supplies		**2,639,927**	2,421,115
Beverage and tobacco		**1,066,312**	1,031,622
Others		**137,147**	323,220
	15	**P12,461,866**	P12,340,792

There was no write down of inventories to NRV in 2016 and 2015.

7. Prepaid Expenses and Other Current Assets

This account consists of:

	2016	2015
Input VAT	**P6,661,827**	P5,579,291
Prepaid income tax	**4,808,097**	2,150,645
Prepaid expenses	**4,287,019**	5,512,517
Deposits:		
Utilities deposit	**531,730**	499,617
Rental deposit	**19,357**	19,357
Others	**311,933**	313,306
	P16,619,963	P14,074,733

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

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

8. Investment in an Associate

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

This account consists of:

	2016	2015
Acquisition cost	**P48,200,000**	P48,200,000
Accumulated share in net earnings:		
Balance at beginning of year	**4,413,701**	2,041,237
Equity in net income	**2,343,901**	2,372,464
Dividends received	**(4,000,000)**	-
Adjustments*	**(260,077)**	-
Balance at end of year	**2,497,525**	4,413,701
	P50,697,525	P52,613,701

A summary of the financial information of HLC follows:

	2016	2015
Current assets	**P33,484,061**	P33,537,899
Noncurrent assets	**121,830,382**	121,900,300
Current liabilities	**(4,600,304)**	(583,813)
Noncurrent liability	**(78,000,000)**	(78,000,000)
Net liabilities (100%)	**(P72,714,139)**	(P76,854,386)
Company's share of net liabilities (40%)	**P29,085,656**	P30,741,754
Revenue	**P17,797,608**	P17,797,608
Net income/total comprehensive income (100%)	**P5,859,753**	P5,931,160
Company's share in net income/total comprehensive income (40%)	**P2,343,901**	P2,372,464

Net of adjustment on prior year share in net income/total comprehensive income

9. Loan Receivable

This pertains to the loan granted to Rogo Realty Corporation (RRC), a company under common control, collateralized by RRC's investment in shares of stock of HLC with a carrying value of P72,300,000 as at December 31, 2016 and 2015 and is collectable on demand with interest rate of 5% per annum (see Note 14).

Interest income earned in 2016, 2015 and 2014 amounted to P775,000 for each year.

10. Property and Equipment

The movements and balances in this account are as follows:

	Building and Building Improvements	Furniture Fixtures and Equipment	Transportation Equipment	Leasehold Improvements	Total
Cost					
Balance, January 1, 2015	P1,008,774,602	P376,824,805	P4,158,198	P385,157	P1,390,142,762
Additions	6,017,627	967,674	-	-	6,985,301
Disposals	(1,669,735)	(7,911,963)	-	-	(9,581,698)
Reclassification	562,500	(562,500)	-	-	-
Balance, December 31, 2015	1,013,684,994	369,318,016	4,158,198	385,157	1,387,546,365
Additions	12,350,886	1,425,943	-	-	13,776,829
Reclassification	(5,369,785)	5,369,785	-	-	-
Balance, December 31, 2016	**1,020,666,095**	**376,113,744**	**4,158,198**	**385,157**	**1,401,323,194**
Accumulated Depreciation and Amortization					
Balance, January 1, 2015	434,498,993	326,437,754	4,158,198	385,157	765,480,102
Depreciation and amortization during the year	25,906,986	13,651,885	-	-	39,558,871
Disposals	(502,988)	(7,911,963)	-	-	(8,414,951)
Reclassification	27,188	(27,188)	-	-	-
Balance, December 31, 2015	459,930,179	332,150,488	4,158,198	385,157	796,624,022
Depreciation and amortization during the year	26,235,446	13,830,796	-	-	40,066,242
Balance, December 31, 2016	**486,165,625**	**345,981,284**	**4,158,198**	**385,157**	**836,690,264**
Carrying Amount					
December 31, 2015	P553,754,815	P37,167,528	P -	P -	P590,922,343
December 31, 2016	**P534,500,470**	**P30,132,460**	**P -**	**P -**	**P564,632,930**

In 2015, the Company disposed of a building equipment resulting to a loss on disposal amounting to P1,166,747.

No impairment loss was recognized for the Company's property and equipment in 2016, 2015 and 2014.

11. Other Noncurrent Assets

This account consists of:

	Note	2016	2015
Lease deposit	*14, 20, 25*	**P78,000,000**	P78,000,000
Miscellaneous investments and deposits		**8,781,609**	8,781,609
Others		**1,010,000**	1,010,000
		P87,791,609	P87,791,609

Miscellaneous investments and deposits consist of utility and rent deposits.

12. Accounts Payable and Accrued Expenses

This account consists of:

	Note	2016	2015
Trade		**P31,727,772**	P37,016,672
Accrued other liabilities		**15,662,595**	16,556,306
Accrued payroll		**13,328,189**	23,904,260
Accrued utilities		**4,921,059**	4,916,912
Others		**499,125**	705,166
	25	**P66,138,740**	P83,099,316

Trade payables have normal terms of 30 to 45 days.

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

13. Other Current Liabilities

This account consists of:

	Note	2016	2015
Deposits for utilities	*25*	**P4,789,028**	P4,789,028
Payable to government agencies		**4,671,087**	5,956,211
Payable to employees	*25*	**3,240,892**	3,616,015
Rewards redemption payable	*25*	**746,897**	2,342,042
Output VAT payable	*5*	**557,582**	1,018,117
Others	*25*	**815,655**	106,527
		P14,821,141	P17,827,940

14. Related Party Transactions

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

Category/ Transaction	Year	Note	Amount of the Transaction	Outstanding Balance: Due from Related Parties	Outstanding Balance: Due to Related Parties	Terms	Conditions
Associate							
▪ Lease deposit	**2016**	*11, 20*	**P -**	**P78,000,000**	**P -**	Required lease deposit on the leased land	Collectable upon termination of the contract
	2015		-	78,000,000	-		
	2014		-	78,000,000	-		
▪ Interest income	**2016**	*14b, 20*	**3,900,000**	**3,900,000**	**-**	5% per annum of the lease deposit	Unsecured; no impairment
	2015		3,900,000	-	-		
	2014		3,900,000	-	-		
▪ Advances	**2016**	*14a*	**4,061**	**4,061**	-	Due and demandable; non interest bearing	Unsecured; no impairment
	2015		2,221	-	-		
	2014		24,550	350	-		
▪ Rent expense	**2016**	*17, 20*	**17,797,608**	**-**	**4,760,860**	Due and demandable; non interest bearing	Unsecured
	2015		17,797,608	-	-		
	2014		17,797,608	-	-		
▪ Rent income	**2016**		**180,000**	-	**-**	Due and demandable; non interest bearing	Unsecured
	2015		180,000	-	-		
	2014		90,000	96,300	-		
Under Common Control							
▪ Management and incentive fees	**2016**	*14d, 17*	**14,515,526**	**-**	**20,316,722**	Due and demandable; non interest bearing	Unsecured
	2015		20,762,185	-	6,236,662		
	2014		20,816,244	-	4,684,895		
▪ Advances	**2016**	*14a*	**3,270,097**	**175,685**	**3,655,990**	Due and demandable; non interest bearing	Unsecured; no impairment
	2015		8,420,793	50	561,528		
	2014		1,233,015	-	1,405,348		
▪ Loan	**2016**	*9, 14c*	**-**	**15,500,000**	**-**	Due and demandable; interest bearing	Unsecured; no impairment
	2015		-	15,500,000	-		
	2014		-	15,500,000	-		
▪ Interest income	**2016**	*14c*	**775,000**	**6,305,878**	**-**	5% per annum of the loan receivable	Unsecured; no impairment
	2015		775,000	11,000,000	-		
	2014		775,000	11,000,000	-		
▪ Rent income	**2016**	*14e*	**420,000**	**-**	**-**	Due and demandable; non interest bearing	Unsecured
	2015		420,000	-	-		
	2014		200,000	160,500	-		
Key Management Personnel of the Entity							
▪ Short term employee benefits	**2016**	*14f*	**20,609,402**	**-**	**-**		
	2015		17,699,951	-	-		
	2014		19,301,720	-	-		
TOTAL	**2016**			**P103,885,624**	**P28,733,572**		
TOTAL	2015			P104,500,050	P6,798,190		
TOTAL	2014			P104,757,150	P6,090,243		

Due from related parties is included in the following accounts:

	Note	**2016**	2015
Receivables - net	*5, 20*	**P10,205,878**	P11,000,000
Loan receivable	*9*	**15,500,000**	15,500,000
Due from related parties	*25*	**179,746**	50
Other noncurrent assets	*11, 20*	**78,000,000**	78,000,000
		P103,885,624	P104,500,050

a. 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, unsecured and receivable/payable on demand.

b. The interest receivable from HLC, an associate, represents the uncollected interest on the lease deposit of the Company to HLC at 5% a year (see Note 20). The related interest income amounted to P3,900,000 annually for the three-year period ended December 31, 2016.

c. The interest receivable from RRC, an entity under common control, represents the uncollected interest on the loan granted by the Company to RRC at 5% per annum (see Note 9). The related interest income amounted to P775,000 annually for the three-year period ended December 31, 2016.

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

e. The rent income from HLC, RRC and Elite represents the sub-leased portion of an office space consisting of 30 square meters, 25 square meters and 65 square meters, respectively, located at the Hotel. The lease covers a period of 2.5 years until December 31, 2016, renewable upon written agreement of the parties.

f. Transactions with Key Management Personnel

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

	2016	2015	2014
Executive officers	**P16,642,511**	P15,408,266	P16,568,960
Directors of hotel operations	**3,966,891**	2,291,685	2,732,760
	P20,609,402	P17,699,951	P19,301,720

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

Due from and to related parties are normally settled in cash. As at December 31, 2016 and 2015, the Company determined due from related parties to be fully recoverable, hence, no impairment has been recognized.

