Print this page

Miscellaneous

* Asterisks denote mandatory information

Name of Announcer *	CITY DEVELOPMENTS LIMITED
Company Registration No.	196300316Z
Announcement submitted on behalf of	CITY DEVELOPMENTS LIMITED
Announcement is submitted with respect to *	CITY DEVELOPMENTS LIMITED
Announcement is submitted by *	Enid Ling Peek Fong
Designation *	Company Secretary
Date & Time of Broadcast	18-Feb-2009 17:13:01
Announcement No.	00043

>> Announcement Details

The details of the announcement start here ...

Announcement Title *	Announcement by Subsidiary Company, Grand Plaza Hotel Corporation on Full Year Results for the year ended 31 December 2008
Description	Please see attached the above announcement released by Grand Plaza Hotel Corporation on 18 February 2009.
Attachments	GPHC_SEC17A_FY2008.pdf Total size = **1439K** (2048K size limit recommended)

Close Window

COVER SHEET

1 6 6 8 7 8

S.E.C. Registration Number

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

(Company's Full Name)

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

B L V D C O R E D S A P A S A Y C I T Y

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

Y A M K I T S U N G

Contact Person

8 5 4 8 8 3 8

Company Telephone Number

1 2	3 1
Month	*Day*

Fiscal Year

S E C 1 7 A

FORM TYPE

0 5	1 5
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

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

S T A M P S

Remarks = pls. use black ink for scanning purposes

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 2008

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

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

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

6. (SEC Use Only)
Industry Classification Code:

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

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

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

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

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Stock	**87,318,270** (Inclusive of 19,653,758 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 on 19 January 2009 is PhP37.50 and the total voting stock held by non-affiliates of the Company is 9,115,453. Therefore, the aggregate market value of the voting stock held by non-affiliates of the Company is PhP341,829,487.

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.

Yes [ ] No [x]

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 business 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 ending on 31 December 2008, the Company reported a net profit after tax of about PhP182.8 million as against PhP165.5 million in 2006 and PhP157.5 million in 2006.

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 and guests from Southeast Asian nations, while food and beverage guests are mainly Filipinos.

Competitive Position

The main competitors of the Heritage Hotel are Manila Diamond Hotel, Hyatt Casino and Hotel, Sofitel Philippine Plaza Hotel and Dusit Thani Hotel.

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

NAME	OCCUPANCY %	AVERAGE ROOM RATE PESO	ROOM YIELD REVPAR
Heritage Hotel	63%	PhP3,629	PhP2,286
Diamond Hotel	62%	PhP3,944	PhP2,445
Dusit Thani	65%	PhP4,363	PhP2,835
Hyatt Casino Hotel	66%	PhP5,164	PhP3,408
Sofitel Hotel	61%	PhP4,158	PhP2,536

Among its competitors, The Heritage Hotel ranks third in terms of occupancy, fifth in terms of average room rate and in terms of RevPar.

Raw Materials and Services

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

Dependence on Single Customer

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

Related Party Transactions

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

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

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

Patents, Trademarks, Etc.

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

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

Government Approval and Regulation

The hotel applies for Department of Tourism ("DOT") accreditation annually. The accreditation is based on a certain standard set by the DOT for deluxe class hotels. The DOT inspects the hotel to determine whether the hotel meets the criteria of the DOT. The DOT accredited the hotel and the Company for the year 2008.

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 473 employees during the year 2008. Out of the 473 employees, 309 are regular employees and 164 are casual employees.

The number by type of employee is as follows:

	REGULAR	CASUAL	TOTAL
Hotel Operating Staff (All operating dept)	221	132	353
Management/Admin/Security (A&G Dept)	38	28	66
Sales & Marketing	19	1	20
Repairs & Maintenance	31	3	34
Total	309	164	473

Barring any unforeseen circumstance, for the year 2009, the Company will maintain more or less the same number of employees as in year 2008.

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

ITEM 2. PROPERTIES

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

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

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

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

ITEM 3. LEGAL PROCEEDINGS

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

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

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

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

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

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

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

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

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

In the 15 May 2008 annual stockholders meeting, the following were elected as directors of the Company:

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

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

PART II – OPERATIONAL AND FINANCIAL INFORMATION

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

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

The following are the high and low share prices of the Company for the year 2008 and 2007:

Amount in Peso:

	HIGH	LOW	HIGH	LOW
	Year 2008	Year 2008	Year 2007	Year 2007
First Quarter	No movement	No movement	27.50	27.50
Second Quarter	41.00	41.00	No movement	No movement
Third Quarter	No movement	No movement	No movement	No movement
Fourth Quarter	37.50	37.50	No movement	No movement

The last recorded trade of the shares of the Company during the fiscal year covered by this report occurred on 17 December 2008. The share price was PhP37.50.