15. Cost of Sales and Services

This account consists of:

	Note	2016	2015	2014
Inventories at beginning of year	*6*	**P12,340,792**	P13,993,229	P13,582,447
Purchases		**46,688,161**	52,854,755	56,696,788
Available for sale and use		**59,028,953**	66,847,984	70,279,235
Inventories at end of year	*6*	**(12,461,866)**	(12,340,792)	(13,993,229)
		P46,567,087	P54,507,192	P56,286,006

16. Selling Expenses

This account consists of:

	2016	2015	2014
Salaries, wages and employee benefits:			
Food and beverage	**P28,607,305**	P31,099,865	P32,252,688
Rooms	**27,326,095**	29,815,663	30,393,903
Other operating departments	**1,307,776**	1,265,462	1,285,659
	57,241,176	62,180,990	63,932,250
Property operation, maintenance, energy and conservation	**75,845,077**	80,483,496	98,794,538
Commission	**8,139,941**	8,049,420	8,423,737
Guest supplies	**7,825,894**	9,779,840	9,602,307
Transport charges	**6,061,651**	6,302,642	6,490,719
Laundry and dry cleaning	**5,088,867**	5,331,439	5,097,076
Printing and stationery	**1,658,969**	1,929,781	2,105,581
Online selling and marketing tools	**1,646,041**	3,442,052	3,346,056
Housekeeping expense - night cleaning	**1,593,560**	1,436,580	1,539,193
Kitchen fuel	**1,589,234**	1,716,756	2,652,540
Music and entertainment	**1,099,837**	1,086,648	1,078,670
Operating supplies	**1,082,475**	1,263,205	1,028,138
Cleaning supplies	**594,517**	643,835	644,809
Permits and licenses	**353,919**	513,452	606,050
Miscellaneous	**8,646,379**	8,333,318	6,287,010
	P178,467,537	P192,493,454	P211,628,674

17. Administrative Expenses

This account consists of:

	Note	2016	2015	2014
Hotel overhead departments				
Salaries, wages and employee benefits:				
Administrative and general		**P28,813,356**	P33,525,853	P35,637,618
Engineering		**8,812,510**	9,711,386	12,792,037
Sales and marketing		**8,402,968**	7,885,728	7,972,648
Human resources		**2,783,277**	2,234,627	1,423,807
		48,812,111	53,357,594	57,826,110
Management and incentive fees	*14*	**14,515,526**	20,762,185	20,816,244
Dues and subscription		**5,806,374**	4,644,950	3,893,774
Credit card commission		**4,281,570**	5,632,812	6,265,220
Data processing		**2,354,874**	2,254,199	2,166,924
Telecommunications		**1,314,297**	1,036,083	1,174,547
Advertising		**1,022,648**	1,044,046	790,253
Entertainment		**1,010,125**	751,766	905,428
Awards and social activities		**693,825**	572,725	702,428
Miscellaneous		**3,504,890**	3,026,379	2,861,583
		83,316,240	93,082,739	97,402,511
Corporate office				
Depreciation and amortization	*10*	**40,066,242**	39,558,871	38,864,197
Leased land rental	*14, 20*	**17,797,608**	17,797,608	17,797,608
Corporate office payroll and related expense		**10,997,805**	11,471,410	7,409,803
Property tax		**9,265,681**	9,265,681	9,265,761
Insurance		**9,186,573**	8,976,761	9,071,572
Professional fees		**6,344,821**	14,357,245	6,977,782
Office supplies		**1,482,307**	1,023,143	972,205
Directors' fees/allowances		**1,036,871**	398,708	1,311,151
Provision for impairment losses on receivables	*25*	**662,207**	94,343	13,156,558
Transportation and travel		**242,566**	520,706	704,986
Taxes and licenses		**141,498**	543,516	12,227,976
Write-off of receivables	*5*	**-**	12,617,105	-
Miscellaneous		**1,192,087**	2,641,564	1,973,529
		98,416,266	119,266,661	119,733,128
		P181,732,506	P212,349,400	P217,135,639

18. Earnings per Share

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

	2016	2015	2014
Weighted average number of common shares:			
Balance at beginning of year	**P53,717,369**	P53,717,369	P54,702,219
Weighted average number of shares acquired during the year	**-**	-	(539,141)
	P53,717,369	P53,717,369	P54,163,078

	2016	2015	2014
Net income (loss) for the year	**(P13,224,910)**	P5,772,079	P393,898
Divided by weighted average number of outstanding shares	**53,717,369**	53,717,369	54,163,078
	(P0.25)	P0.11	P0.01

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

19. Refundable Deposits

This account consists of:

	Note	**2016**	2015
PAGCOR	*20*	**P25,349,438**	P25,349,438
Others	*20*	**3,946,131**	5,396,673
		29,295,569	30,746,111
Less: Current portion		**25,349,438**	25,349,438
		P3,946,131	P5,396,673

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

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

20. Leases

Company as Lessor

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

The lease agreements with the third parties required the latter to give the Company lease deposits which amounted to a total of P29,295,569 and P30,746,111 as at December 31, 2016 and 2015, respectively, and are shown as “Refundable deposits” in the statements of financial position. Rent income amounted to P2,409,389 and P2,847,052 in 2016 and 2015, respectively, and is included in “Others” under Revenue in the statements of profit or loss.

On February 15, 2012, the BOD of PAGCOR decided not to renew the contract of lease which ended on July 10, 2013. Refundable deposit from PAGCOR amounting to P25,349,438 is not yet returned to the latter pending reconciliation of account between both parties. The Company and PAGCOR have not yet reached an agreement as to the net amount of settlement due to each party (see Note 19).

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

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

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

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

On August 11, 2014, the Company and HLC agreed to amend the lease contract to increase the fee from P10,678,560 to P17,797,608 starting January 1, 2014 and to extend the lease contract from 2015 to 2040 for a period of another 25 years with no escalation of fee for the first 5 years but on the 6th year, HLC will propose a revision depending on market condition.

The rent expense on the land amounted to P17,797,608 shown as part of leased land rental under “Administrative expenses” account for the three-year period ended December 31, 2016 (see Note 17).

Future minimum rental obligations on the land are as follows:

	2016	2015	2014
Due within one year	**P17,797,608**	P17,797,608	P17,797,608
After one year but not more than five years	**88,988,040**	88,988,040	88,988,040
More than 5 years	**302,559,336**	320,356,944	338,154,552
	P409,344,984	P427,142,592	P444,940,200

21. Retirement Cost

The Company has an unfunded, noncontributory, defined benefit retirement plan covering substantially all of its employees, except for its BOD and Expatriates (see Note 14). It provides a retirement benefit equal to eighty-six (86%) of monthly salary per year of services payable to an employee who retires at age of 60 with at least 5 years in service. Annual cost is determined using the projected unit credit method. The Company’s latest valuation date is December 31, 2016.

The recognized liability representing the present value of the defined benefit obligation presented as “Accrued retirement benefits liability” in the Company’s statements of financial position amounted to P25,757,196 and P25,489,767 as at December 31, 2016 and 2015, respectively.

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

	2016	2015
Balance at January 1	**P25,489,767**	P26,634,668
Included in Profit or Loss		
Current service cost	**1,690,049**	1,796,360
Interest cost	**1,172,529**	1,358,368
	2,862,578	3,154,728
Included in Other Comprehensive Income (OCI)		
Remeasurement loss (gain):		
Actuarial loss (gain) arising from:		
Financial assumptions	**(2,598,764)**	1,266,784
Experience adjustment	**878,328**	(5,166,107)
	(1,720,436)	(3,899,323)
Others		
Benefits paid	**(874,713)**	(400,306)
Balance at December 31	**P25,757,196**	P25,489,767

The amounts of retirement benefits cost which are included in “Salaries, wages and employee benefits” under operating expenses in the statements of profit or loss for the years ended December 31 are as follows:

	2016	2015	2014
Current service cost	**P1,690,049**	P1,796,360	P1,988,063
Interest cost	**1,172,529**	1,358,368	964,250
Retirement benefits cost	**P2,862,578**	P3,154,728	P2,952,313

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

	2016	2015	2014
Cumulative actuarial gain at the beginning of the year	**P10,607,949**	P6,708,626	P8,693,207
Actuarial gain (loss) arising from:			
Financial assumptions	**2,598,764**	(1,266,784)	1,144,185
Experience adjustment	**(878,328)**	5,166,107	(3,128,766)
Cumulative actuarial gain at the end of the year	**P12,328,385**	P10,607,949	P6,708,626

The net accumulated actuarial gains, net of deferred tax amounted to P8,629,869, P7,425,564 and P4,696,038 as at December 31, 2016, 2015 and 2014, respectively, as presented in the statements of changes in equity.

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

	2016	2015	2014
Discount rate	**5%**	5%	5%
Future salary increases	**2%**	3%	3%

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

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

	Increase	Decrease
Discount rate (1% movement)	(P2,346,910)	P2,707,918
Future salary increase rate (1% movement)	2,578,764	(2,295,672)

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

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

The weighted-average duration of the defined benefit obligation is 12 years as at December 31, 2016 and 2015.

The maturity analysis of the benefit payments is as follows:

	2016				
	Carrying Amount	Contractual Cash Flows	1-5 Years	6-10 Years	More than 10 Years
Retirement benefits liability	**P25,757,196**	**P86,799,862**	**P8,739,616**	**P12,472,281**	**P65,587,965**

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

22. Income Tax

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

	2016	2015	2014
Current tax expense	**P2,612,532**	P4,358,744	P9,802,073
Deferred tax expense (benefit)	**(9,467,763)**	2,269,530	(6,230,909)
	(P6,855,231)	P6,628,274	P3,571,164

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

	2016	2015	2014
Income (loss) before income tax	**(P20,080,141)**	P12,400,353	P3,965,062
Income tax expense at statutory tax rate (30%)	**(P6,024,042)**	P3,720,106	P1,189,519
Additions to (reductions in) income tax resulting from the tax effects of:			
Income subjected to final tax	**(206,042)**	(172,724)	(200,878)
Equity in net income of an associate	**(625,147)**	(711,739)	(532,230)
Non deductible expense	**-**	3,792,631	3,114,753
	(P6,855,231)	P6,628,274	P3,571,164

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

2016	**Net Balance at January 1**	**Recognized in Profit or Loss**	**Recognized in OCI**	**December 31 Net Balance**	**Deferred Tax Assets**	**Deferred Tax Liabilities**
Accrued retirement benefits liability	**P10,829,315**	**P596,360**	**P -**	**P11,425,675**	**P11,425,675**	**P -**
Allowance for impairment losses on receivables	**4,021,957**	**198,662**	**-**	**4,220,619**	**4,220,619**	**-**
Unrealized foreign exchange gain	**(2,710,075)**	**(510,847)**	**-**	**(3,220,922)**	**-**	**(3,220,922)**
Actuarial gain on defined benefit plan	**(3,182,385)**	**-**	**(516,131)**	**(3,698,516)**	**-**	**(3,698,516)**
NOLCO	**-**	**6,571,056**	**-**	**6,571,056**	**6,571,056**	**-**
MCIT	**-**	**2,612,532**	**-**	**2,612,532**	**2,612,532**	**-**
Net tax assets and liabilities	**P8,958,812**	**P9,467,763**	**(P516,131)**	**P17,910,444**	**P24,829,882**	**(P6,919,438)**

2015	Net Balance at January 1	Recognized in Profit or Loss	Recognized in OCI	December 31 Net Balance	Deferred Tax Assets	Deferred Tax Liabilities
Accrued retirement benefits liability	P10,002,988	P826,327	P -	P10,829,315	P10,829,315	P -
Allowance for impairment losses on receivables	3,993,654	28,303	-	4,021,957	4,021,957	-
Unrealized foreign exchange loss (gain)	414,085	(3,124,160)	-	(2,710,075)	-	(2,710,075)
Actuarial gain on defined benefit plan	(2,012,588)	-	(1,169,797)	(3,182,385)	-	(3,182,385)
Net tax assets and liabilities	P12,398,139	(P2,269,530)	(P1,169,797)	P8,958,812	P14,851,272	(P5,892,460)

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

Year Incurred	**Amount**	**Expired**	**Unexpired**	**Expiry Date**
2016	**P21,903,524**	**P -**	**P21,903,524**	**December 31, 2019**

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

Year Incurred	Amount	Expired	Unexpired	Expiry Date
2016	**P2,612,532**	**P -**	**P2,612,532**	**December 31, 2019**

23. Appropriation of Retained Earnings

In 2014, the Company appropriated an amount of P49,242,500 to finance the acquisition of treasury stock during the year.

24. Share Capital

a. Capital Stock

	2016	2015
Authorized - 115,000,000 shares at 10 par value shares		
Issued	**P87,318,270**	P87,318,270
Less treasury stock	**(33,600,901)**	(33,600,901)
Total issued and outstanding	**P53,717,369**	P53,717,369

b. Treasury Stock

The movements of treasury stock as at December 31 are as follows:

	2016	2015	2014
Balance at beginning of year	**P33,600,901**	P33,600,901	P32,616,051
Acquisition of treasury stock during the year	**-**	-	984,850
	P33,600,901	P33,600,901	P33,600,901

25. Financial Risk and Capital Management Objectives and Policies

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

- Credit Risk
- Liquidity Risk
- Market Risk

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

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

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

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

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

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

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

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

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

The carrying amount of financial assets as of December 31, 2016 and 2015 represents the maximum credit exposure. The maximum exposure to credit risk at the reporting dates is as follows:

	Note	**2016**	2015
Cash and cash equivalents (excluding cash on hand)	*4*	**P256,592,596**	P235,268,812
Receivables - net*	*5, 14*	**70,436,688**	89,259,201
Loan receivable	*9, 14*	**15,500,000**	15,500,000
Due from related parties	*14*	**179,746**	50
Lease deposit	*11*	**78,000,000**	78,000,000
		P420,709,030	P418,028,063

**Excluding deposits to suppliers*

Details of trade receivables from charge customers as at December 31, 2016 and 2015 by type of customer are as follows:

	Note	**2016**	2015
Airlines		**P6,591,481**	P11,124,817
Travel agencies		**2,743,071**	4,045,471
Credit cards		**2,290,542**	2,682,713
Corporations		**1,872,032**	4,669,473
Embassy and Government		**1,859,248**	8,282,208
Others		**7,151,181**	8,274,622
	5	**22,507,555**	39,079,304
Less allowance for impairment losses on trade receivables - charge customers	*5*	**1,144,229**	789,417
		P21,363,326	P32,289,887

The Company's most significant customer, Airlines, accounts for 29% and 28% of the trade receivables from charge customers as at December 31, 2016 and 2015, respectively.

The aging of trade receivables from charge customers as at December 31, 2016 and 2015 is as follows:

	2016		2015	
	Gross Amount	**Impairment**	Gross Amount	Impairment
Current	**P10,278,926**	**P -**	P20,830,707	P -
Over 30 days	**5,569,305**	**-**	7,508,776	-
Over 60 days	**2,665,746**	**-**	3,772,458	-
Over 90 days	**3,993,578**	**1,144,229**	6,967,363	789,417
	P22,507,555	**P1,144,229**	P39,079,304	P789,417

Receivables from PAGCOR amounting to P8,936,199 included in over 90 days are still collectable based on management's assessment of collection history, thus, no allowance for impairment was provided. In addition, any amount outstanding from PAGCOR can be offset against the deposit received from it as discussed in Note 20.

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

	Note	Amount
Balance at January 1, 2015		P13,312,179
Provision in 2015	*17*	94,343
Balance at December 31, 2015	*5*	13,406,522
Provision in 2016	*17*	662,207
Balance at December 31, 2016	*5*	P14,068,729

The allowance for impairment losses on trade receivables as of December 31, 2016 and 2015 of P14,068,729 and P13,406,522, respectively, relates to outstanding accounts of customers that are more than 90 days past due and portion of receivable from PAGCOR account.

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

	As at December 31, 2016			
	Grade A	**Grade B**	**Grade C**	**Total**
Cash in banks and cash equivalents	**P256,592,596**	**P -**	**P -**	**P256,592,596**
Receivables - net	**27,019,172**	**23,853,817**	**19,563,699**	**70,436,688**
Loan receivable	**-**	**15,500,000**	**-**	**15,500,000**
Due from related parties	**179,746**	**-**	**-**	**179,746**
Lease deposit	**78,000,000**	**-**	**-**	**78,000,000**
	P361,791,514	**P39,353,817**	**P19,563,699**	**P420,709,030**

	As at December 31, 2015			
	Grade A	Grade B	Grade C	Total
Cash in banks and cash equivalents	P235,268,812	P -	P -	P235,268,812
Receivables - net	59,612,973	9,407,190	20,239,038	89,259,201
Loan receivable	-	15,500,000	-	15,500,000
Due from related parties	50	-	-	50
Lease deposit	78,000,000	-	-	78,000,000
	P372,881,835	P24,907,190	P20,239,038	P418,028,063

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

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

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

The Company's total current liabilities as at December 31, 2016 and 2015 amounted to P135,042,891 and P133,074,884, respectively, which are less than its total current assets of P395,177,341 and P387,159,095, respectively. Thus, the Company has sufficient funds to pay for its current liabilities and has minimal liquidity risk.

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

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

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

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

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

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

<u>Fair Values</u>
The fair values together with the carrying amounts of the financial assets and liabilities shown in the statements of financial position are as follows:

	2016		2015	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Cash and cash equivalents	**P256,592,596**	**P256,592,596**	P235,268,812	P235,268,812
Receivables - net	**70,436,688**	**70,436,688**	89,259,201	89,259,201
Loan receivable	**15,500,000**	**15,500,000**	15,500,000	15,500,000
Due from related parties	**179,746**	**179,746**	50	50
Lease deposit	**78,000,000**	**78,000,000**	78,000,000	78,000,000
Accounts payable and accrued expenses	**65,639,615**	**65,639,615**	82,394,150	82,394,150
Due to related parties	**28,733,572**	**28,733,572**	6,798,190	6,798,190
Refundable deposits	**29,295,569**	**29,295,569**	30,746,111	30,746,111
Other current liabilities*	**9,592,472**	**9,592,472**	9,529,687	9,529,687

**Excluding payables to government*

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

Receivables/Due from Related Parties/Loan Receivable/Accounts Payable and Accrued Expenses/Due to Related Parties/Other Current Liabilities Except for Output VAT Liability and Withholding Taxes Payables, and Deferred Rental
Current receivables are reported at their net realizable values, at total amounts less allowances for estimated uncollectable accounts. Current liabilities are stated at amounts reasonably expected to be paid within the next twelve months or within the Company's operating cycle. Due to/from related parties and loan receivable are payable on demand.

Short-term Investments/Other Noncurrent Assets
Short-term investments and other noncurrent assets are interest bearing. The carrying value of short-term investments approximates its fair value, because the effective interest rate used for discounting the short-term investment and other noncurrent assets approximates the current market rate of interest for similar transactions.

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

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

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

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

As at December 31, 2016 and 2015, the Company is compliant with the minimum public float requirement by the Philippine Stock Exchange (PSE).

The Company has 115,000,000 shares registered with the SEC as at December 31, 2016 and 2015. As at December 31, 2016 and 2015, the Company issue/offer price is P15.03 and P25, respectively, based on the Philippine Stock Exchange (PSE) website. The total number of shareholders is 506 as at December 31, 2016 and 2015.

26. Contingencies

The Company, in the ordinary course of business, is a party to certain assessment, claims and litigation. The outcome of these assessments, claims and litigation cannot be presently determined. In the opinion of management and the Company's legal counsel, the eventual liability arising from these assessments, claims and litigation, if any, will not have a material effect on the Company's financial position or results of operations.

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

In addition to the disclosures mandated under PFRSs, and such other standards and/or conventions as may be adopted, companies are required by the BIR to provide in the notes to the financial statements, certain supplementary information for the taxable year. The amounts relating to such information may not necessarily be the same with those amounts disclosed in the financial statements which were prepared in accordance with PFRSs. The following is the tax information required for the taxable year ended December 31, 2016:

I. Based on RR No. 15-2010

A. Value Added Tax (VAT)

1. Output VAT	**P43,288,891**
Account title used:	
Basis of the Output VAT:	
Vatable sales	**P345,759,668**
Sales to Government	**14,981,093**
Zero rated sales	**5,762,130**
Exempt sales	**2,045,152**
	P368,548,043

2. Input VAT	
Beginning of the year	**P5,579,291**
Current year's domestic purchases:	
a. Goods for resale/manufacture or further processing	**5,711,416**
b. Services lodged under other accounts	**18,317,446**
Claims for tax credit/refund and other adjustments	
a. Claims for tax credit/refund	**820,528**
b. Input tax on sale to Government	**(63,544)**
c. Input tax allocated to exempt sales	**135,567**
Less: Applied input VAT during the year	**23,838,877**
Balance at the end of the year	**P6,661,827**

B. Withholding Taxes

Tax on compensation and benefits	**P19,642,836**
Creditable withholding taxes	**7,150,917**
Final withholding taxes	**-**
	P26,793,753

C. All Other Taxes (Local and National)

Other taxes paid during the year recognized under "Taxes and licenses" account under Operating Expenses	
Real estate taxes	**P9,265,681**
License and permit fees	**491,506**
	P9,757,187

D. Deficiency Tax Assessments

Period Covered	**Amount***
2001	**P765,104**
2008	**508,101,387**
	P508,866,491

**Amount of basic deficiency tax assessments, whether protested or not.*

E. Tax Cases

As at December 31, 2016, the Company has the following tax cases:

a. 2001 - Settled basic tax due of P403,130 on March 2010, as agreed on the Letter of Abatement filed. A request to waive the interest and surcharges of P346,140 is still for approval at BIR Large Taxpayers Service.

b. 2008 - The Company filed a petition for review with the CTA on February 20, 2015 to invalidate the collection proceedings of the BIR.