Holders of Securities

The Company has only one class of shares, i.e., common shares. The total outstanding common shares as of 31 December 2008 is 87,318,270 inclusive of 19,653,758 treasury shares.

As of 31 December 2008, the number of shareholders of the Company is 506.

The list of the top 20 shareholders is as follows:

	NAME OF SHAREHOLDER	NO. OF SHARES	% OF SHAREHOLDING (INCLUSIVE OF TREASURY SHARES)
01	The Philippine Fund Ltd.	36,172,196	41.43%
02	Zatrio Pte Ltd	22,376,863	25.63%
03	Grand Plaza Hotel Corp- Treasury Stocks	19,653,758	12.51%
04	PCD Nominee Filipino	8,283,378	9.5%

05	PCD Nominee Non-Filipino	261,469	0.3%
06	Alexander Sy Wong	43,552	0.05%
07	Yam Kit Seng	7,000	<0.01%
08	Phoon Lin Mui	7,000	<0.01%
09	Yam Kum Cheong	7,000	<0.01%
10	Yam Poh Choo	7,000	<0.01%
11	Lucas M. Nunag	4,800	<0.01%
12	Natividad Kwan	4,148	<0.01%
13	Le Ying Tan-Lao	3,466	<0.01%
14	Yam Kit Sung	2,999	<0.01%
15	Peter Kan	2,443	<0.01%
16	Romeo L. Salonga	2,400	<0.01%
17	Christopher Lim	2,239	<0.01%
18	Robert Uy	2,000	<0.01%
19	James Jao & / Or Henry Jao	1,556	<0.01%
20	Sze Chung Cheong	1,000	<0.01%
	Total	86,846,267	99.46%

Dividends

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

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:

	2008	2007	2006
Current ratio	1.57	1.16	1.52
Net book value per share (include treasury shares)	PhP12.49	PhP11.48	PhP12.58
Earnings per share	PhP2.70	PhP2.35	PhP2.15
Profit before tax margin ratio	38.22%	35.95%	34.91%
EBITDA	PhP300.2 million	PhP277.8 million	PhP241.9 million

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

Net book value per share is derived by dividing the net stockholders' equity by the total number of shares issued. This measures the value of the Company on a per share basis. The net book value per share increased for the period of review due to higher asset value and lower liabilities.

Earning per share is derived by dividing the net profit after tax by the total shares outstanding. This indicator measures the earning of the Company on a per share basis. The earnings per share improved in year 2008 due to higher profitability.

Profit before tax margin ratio is computed by dividing the profit before tax against the total revenue. This ratio measures whether the Company is able to contain its expenses in relation to the revenue. The Company has shown improvement in this indicator. It jumped from 35.95% in year 2007 to 38.22% in year 2008 mainly as a result of higher revenue and profit.

EBITDA represents earnings before income tax, interest, depreciation and amortization. This indicator is in effect a measure of the cash flow of the Company. The Company improves its EBITDA by 8 % due to higher revenue and less expenses.

Results of Operations:

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

YEAR	REVENUE – PHP	NIAT – PHP
2008	732,760,830	182,877,353
2007	697,370,240	165,572,708
2006	670,787,953	157,594,904

2008 Results of Operations

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2007 Results of Operations

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

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

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

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

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

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

Gross Profit:

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

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

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

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

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

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

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

2006 Results of Operations

The year 2006 again proved to be strong for the hotel industry in Metro Manila. The Company reported an increase of PhP20 million in revenue or 3% of the prior year. In terms of profitability, it is about PhP10 million higher than the previous year.

The improvement in business is due to a more stable political climate in the Philippines and the booming world economy.

Revenue:
Rooms division revenue improved by PhP17 million or 5% over the prior year. Although room occupancy has decreased by 3.5% compared to year 2005, the increase in Average Room Rate (ARR) by PhP272 more than offset the drop in room occupancy. For the year 2006, the hotel focus on improving its ARR and shift its market segment to higher yield corporate business and hence the improvement in ARR.