COVER SHEET

for

AUDITED FINANCIAL STATEMENTS

SEC Registration Number

1	6	6	8	7	8					

COMPANY NAME

GRAND PLAZA HOTEL CORPORATION

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

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

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

COMPANY INFORMATION

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

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

CONTACT PERSON INFORMATION

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

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

CONTACT PERSON's ADDRESS

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

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

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 cor. Roxas Pasay

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

Katherine A. Barbosa
Contact Person

854-88-38
Company Telephone Number

1	2		3	1

Month Day

Fiscal Year

17-A
FORM TYPE

Month Day

Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

Top be accomplished by SEC Personnel concerned

LCU

CASHIER

STAMPS

Remarks=pls. use black ink for scanning purposes

P[illegible]PPINE EMBASSY }
C[illegible]ULAR SECTION } S.S.
L[illegible]n, United Kingdom }

[illegible]e undersigned, Consul of the Republic of the Philippines in and for the Unit[illegible]gdom of Great Britain and Northern Ireland, duly Commissioned and quali[illegible] hereby confirm that I verily believe that **R. BATH** of the Foreign and Comm[illegible]alth Office before whom the foregoing instrument has been authe[illegible] is an officer duly authorized to legalize the document in the said Office [illegible]t the signature appearing therein is genuine.

F[illegible] contents of the foregoing document, the undersigned assumes no respons[illegible]t[illegible]

IN [illegible]SS WHEREOF, I have hereunto set my hand and affixed the seal of th[illegible]ssy of the Philippines, London, United Kingdom this 3rd day of FEBRUA[illegible]2[illegible].

VOLTAIRE O.C. MAURICIO
Consul

"Validity of this [illegible]ertifi[illegible]on shall follow the validity of the attached/underlying document."

Document No. [illegible]90
Service No. [illegible]757
Official Receipt N[illegible]41
Fee [illegible]3.00

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 2016

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

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

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

6. (SEC Use Only)
   Industry Classification Code:

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

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

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

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

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

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

    Yes [x] No [ ]

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

    Stock Exchange : Philippine Stock Exchange
    Securities : Common Shares

12. Check whether the issuer:

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

Yes [x] No [ ]

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

Yes [x] No [ ]

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

The share price of the Company as of 19 January 2016 is PhP21 and the total voting stock held by non-affiliates of the Company is 7,334,288. Therefore, the aggregate market value of the voting stock held by non-affiliates of the Company is PhP154,020,048.

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 2016, the Company reported a net loss after tax of about PhP13.224 million as against profit after tax of PhP5.772 million in 2015 and profit after tax of PhP0.393 million in 2014.

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

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

Competitive Position

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

Based on information made available to us, our Heritage Hotel occupancy was 48.7% versus competitor's occupancy of 71.2%. Our Average Room Rate was PhP3,162 while competitor rate was PhP4,822. The resultant Revpar of our Hotel was PhP1,540versus competitor of PhP3,433

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, Golden Horseshoe Trading Corporation and Charles Seafood Supply Branch.

Dependence on Single Customer

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

Related Party Transactions

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

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

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

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

Policy on Related Party Transactions

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.

No disclosure is needed for any transaction where:

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

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

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

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

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

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

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

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

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

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

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

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

Patents, Trademarks, Etc.

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

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

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

Government Approval and Regulation

The hotel applies for Department of Tourism ("DOT") accreditation annually. The accreditation is based on the 2012 Rules and Regulations to Govern the Accreditation of Accommodation Establishments of the DOT. The DOT inspects the hotel to determine whether the hotel meets the criteria of the DOT. The DOT certificate of accreditation will expire on 30 November 2018.

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 320 employees for the year ended 31 December 2016. Out of the 320 employees, 182 are regular employees and 138 are casual employees.

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

	REGULAR	CASUAL	TOTAL
Hotel Operating Staff (All operating dept)	119	99	218
Management/Admin/Security (A&G Dept)	29	29	58
Sales & Marketing	15		15
Repairs & Maintenance	19	10	29
Total	182	138	320

Barring any unforeseen circumstance, for the year 2017, the Company will maintain more or less the same number of employees as in year 2016.

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 Company has renewed its lease effective 1 January 2014 for another 25 years with monthly rental of PhP1,483,134.

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

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

ITEM 3. LEGAL PROCEEDINGS

(1) *Grand Plaza Hotel Corporation versus Commissioner of Internal Revenue ("BIR") – Court of Tax Appeal ("CTA") Case No. 8992*

This case is a Petition for Review with CTA to invalidate the tax deficiency assessment in relation to year 2008 ("Deficiency Tax Case").

On 20 February 2015, the Company filed a Petition for Review with the CTA to invalidate the collection proceedings of the BIR. The Petition is based on the Company's position, as advised by tax counsel, that the collection proceedings initiated by the Commissioner of Internal Revenue is void because the assessments did not comply with the requirements of law and lacked factual and legal basis.

The Deficiency Tax Case seeks to have the CTA review the Collection Letter that the Company received from the BIR on 12 December 2013. As far as the Company is aware, the Collection Letter was issued by the BIR in connection with a Formal Letter of Demand for alleged deficiency income tax, value added tax, expanded withholding tax, withholding tax on compensation and documentary stamp tax for the year 2008, in the aggregate amount of PhP508,101,387.12 consisting of PhP262,576,825.03 for basic tax, and interest of PhP245,524,562.09 from 20 January 2009 to 30 September 2013.

On 24 July 2015, the Company received a Warrant of Distraint and/or Levy dated 24 July 2015 from the BIR ("Warrant"). The Warrant relates to the tax case for year 2008. Considering that a Petition for Review has been earlier filed with the CTA on 20 February 2015 to question the validity of the collection proceedings initiated by the Commissioner of Internal Revenue and that the matter is currently being litigated at the CTA, the Company has taken appropriate legal measures to ensure that such Warrant is not implemented during the course of the trial proceedings.

During the CTA hearing on 21 September 2015, the Company presented 2 witnesses and they were able to furnish their testimonies on the same day. The BIR, on the other hand, did not present any witnesses and opted to submit the case for the resolution of the CTA.

On 18 March 2016, the Company received a Notice of Resolution from the CTA with regards to the Company's Motion for Partial Reconsideration with Amended Formal

Offer of Evidence. The CTA granted the Company's Motion and the Company has 30 days from receipt of the Notice to file our Memorandum.

However, on 6 April 2016, the Company received a Manifestation and Motion filed by the BIR. The BIR moved for a setting of a hearing for the comparison and marking of its documentary evidence on 13 April 2016. Within 5 days after the hearing, the BIR will be filing its Formal Offer of Documentary Evidence (FOE). In view of this Motion, the BIR has asked for the deferment of the parties' respective Memorandum until after the CTA has resolved its offer of evidence.

On 6 September 2016, our counsel received a Resolution from the CTA decided not to file a Legal Memorandum and instead opted to adopt the arguments raised in its earlier Answer. As such, the case is now submitted to CTA for decision.

On 27 June 2016, our counsel attended the hearing to verify the documents with BIR were original. Then on 12 July 2016, counsel received the BIR FOE and counsel will prepare reply to FOE by 17 July 2016.

On 8 June 2016, management of Company was informed by Metropolitan Bank & Trust Company (the "Bank") via email, that the BIR has issued a Warrant of Garnishment with Warrant No. 125-2015-011 dated 2 June 2016 against the Corporation ("Warrant"). Pursuant to the Warrant, the BIR seeks to garnish the Company's deposits with the Bank, which are currently in the amount of PhP499,049.64, as may be necessary to satisfy the alleged tax deficiency of the Company.

In addition, on 10 June 2016, management of Company was also informed by the Lank Bank of the Philippines (the "Bank"), that the BIR has issued a Warrant of Garnishment with Warrant No. 125-2015-011 against the Corporation ("Warrant"). To date, the Company has not received the original Warrant from the BIR. Pursuant to the Warrant, the BIR seeks to garnish the Company's deposits with the Bank, which are currently in the amount of PhP71,718.54 as may be necessary to satisfy the alleged tax deficiency of the Company.

The BIR issued the Warrant in connection with the BIR's tax deficiency assessment against the Company in the aggregate amount of PhP506,028,228.24, as deficiency income tax, withholding tax on compensation, and value added tax for the taxable year 2008.

The Warrant relates to the previous disclosure of the Company regarding a Collection Letter that the Company received from the BIR on 12 December 2013 in connection with a Formal Letter of Demand for alleged deficiency income tax, value added tax, expanded withholding tax, withholding tax on compensation and documentary stamp tax for the year 2008.

As previously disclosed by the Company, a Petition for Review has been earlier filed with the Court of Tax Appeals on 20 February 2015 to question the validity of the collection proceedings initiated by the Commissioner of Internal Revenue, and the matter is currently being litigated at the Court of Tax Appeals.

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

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 2016 annual stockholders' meeting, the following were elected as directors of the Company:

Aloysius Lee Tse Sang;
Eddie Lau;
Bryan Cockrell;
Eddie Yeo;
Mia Gentugaya; (independent director)
Angelito Imperio; (independent director) and
Antonio Rufino

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 2016 and 2015:

Amount in Peso:

	HIGH	LOW	HIGH	LOW
	Year 2016	Year 2016	Year 2015	Year 2015
First Quarter	32.25	17.56	29.95	24
Second Quarter	29	20.55	45.9	17.02
Third Quarter	24.05	20	19.8	17.04

Fourth Quarter	20.05	15.02	21.5	16.9

The last recorded trade of the shares of the Company during the fiscal year covered by this report occurred on 29 December 2016. The share price was PhP15.02.

Holders of Securities

The Company has only one class of shares, i.e., common shares. The total outstanding common shares as of 31 December 2016 is 87,318,270 inclusive of 33,600,901 treasury shares.

As of 31 December 2016, the number of shareholders of the Company is 13,525.

The list of the top 20 shareholders is as follows:

	NAME OF SHAREHOLDER	NO. OF SHARES	% OF SHAREHOLDING (INCLUSIVE OF TREASURY SHARES)
01	Grand Plaza Hotel Corp – Treasury stocks	33,600,901	38.48%
02	The Philippine Fund Limited	28,655,932	32.82%
03	Zatrio Pte Ltd	17,727,149	20.30%
04	PCD Nominee Filipino	4,349,153	4.98%
05	PCD Nominee Non-Filipino	231,323	0.26%
06	Alexander Sy Wong	34,505	0.04%
07	Cabanatuan Electric Corporation	8,569	<0.01%
08	Phoon Lin Mui	7,000	<0.01%
09	Yam Kit Seng	7,000	<0.01%
10	Yam Poh Choo	7,000	<0.01%
11	Yam Kum Cheong	7,000	<0.01%
12	School of St. Anthony	6,557	<0.01%
13	Regelio Roleda Lim	5,361	<0.01%
14	Lucas M. Nunag	4,713	<0.01%
15	Mary Dee Chinjen	4,290	<0.01%
16	Palawan Pawn Shop Inc	4,002	<0.01%
17	Natividad Kwan	3,983	<0.01%
18	Julie’s Franchise Corp	3,817	<0.01%
19	Fee Luna Naquines	3,529	<0.01%
20	Yam Kit Sung	2,998	<0.01%
	Total	84,674,782	96.97%

Dividends

No dividends were declared for FY2016 and FY2015.

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:

	2016	2015	2014
Current ratio (Solvency ratio)	**2.92**	2.90	1.59
Debt/Equity	**0.17**	0.17	0.41
Assets/Equity	**1.17**	1.17	1.41
Profit/(Loss) before tax margin ratio	**(3.5%)**	2.7%	0.8%
Earnings before interest, tax, depreciation & amortization (EBITDA) Peso	**1.84 million**	27.56 million	20.76 million

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

Current ratio is derived by dividing the current assets with the current liabilities. This indicator measures the liquidity of the Company in the short-term. The current ratio has improved marginally during the year of review mainly due higher current assets. Current assets increased mainly due to higher cash balance.

Debt to equity ratio measures a company's financial leverage. It is derived by dividing total liabilities over equity. This ratio remain the same as prior year.

Assets/Equity ratio measures the proportion of equity used to finance assets of the company and it is derived by dividing total assets to equity. There is no movement in this ratio this year versus last year.

Profit before tax margin ratio is computed by dividing the profit before tax against the total revenue. This ratio measures whether the Company is able to contain its expenses in relation to the revenue. The Company reported a loss this year.

EBITDA is a measure of the company profitability without interest, depreciation and, taxes. This ratio has dropped to PhP1.84 million from prior year of PhP27.56 million due to significant drop in revenue.

Management is not aware of:

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

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

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

d. There are no material commitments for capital expenditures.

e. Any known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations should be described.

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

Results of Operations:

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

YEAR	REVENUE – PHP'000	NIAT – PHP'000
2016	**368,548**	**(13,224)**
2015	447,351	5,772
2014	466,947	393

2016 Results of Operations

For the year 2016, the Company reported revenue of PhP368.5 million versus prior year of PhP447.3 million. This is a drop of PhP78.8 million (17.6%). Rooms division has the highest drop in revenue byPhP57.3 million (20%).

Due to the 17.6% fall in revenue, the Company reported a loss after tax of PhP13.2 million in year 2016.

Revenue:
Room occupancy fell from 59% (2015) to 48% (2016) while Average Room Rate (ARR) also fell from PhP2,935 (2015) to PhP2,872 (2016). The net effect is a drop in Revpar from PhP1,750 to PhP1,397 or PhP353 (20%). The Hotel is affected by the opening of new hotels which drive down the room rate. In addition, the closure of the casino in the middle of 2013 also has an impact on the occupancy of the Hotel.

Food and Beverage (F&B) revenue registered a fall from PhP137 million to PhP123 million or PhP14 million (10%). The Hotel only operates one restaurant, Riviera which depends heavily on breakfast for revenue. With the fall in room occupancy, breakfast revenue also dropped. Banquet revenue has also fell by PhP5 million (11%).

Other operated departments consist mainly of telephone department, laundry and carparking. There is a slight improvement by PhP0.16 million (3%) versus prior year.

Others revenue consist mainly rental income and other miscellaneous income. This revenue decreased by PhP7.5 million (43%) versus last year due to higher commission income in 2015.

Cost of sales:
Cost of sales for F&B registered a fall by PhP7.1 million (13.9%) as a result of lower F&B revenue. The decrease is consistent with the lower F&B revenue. Cost of sales for other operated departments have decreased by PhP0.82 million (22.8%) despite the slight increase in revenue.

Gross Profit:
Gross profit showed a drop by PhP71 million (18%) due to lower revenue.

Selling Expenses:
Selling expenses consist of property operation, maintenance, energy and conservation, salaries, transport charges and commission. As compared to the prior year, there is a decrease of PhP14 million (7%). Hotel is able to implement cost control exercise and payroll and related costs have decreased by PhP4.9 million (7.8%) versus 2015, property, operation, maintenance, energy and conservation have decreased by PhP4.6 million (5.7%) and guest supplies also dropped by PhP1.9 million (19.5%). All these controls helped to mitigate the fall in revenue.

Administrative Expenses:
Administrative expenses mainly consist of management and incentive fees, salaries, credit card commission and dues and subscription. There is a significant drop of PhP30.6 million (14.4%) compared to last year. This is due to fall in payroll cost by PhP4.5 million (8.4%), decrease in

management and incentive fees by PhP6.2 million (30%) which is consistent with lower revenue and in addition, in 2015, there was a write-off of receivables of PhP12.6 million while there was no such expense in 2016.

Other income/(expenses):
There is a drop in this item by PhP6.2 million (25.5%) and this is mainly due to lower interest income by PhP3.6 million and in 2015, there was a forfeit of deposit for a potential tenant amounting to PhP3.9 million which was absent in 2016.

Income Tax Expense:
Due to a loss before tax in 2016, the Company has a tax benefit of PhP6.8 million.

2015 Results of Operations

For the year 2015, the Company reported revenue of PhP447.3 million versus PhP466.9 million in 2014. The drop in revenue by PhP19.4 million (4.1%) compared to prior year is mainly due to decrease in revenue in rooms, food and beverages (“F&B”) and other operating departments.

Profit after tax recorded an improvement from PhP0.393 million in 2014 to PhP5.7 million in 2015 even though revenue has decreased and this is due to profit improvement plans implemented by the Company.

Revenue:
Room occupancy fell from 62% (2014) to 59% (2015) while Average Room Rate (ARR) also fell from PhP3,035 (2014) to PhP2,935 (2015). The net effect is a drop in Revpar from PhP1,881 to PhP1,732 or PhP149 (7.9%). The opening of more new hotels in Metro Manila has an adverse impact on The Heritage Hotel Manila in terms of occupancy and ARR. In order to compete for its share of market, the Hotel has to reduce ARR to capture business. In addition, the closure of the casino in the middle of 2013 also has an impact on the occupancy of the Hotel.

Food and Beverage (F&B) revenue registered a fall from PhP141 million to PhP137 million or PhP4 million (10%). The negative variance is mainly due to the closure of PAGCOR operated casino in the hotel in July 2013 and the increasing new restaurants around the hotel affect the business. The hotel is able to increase its revenue for Banquet by PhP2.0 million (4.8%) against prior year to offset the lower revenue from Riviera and Lobby Lounge.

Other operated departments consist mainly of telephone department, laundry and carparking. There is a drop of PhP1.7 million (26%) from last year revenue and the bulk of decrease is from telephone department. The lesser usage of hotel telephone services due to mobile phone is affecting this department revenue.

Others revenue consist mainly rental income and other miscellaneous income. This revenue increased by PhP10.1 million (138%) versus last year due to the reversal of reserves from service charge setup for operating equipment which is no longer required amounting to about PhP9 million.

Cost of sales:

Cost of sales for F&B registered a fall by PhP2.4 million (4.6%) as a result of lower F&B revenue. The decrease is consistent with the lower F&B revenue. Cost of sales for other operated departments have increased by PhP0.68 million (23.6%) despite the fall in revenue is because during the year, the Hotel provides more corporate guest with free wifi in order to attract more corporate businesses. As such, there are more fixed charges of wifi to cost of sales of telephone department.

Gross Profit:
Gross profit showed a drop by PhP17.8 million (4.3%) due to lower revenue.

Selling Expenses:
Selling expenses consist of property operation, maintenance, energy and conservation, salaries, transport charges and commission. As compared to the prior year, there is a decrease of PhP19.1 million (9%). Hotel is able to implement energy saving measures which helped to save 17% energy cost versus 2014 and the Hotel also implemented various profit improvement plans to reduce unnecessary costs. Hence even with lower business, the hotel is able to maintain a lower overhead.

Administrative Expenses:
Administrative expenses mainly consist of management and incentive fees, salaries, credit card commission and dues and subscription. There is an increase of PhP4.7 million (2.2%) compared to last year.

Other income/(expenses):
There is an increase from PhP22.0 million to PhP24.3 million or 10.4%. The bulk of the increase is from increase in interest income by PhP3.6 million as a result of interest earned from the security deposit with Meralco and foreign exchange gain of PhP9.3 million versus last year of PhP0.18 million. The foreign exchange gain is due to translation gain from the United States and Singapore dollars fixed deposits. In 2015, there is also a recognition of a forfeiture of security deposit amounting to about PhP4 million from a potential tenant which did not materialize.

Income Tax Expense:
Income tax expense increased by PhP3.0 million due to higher profit before tax.

2014 Results of Operations

For the year 2014, the Company reported revenue of PhP466.9 million compared with PhP582.6 million in 2013. Revenue recorded a fall of PhP115.7 million (19.8%) mainly due to drop in rooms, food and beverage ("F&B") and rental income as compared to 2013. Due to the fall in revenue, profit after tax for 2014 was only PhP0.393 million versus PhP85.5 million. In terms of EBITDA (Earnings before income tax, depreciation and amortization) for 2014 was PhP20.7 million versus PhP145.1 million in 2013.

Revenue:

Rooms revenue decreased from PhP336 million to PhP312 million or PhP24 million (7%). The main reason for the drop in room revenue is fall in occupancy from 66% to 62% while Average Room Rate fell by 2% from PhP3,101 to PhP3,035. The newer hotels in the Bay Area such as Solaire and the Resort World Hotels pose competition to the hotel. In addition, for the full year 2014, the Company does not have PAGCOR which contributed certain room nights to the hotel.

Food and Beverage (F&B) revenue registered a fall from PhP158 million to PhP141 million or PhP17 million (10%). The negative variance is mainly due to the closure of PAGCOR operated casino in the hotel in July 2013. The hotel is able to increase its revenue for Riviera by PhP3.3 million against prior year to offset the loss of revenue from casino operation.

Others revenue consist mainly rental income and this segment fell by PhP73 million (90%) due to the closure of PAGCOR operated casino in July 2013.

Cost of sales:
Total cost of sales dropped by PhP3.4 million (5%) which is consistent with the lower F&B and other operated department revenue for the year.

Gross Profit:
Gross profit showed a drop by PhP112.2 million (21%) due to lower revenue.

Selling Expenses:
Selling expenses consist of property operation, maintenance, energy and conservation, salaries, transport charges and commission. As compared to the prior year, there is a decrease of PhP2.9 million (25%). Hotel is able to implement energy saving measures which helped to save 4.7% energy cost versus 2013. Hence even with lower business, the hotel is able to maintain a lower overhead.

Administrative Expenses:
Administrative expenses mainly consist of management and incentive fees, salaries, credit card commission and dues and subscription. There is an increase of PhP17 million (8%) compared to last year and part of the increase is higher sales and marketing expenses for the year.

Other income/(expenses):
There is an increase from PhP14.9 million to PhP22.0 million or 47% as during the year 2014, the company reversed an accrual which is no longer required.

Income Tax Expense:
Income tax expense decreased by PhP34 million due to significantly lower profit before tax.

Financial Conditions:

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

YEAR	ASSETS - PHP'000	LIABILITIES – PHP'000
2016	**1,116,209**	**164,746**
2015	1,127,445	163,961
2014	1,354,310	399,328

2016 Financial Conditions

Total assets for the year decreased from PhP1.127 billion to PhP1.116 billion while total liabilities increased by PhP0.785 million to PhP164.7 million. The fall in total assets is mainly due to decrease in property and equipment as a result of depreciation, fall in receivables by PhP17 million and offset by higher cash balance.

Assets/Liabilities and Equity:

- Cash and cash equivalents: This balance consists of cash and fixed deposits placed with banks. Cash increased marginally by PhP21.7 million (9%) versus end of last fiscal year. Even though revenue has fallen, the higher cash generation is due to strict control of expenses, fall in receivables and decrease in accounts payable.

- Receivables net: This balance fell by PhP16.5 million (15.5%) due to lesser receivables outstanding from charge customers which is consistent with the lower Hotel revenue.

- Due from related parties: As related companies has not settled its dues to Company, this balance increased to PhP0.179 million. This will be settled in 1Q2017.

- Prepaid expenses and other current assets: This balance increased by PhP2.6 million (18.5%) due to higher prepaid income tax of PhP4.8 million versus PhP2.1 million in 2015.

- Property and equipment –net: Due to depreciation charges of PhP40 million during the year, this balance dropped by PhP26 million offset by addition and disposal of fixed assets.

- Investment in an associate: There is a drop in this balance by PhP2 million (3.8%) versus last year due to a cash dividend received of PhP4 million during the year from the associate.

- Deferred tax assets net: There is an increase in this balance by PhP9 million (101%) as this year the Company recorded a loss so it has to recognized NOLCO and MCIT in deferred tax.

- Accounts payable and accrued expenses: There is a significant drop in this balance by PhP16.9 (20.3%). The main reasons for this drop is due to lesser trade payable which is consistent with lower revenue and decrease in accrued payroll by PhP10.6 million (44.3%) as a result of reversing the over accrual.

- Due to related parties: As Company has not settled its outstanding liabilities as at end of year, this balance increased by PhP22 million (328%). This will be settled in 1Q2017.

- Other current liabilities: This balance fell by PhP3 million (17%) mainly due to lesser output VAT payable.

- Refundable deposits – There is a drop in this balance by PhP2.3 million versus last year due to lesser revenue this year from banquet.

2015 Financial Conditions

Total assets for the year decreased from PhP1.354 billion to PhP1.127 billion while total liabilities decreased by PhP0.365 million to PhP0.163 million. The main reason for the decrease in assets and liabilities is due to reversal of accounts receivable and payables for VAT in respect of Pagcor. As the Company has won the tax case in Supreme Court whereby Supreme Court has ruled with finality, the Company reversed both accounts.

Assets:

- Cash and cash equivalents: This balance consists of cash and fixed deposits placed with banks. Cash increased marginally by PhP2.1 million versus end of last fiscal year. The lower cash generation is due to lower revenue.

- Receivables net: This balance fell from PhP304 million to PhP106 million which is as explained earlier due to reversal of accounts receivable VAT for Pagcor given the Company has won the case at Supreme Court.

- Inventories: Inventories fell by PhP1.6 million (11.8%) which is consistent with the lower F&B and total revenue.

- Prepaid expenses and other current assets: This balance consists of prepaid expenses such as insurance premium. This balance increased by PhP1.84 million (15%) mainly due to prepaid income tax amounting to PhP2.15 million.

- Property and equipment-net: This balance dropped by PhP33.3 million (5.3%) as a result of depreciation charges for the year net of addition to fixed assets.

- Deferred tax assets – net: There is a decrease in this balance by PhP3.4 million (27.7%) due to higher balance for impairment of receivables and unrealized foreign exchange gain of PhP2.7 million this year.

- Accounts payable and accrued expenses: The increase in this balance by PhP5.1 million (6.6%) is due to higher accrued salaries and other liabilities offset by lower accounts payable due to lower revenue.

- Refundable deposits – This pertains to deposits from tenants and the reduction in balance by PhP23.9 million (48%) is due to return of security deposit to a potential tenant that did not materialized during the year.

- Other current liabilities: There is a significant fall in this balance from PhP230.7 million to PhP17.8 million and the reason is due to the reversal of accounts payable VAT Pagcor.

2014 Financial Conditions

Total assets for the year 2014 decreased marginally from PhP1.363 billion to PhP1.354 billion while total liabilities increased by PhP42 million (11%) due to higher liabilities such as security deposits due to tenants and higher retirement benefits.

Assets:

- Cash and cash equivalents: This balance consists of cash and fixed deposits placed with banks. There is an increase of PhP31.2 million (15%) compared to the same period of last year. Although the Hotel trading in 2014 is down significantly, the Company is still cash flow positive. The increase is due to a new security deposit from a potential tenant of PhP23 million and offset by the payment to shareholders in second half of 2014 for share buyback exercise amounting to PhP49.2 million.

- Receivables net: This balance fell from PhP322 million to PhP304 million which is consistent with the lower revenue of the Company.

- Due from related parties: There is a significant drop in this balance as the related companies have settled their outstanding balance to the Company at year end.

- Prepaid expenses and other current assets: This mainly consists of prepaid input value added tax, insurance premiums, dues and subscription. The drop is mainly in prepaid income tax and input taxes given the reduced in revenue of the Company for this year versus last year.

- Property and equipment net: There is a fall in this balance by PhP22.9 million (3.5%) as a result of depreciation charges for the year offset by addition to fixed assets of PhP13 million.

- Investment in associate: Compared to the prior year, this balance increased by PhP1.7 million (3.6%) due to the improvement in the results of the associate and as such, the company recognized a profit on the share in income of associate.

- Deferred tax assets: This balance mainly pertains to deferred tax recognized for retirement benefits, exchange gain/loss and impairment of receivables. There is an increase of PhP6.8 million (122%) as there was a deferred tax on the impairment of receivables, increase in retirement benefits and lower actuarial gain this year.

Liabilities and Equity:

- Due to related parties: Compared to last year, the balance has increased from PhP2.1 million to PhP6 million as Company has not settled its obligations with the related companies. This will be settled in first quarter of 2015.

- Income tax payable: There is an income tax payable as at end of 2014 of PhP1.8 million versus zero in 2013 even though Company has lower profit before tax as the Company has higher non-tax deductible items this year.

- Refundable deposit: This balance consists mainly of deposits from customers and tenants. Compared to last year, there is an increase of PhP26.9 million as there was a new security deposit of PhP23 million from a potential tenant which is in the process of negotiation with the Company.

- Accrued retirement benefits liability: The Company accrued for retirement benefits liability in accordance to the actuarial valuation yearly. There is an increase in accrual from PhP21.9 million to PhP26.6 million this year as in 2013, there was an experience adjustment of negative PhP2 million while the experience adjustment for 2014 was lower.

- Treasury stock: Compared to the same period of last year, this balance increased by PhP49.2 million due to the share buyback exercise conducted during the year 2014.

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
Aloysius Lee Tse Sang	Chairman & President	Hong Kong	No relation	68
Bryan Cockrell	Director	American	No relation	69
Eddie Lau	Director	British	No relation	61
Angelito Imperio	Independent Director	Filipino	No relation	77
Mia Gentugaya	Independent Director	Filipino	No relation	65
Antonio Rufino	Director	Filipino	No relation	70
Eddie Yeo Ban Heng	Director / Vice-President / Assistant Compliance Officer / General Manager of The Heritage Hotel Manila	Malaysian	No relation	69
Yam Kit Sung	General Manager of the Company / Chief Finance Officer / Compliance Officer / Chief Audit Executive	Singaporean	No relation	46
Ederlinda F. Decano	Director of Finance / Member The Heritage Hotel Manila Management Executive Committee	Filipino	No relation	44
Geraldine Nono Gaw	Director of Marketing / Member The Heritage Hotel Manila Management Executive Committee	Filipino	No relation	49
Divina Gracia D. Delos Reyes	Director of Human Resources/ Member The Heritage Hotel Manila Management Executive Committee	Filipino	No relation	39
Maria Christina J. Macasaet-Acaban	Corporate Secretary	Filipino	No relation	43
Alain Charles J. Veloso	Assistant Corporate Secretary	Filipino	No relation	36
Arlene De Guzman	Treasurer	Filipino	No relation	56

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

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

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

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

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

Business Experience

ALOYSIUS LEE TSE SANG
CHAIRMAN & PRESIDENT

Mr. Aloysius Lee Tse Sang served as chairman and president of the board of Grand Plaza Hotel Corporation since his appointment on 15 May 2015. Mr. Lee was appointed to the Board as Group Chief Executive Officer of Millennium and Copthorne Hotels plc on 1 March 2015. He is a non-executive director of Millennium & Copthorne Hotels New Zealand and CDL Investments New Zealand Limited, both of which are listed on the New Zealand stock exchange, having been appointed on 1 April 2015, and he was appointed as a non-executive director of First Sponsor Group Limited, which is listed on the Singapore Exchange, on 2 April 2015 and continues to serve in that role.

Mr. Lee was previously the Chief Executive Officer of South Beach Consortium Pte Ltd., a joint venture established by City Developments Limited and other parties to create a mixed-use real estate development in Singapore. Prior to that, Mr Lee held senior leadership positions at Shui On Land, Hong Kong Telecom, Star Cruises and Singapore Airlines. He is a fellow of both the Chartered Management Institute and the Chartered Institute of Marketing, and earned a masters degree in business administration from the University of Hong Kong. He also holds management qualifications from Harvard University and the University of Hawaii.

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. Angelito 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 continued to serve the firm as of counsel until August 2010. At present, his professional work is limited to outside counseling, particularly on estate planning, and serving as an official Appellate Court Mediator of civil cases pending in the Court of Appeals.

MIA G. GENTUGAYA
INDEPENDENT DIRECTOR

Mia Gentugaya is of counsel in SyCip Salazar Hernandez & Gatmaitan and was the head of its Banking, Finance & Securities Group. She is a member of the faculty of the Lyceum of the Philippines University – College of Law. She is also a Bangko Sentral-accredited lecturer on corporate governance for banks/quasi banks. She has been a Director of the Company since August 1992 and has served as independent director since 2005. She was admitted to the Philippine Bar in 1978 after completing her legal education at the University of the Philippines (LL.B.). Atty. Gentugaya practices corporate and commercial law, and has been named by Chambers & Partners and The Legal 500 as one of the world's leading lawyers in banking and finance and commercial law. She is a member of the Philippine Bar Association, a charter member of the Maritime Law Association of the Philippines (Trustee, 1988 – 1989) and the Makati Business Club. She also serves in the Board of Directors of various companies.

ANTONIO RUFINO
DIRECTOR

Mr. Rufino is the Consul General of Portugal. He is currently the Director and President of Rufson Enterprises, Inc., Mercedes Realty & Dev. Corporation, and R.A. Rufino Holdings, Inc. He is also a director of other private corporations. He was a senior consultant at the Metropolitan Manila Dev't. Authority. He completed his college and graduate studies in the University of San Francisco. Mr. Rufino is a shareholder of the Corporation.

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

Mr. Eddie Yeo was 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 42 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. He is the Vice President of the Singapore Philippines Association and the Malaysian Associations of the Philippines, a Director of the Hotel & Restaurant Association of the Philippines since 2007. He is the Vice President of The Skal Club International of Manila. He is a Commander in the Philippines Coast Guard Auxiliary, Squadron 116, and is an Assistant Deputy Chief for Finance, in the Philippine Coast Guard Auxiliary NCR-CL.

EDDIE C.T. LAU
DIRECTOR

Mr. Eddie Lau, a British national, was first appointed Director of the Company on 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 and Company Secretary of Asia Financial Holdings Limited, a listed company in Hong Kong. He joined Asia Financial Holdings Limited since July 2000.

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

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

ARLENE DE GUZMAN
TREASURER

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

MARIA CHRISTINA J. MACASAET-ACABAN
CORPORATE SECRETARY

Ms. Maria Christina 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 (Ll.B. 1998). She was also a recipient of the Dean's Medal for Academic Excellence,a member of the Order of the Purple Feather, the honors society of the University of the Philippines College of Law, and a member of the Pi Gamma Mu Honors Society and the Phi Kappa Phi Honors Society. 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, corporate compliance. She has represented multinational corporations operating in various industries, such as pharmaceutical and healthcare, information technology, outsourcing, manufacturing and real estate, in Philippine and cross-border transactions, and advised on equity restrictions, investment structures and regulatory compliance for Philippine business operations.

She serves as corporate secretary and assistant corporate secretary of various private companies. She is not an officer or director of other public companies or companies that are grantees of secondary licenses from the SEC.

ALAIN CHARLES J. VELOSO
ASSISTANT CORPORATE SECRETARY

Mr. Alain Charles Veloso is a senior associate of the law firm Quisumbing Torres. Mr. Veloso's practices corporate and commercial law, with focus on antitrust, pharmaceuticals, securities, mergers and acquisitions, energy and natural resources, and infrastructure. He joined Quisumbing Torres in 2006 after graduating class valedictorian and *cum laude* from the University of the Philippines College of Law in 2006. He was also a recipient of the Dean's Medal for Academic Excellence, a member of the Order of the Purple Feather, a Chief Justice Fred Ruiz Castro Academic Scholar, an ACCRA – Violeta C. Drilon Merit Scholar, and a Member of the Pi Gamma Mu Honors Society and the Phi Kappa Phi Honors Society. Mr. Veloso was admitted to the Philippine Bar in 2007 and ranked 10th in the 2006 Philippine Bar exams. Prior to obtaining his law degree, Mr. Veloso obtained his B.S. Accountancy from the

University of the Philippines – Tacloban College in 2001, graduating *cum laude*. Mr. Veloso passed the Philippine licensure exam for Certified Public Accountants in 2001. He also taught Transportation and Public Utilities Law and Land Titles and Registration at Centro Escolar University School of Law and Jurisprudence. Mr. Veloso also lectures at the Mandatory Continuing Legal Education program of the UP Law Center on antitrust and corporate governance.

Mr. Veloso is also the assistant corporate secretary of various private companies. He is not an officer or director of other public companies or companies that are grantees of secondary licenses from the SEC.

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

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

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

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

She started a job in the hospitality industry in the year 2002, with the Ascott group, which line of business is Serviced Residence. She had worked with Ascott for 10 years, and worked her way up in the company - from accountant to Asst. Finance Manager. After 10 years with Ascott, she joined Manila Mandarin as Chief Accountant, and before the hotel closed, signed up with Frasers Place Manila (another Serviced Residence) as Finance Manager. All in all, she has been working in the hospitality industry for 13 years.

DIVINA GRACIA D. DELOS REYES
DIRECTOR OF HUMAN RESOURCES, MEMBER – HERITAGE HOTEL MANILA MANAGEMENT EXECUTIVE COMMITTEE

With 16 years of diversified experience in the field of Human Resources, Ms. Divina Gracia Delos Reyes is a seasoned human resources executive with particular expertise in policy development and implementation, employment law, employee relations including training and development and has extensive experience in complex companies.

A Psychology major graduate of De La Salle University – Dasmariñas in 1999, Ms. Delos Reyes started her career when she was hired by Smart Communications as an HR Assistant immediately after her on-the-job training. For career advancement she moved to the academe, retail and hotel industries. She has worked for 8 years in the hospitality industry. Ms. Delos Reyes has resigned from the Company and her last day was 31 December 2016.

Attendance Record

Meeting Attendance of the Company's Board of Directors in 2016:

Date of Board of Directors' meetings	Name of Directors						
	Aloysius Lee (first elected on 15 May 2015)	Bryan Cockrell	Angelito Imperio	Mia Gentugaya	Antonio Rufino (first elected on 15 May 2015)	Eddie Lau	Eddie Yeo
12 February 2016	Present	Present	Present	Present	Present	Present	Present
26 February 2016	Absent	Absent	Present	Present	Present	Present	Present
28 April 2016	Present	Present	Present	Present	Present	Present	Present
16 May 2016 (10:30 a.m.)	Absent	Absent	Present	Present	Present	Present	Present
16 May 2016 (1:00 p.m.)	Absent	Absent	Present	Present	Present	Present	Present
28 July 2016	Present	Present	Present	Present	Present	Present	Present
26 October 2016	Present	Absent	Present	Present	Present	Present	Present
Total	4	3	7	7	7	7	7
Percentage of Attendance	57.14%	42.85%	100%	100%	100%	100%	100%

Meeting Attendance of the Company's Audit Committee in 2016:

Date of the Audit Committee meetings	Name of Directors		
	Bryan Cockrell	Mia Gentugaya	Antonio Rufino (first elected on 15 May 2015)
12 February 2016	Present	Present	Present
28 April 2016	Present	Present	Present
28 July 2016	Present	Present	Present
26 October 2016	Absent	Present	Present
Total	3	4	4
Percentage of Attendance	75%	100%	100%

Meeting Attendance of the Company's Nomination Committee in 2016:

Date of the Nomination's Committee meetings	Name of Directors				
	Aloysius Lee (first elected on 15 May 2015)	Eddie Lau	Bryan Cockrell	Antonio Rufino (first elected on 15 May 2015)	AngelitoImperio
26 February 2016	Absent	Present	Absent	Present	Present
21 March 2016	Present	Absent	Present	Present	Present
Total	1	1	1	2	2
Percentage of Attendance	50%	50%	50%	100%	100%

ITEM 10. EXECUTIVE COMPENSATION

EXECUTIVE AND DIRECTORS COMPENSATION

NAME	POSITION	YEAR	SALARY	BONUS	OTHERS/ DIRECTOR FEES
Eddie Yeo Ban Heng	General Manager of Hotel	2016			
Yam Kit Sung	General Manager of the Company	2016			
Ederlinda F. Decano	Director of Finance	2016			
Gigi Gaw	Director of Sales & Marketing	2016			
Divina Gracia D. Delos Reyes	Director of Human Resources	2016			
Total		2016	19,638,500	970,902	34,500
Directors allowances		2016			1,036,870
All officers & Directors as a group		2016	19,638,500	970,902	1,071,370

The estimated total compensation for officers and directors in year 2017 is as follows:

Salary – PhP19 million
Bonus – PhP1 million
Other Fees – PhP1 million

FOR THE LAST 2 FINANCIAL YEARS – 2015 and 2014

NAME	POSITION	YEAR	SALARY	BONUS	OTHERS/ DIRECTOR FEES
Eddie Yeo Ban Heng	General Manager of Hotel	2015			
Yam Kit Sung	General Manager of the Company	2015			
Ederlinda F. Decano	Director of Finance	2015			
Gigi Gaw	Director of Sales & Marketing	2015			
Divina Gracia D. Delos Reyes	Director of Human Resources	2015			
Total		2015	15,887,308	1,812,642	1,272,572
Directors		2015			1,175,264
All officers & Directors as a group		2015	15,887,308	1,812,642	2,447,836

NAME	POSITION	YEAR	SALARY	BONUS	OTHERS/ DIRECTOR FEES
Wong Hong Ren	Chairman & President	2014			
Eddie Yeo Ban Heng	General Manager of Hotel	2014			
Yam Kit Sung	General Manager of the Company	2014			
Cathy Serrano	Director of Finance	2014			
Gigi Gaw	Director of Sales & Marketing	2014			
Total		2014	12,327,371	756,719	88,815
Directors		2014			1,311,150
All officers & Directors as a group		2014	12,327,371	756,719	1,399,965

In 2015, the directors were given the following per diem allowance for their attendance in meetings in 2015: for the regular directors, PhP15,000 per meeting of the Audit Committee and the Board, and for independent directors, PhP15,000 per meeting of the Audit Committee and PhP15,720 per meeting of the Board. The allowance and compensation of the directors (i.e., in 2014) 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 2016.

TITLE OF CLASS	NAME OF BENEFICIAL OWNER / (CITIZENSHIP)	AMOUNT & NATURE OF BENEFICIAL OWNERSHIP	PERCENT OF CLASS
Common shares	Yam Kit Sung (Singaporean)	2,998 shares beneficial	Less than 1%
Common shares	Eddie Yeo	1 share beneficial	Less than 1%

	(Malaysian)		

The following entities are directly or indirectly the beneficial owners of more than 5% of the Company's voting shares (common) as of 31 December 2016

S/N	NAME OF SHAREHOLDER	CITIZENSHIP	NO. OF SHARES	% OF SHAREHOLDING (EXCLUSIVE OF TREASURY SHARES)
1	The Philippine Fund Limited	Bermuda	28,655,932[1]	53.34%
2	Zatrio Pte. Ltd.	Singapore	17,727,149	33.08%
3	RCBC Trust & Investment	Filipino	5,367,491	9.99%

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

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

ITEM 13. CORPORATE GOVERNANCE

Please refer to the attached Annual Corporate Governance Report of the Company for the year 2015.

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 2016 to December 2016:

Date of Filing of SEC Form 17-C	Summary of the matter disclosed
16 February 2016	Appointment of Ms. Divina Gracia Delos Reyes and Ms. Ederlina Decano
18 May 2016	Election of Registrant's Directors

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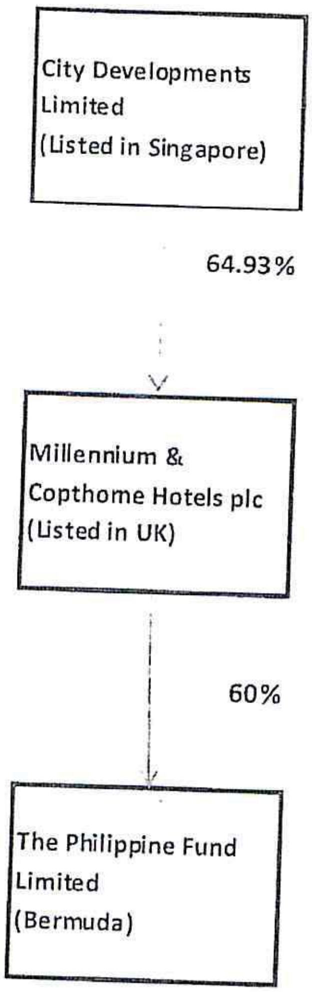
18 May 2016	Election of Registrant's Officers
13 June 2016	Receipt of Warrant of Garnishment by the Metropolitan Bank & Trust Company
14 June 2016	Receipt of Warrant of Garnishment by the Land Bank of the Philippines

The Group Structure

The Philippine Fund Limited Group Structure



As at 31 December 2016

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 LONDON, ENGLAND on 2 FEBRUARY, 2017__.

By:

Aloysius Lee
Chairman & President

Yam Kit Sung
General Manager/
Chief Financial Officer

[illegible]aria Christina Macasaet-Acaban
[illegible]rporate Secretary

[illegible]UBSCRIBED AND SWORN to before me this 2nd day of February 2017, affiant(s) ex[illegible] to me their passport, as follows:

[illegible]s	CTC/Passport No.	Date of Issue	Place of Issue
A[illegible]ee	KJ0387859	23 Sept 2014	Hong Kong

Notary Public

Notary Public, London, England
(Emma Noon)

Doc. No.
Page No.
Book No.
Series of 2017.

CHEESWRIGHTS
NOTARIES PUBLIC

Bankside House, 107 Leadenhall Street,
London EC3A 4AF
Telephone: 020 7623 9477
Facsimile: 020 7623 5428

APOSTILLE

(Convention de La Haye du 5 octobre 1961)

1.	**Country:** Pays / Pais:	United Kingdom of Great Britain and Northern Ireland
	This public document Le présent acte public / El presente documento público	
2.	**Has been signed by** a été signé par ha sido firmado por	Emma Noon
3.	**Acting in the capacity of** agissant en qualité de quien actúa en calidad de	Notary Public
4.	**Bears the seal / stamp of** est revêtu du sceau / timbre de y está revestido del sello / timbre de	The Said Notary Public

Certified

Atesté / Certificado

5. **at** á / en	London	6. **the** le / el día	02 February 2017
7. **by** par / por	Her Majesty's Principal Secretary of State for Foreign and Commonwealth Affairs		
8. **Number** sous no / bajo el numero	APO-179254		
9. **Seal / stamp** Sceau / timbre Sello / timbre	FOREIGN AND COMMONWEALTH OFFICE LONDON	10. **Signature** Signature Firma	R. Bath

This Apostille is not to be used in the UK and only confirms the authenticity of the signature, seal or stamp on the attached UK public document. It does not confirm the authenticity of the underlying document. Apostilles attached to documents that have been photocopied and certified in the UK confirm the signature of the UK official who conducted the certification only. It does not authenticate either the signature on the original document or the contents of the original document in any way.

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GRAND PLAZA HOTEL CORPORATION

15 February 2017

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, 2016, 2015 and 2014. 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.

10 Floor, The Heritage Hotel Manila, Roxas Blvd cor. EDSA Extension Pasay City
Tel: 854 8838 Fax: 854 8825
A MEMBER OF THE HONG LEONG GROUP SINGAPORE

Aloysius Lee
Chairman and President

Subscribed and sworn to before me a notary public for and in the City of London, England this 2nd day of February 2017, the signatory exhibiting to me his passport, the details of which are as follows:

Name	Community Tax Certificate/ Passport Number	Date	Place of Issue
Aloysius Lee	KJ0387859	23 Sept 2014	Hong Kong

Notary Public

Notary Public, London, England
(Emma Noon)

Doc. No.
Page No.
Book No.
Series of 2016

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Bankside House, 107 Leadenhall Street,
London EC3A 4AF
Telephone: 020 7623 9477
Facsimile: 020 7623 5428

EMMA NOON NOTARY PUBLIC ENGLAND & WALES

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 __________, 2017__.

By:

Aloysius Lee
Chairman & President

Yam Kit Sung
General Manager/
Chief Financial Officer

Maria Christina Macasaet-Acaban
Corporate Secretary

SUBSCRIBED AND SWORN to before me this _____ day of _________ 2017__ affiant(s) exhibiting to me their Community Tax Certificates/Passports, as follows:

Names	CTC/Passport No.	Date of Issue	Place of Issue
Aloysius Lee	KJ0387859	23 Sept 2014	Hong Kong

____
Notary Public

Doc. No.
Page No.
Book No.
Series of 2017.

SUBSCRIBED AND SWORN to before me by Yam Kit Sung, who is personally known to me to be the same person who presented the foregoing instrument and signed the instrument in my presence, this 14 FEB 2017, at ____________, affiant exhibiting to me his Passport No. E3384874K issued on 7 September 2012, expiry date on 24 April 2018 in Singapore.

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Page No. 16 ;
Book No. II ;
Series of 2017.

ATTY. JOVINO R. ANGEL
NOTARY PUBLIC
UNTIL DECEMBER 31, 2018
PTR NO. 5266148-1-3-2017 PASAY CITY
IBP NO.1052058-1-3-2017
MCL NO. V-0024151-10-25-2016
ROLL NO.28761

SUBSCRIBED AND SWORN to before me by Maria Christina J. Macasaet-Acaban, who is personally known to me to be the same person who presented the foregoing instrument and signed the instrument in my presence, this 13 FEB 2017, at Taguig City, Metro Manila, affiant exhibiting to me her Passport No. EC1372801 issued on 11 June 2014, expiry date on 10 June 2019 at Manila, Philippines.

ALEXIS N. CIMAGALA
NOTARY PUBLIC
ROLL NO. 63327
TAGUIG CITY, PHILIPPINES

ALEXIS N. CIMAGALA
Notary Public for Taguig City
Appointment No. 49 Until December 31, 2017
12th Floor, Net One Center, 26th St., cor. 3rd Avenue
Crescent Park West, Bonifacio Global City, Taguig City 1634
ROLL OF ATTORNEYS NO:63327
PTR No. A-2794713; 01/06/16; Taguig
LIFETIME IBP No. 967979; 03/31/14; Makati Chapter
MCLE Compliance No. V – 0003215; 08/12/14

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Book No. ; 1
Series of 2017.

GRAND PLAZA HOTEL CORPORATION

15 February 2017

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** (the **"Company"**), is responsible for the preparation and fair presentation of the financial statements, including the schedules attached therein, as at and for the years ended **December 31, 2016 and 2015**, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

Aloysius Lee
Chairman and President

Subscribed and sworn to before me a notary public for and in the City of London, England this 2nd day of February 2017, the signatory exhibiting to me his passport, the details of which are as follows:

Name	Community Tax Certificate/ Passport Number	Date	Place of Issue
Aloysius Lee	KJ0387859	23 Sept 2014	Hong Kong

Notary Public

Notary Public, London, England
(Emma Noon)

Doc. No.
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EMMA NOON NOTARY PUBLIC ENGLAND

GRAND PLAZA HOTEL CORPORATION

15 February 2017

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** (the "**Company**"), is responsible for the preparation and fair presentation of the financial statements, including the schedules attached therein, as at and for the years ended **December 31, 2016 and 2015**, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

Aloysius Lee
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 ____________ 2017, 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
Aloysius Lee	KJ0387859	23 Sept 2014	Hong Kong
Yam Kit Sung			

Notary Public

Doc. No.
Page No.
Book No.
Series of 2016

SUBSCRIBED AND SWORN to before me by Yam Kit Sung, who is personally known to me to be the same person who presented the foregoing instrument and signed the instrument in my presence, this 14 FEB 2017, at ____________, affiant exhibiting to me his Passport No. E3384874K issued on 7 September 2012, expiry date on 24 April 2018 in Singapore.

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Book No. II ;
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ATTY. JOVINO R. ANGEL
NOTARY PUBLIC
UNTIL DECEMBER 31, 2018
PTR NO. 5266148-1-3-2017 PASAY CITY
IBP NO.1052056-1-3-2017
MCL NO. V-0024151-10-25-2016
ROLL NO.28761

Eddie Yeo Ban Heng
Director & Vice President

Subscribed and sworn to before me a notary public for and in the City of PASAY CITY this ______ day of 14 FEB 2017 2016, 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
Eddie Yeo Ban Heng			

ATTY. JOVINO R. ANGEL
NOTARY PUBLIC
UNTIL DECEMBER 31, 2018
PTR NO. 5266148-1-3-2017 PASAY CITY
IBP NO.1052086-1-3-2017
MCL NO. V-0024151-10-25-2016
ROLL NO.28761
Notary Public

Doc. No. 78
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