Food & beverage ("F&B") division also showed improvement in their performance by PhP6 million or 2.7% compared to the previous year. The increase in F&B revenue is mainly due to higher average check of PhP355 for the year 2006 (2005: PhP328). But the increase in average check is offset by the drop in covers by 34,381 or 6% over the same period of the prior year. The following F&B outlets surpassed the revenue of last year namely, banquet, casino, lobby lounge and mini-bar. With the opening of the new SM Mall of Asia which is located within 5 minutes drive from the hotel, its Riviera café is affected by the competition. Located in the new Mall are at least 500 different restaurants catering to various markets.

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

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

Cost of Sales:
Food and beverage cost of sales increase by PhP1.3 million or 2% as against last year. The increase in food and beverage cost of sales is consistent with the increase in food and beverage revenue by 2.7% as compared with the previous year.

Gross Profit:

Gross profit is derived after deducting cost of sales from revenue. There is an improvement in gross profit by 3.2% as compared with year 2005. This is due to higher revenue contribution.

Selling and Operating Expenses:
The detailed breakdown of this line item can be found in Note 18 of the Financial Statements. The bulk of this expense relates to payroll and related costs and also property operation, maintenance, energy and conservation (POMEC) expenses, guest supplies and laundry costs. Payroll cost has increased mainly in the housekeeping department as a result of the increase in minimum wage during the year. POMEC showed a decrease compared to year 2005 due to an accounting adjustment at year end for over accruals of energy cost amounting to about PhP5 million.

Administrative and General Expenses:
The detailed breakdown of this line item can be found in Note 19 of the Financial Statements.
The bulk of this expense relates to payroll and related costs for overhead/supporting departments such as Engineering, Sales and Marketing, Human and Resources and Administrative and General. Total payroll and related expenses has increased to PhP55 million (2005 : PhP48 million). Payroll cost has increased mainly due to salary adjustment during the year. The other major expense for this line item is management and incentive fees. This relates to the fees paid to the operator of the Hotel. The fee has increased to PhP31.8 million (2005 : PhP30.8 million) as a result of the increase in revenue and gross operating profits (GOP). Management and incentive fees are based on a percentage of gross revenue and GOP respectively. Credit card commission has also increased by PhP0.6 million as a result of higher revenue and credit card transactions.

Non-operating income/(expenses):
The Company registered a net other income of PhP19 million (2005 : PhP8.2 million). The reason for the improvement is due to a foreign exchange gain of PhP1.2 million while the previous year was a loss of PhP6 million.. Interest income has also increased substantially during the year of review.

Net Income before tax:
This is the income before tax but after deduction of all expenses. There is an improvement of PhP18 million in year 2006 as compared to last year. The favorable variance is due to higher revenue and improved management of expenses.

Provision for income tax:
Total provision for income tax for year 2005 is PhP76.6 million (2005 : PhP69.2 million). This increase in provision is consistent with the improvement in total revenue. Moreover, with effective from 1 November 2005, the Internal Revenue increased the corporate income tax rate from 32% to 35%.

Net Income:
As a result of the significant improvement in revenue and effective cost control, the profit after tax of the Company showed an increase of PhP10.4 million.

Financial Conditions:

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

YEAR	ASSETS - PHP	LIABILITIES – PHP
2008	1,419,676,667	329,046,211
2007	1,413,628,798	365,998,395
2006	1,437,793,599	339,566,396

2008 Financial Conditions

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

Assets:

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

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

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

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

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

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

Liabilities and Equity:

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

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

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

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

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

2007 Financial Conditions

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

Assets:

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

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

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

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

Liabilities:

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

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

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

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

2006 Financial Conditions

Total assets for the year 2006 decreased by PhP34.7 million as compared to the previous year. The main reason for this drop is due to lesser cash and bank balance by PhP58 million relative to prior year.

Assets:

- Cash and cash equivalents: There is a significant drop in cash balance over the same period of last year as a result of higher payout to shareholders for the share buyback and dividends during the year. Dividends increased by PhP29 million as compared to the previous year. In addition, during the year, the hotel also embarked on its room renovation program and the funds used in this exercise is generated internally.

- Accounts receivables: This balance increased by PhP14 million or 6% over the same period of last year. This is due to higher revenue vis-à-vis year 2005.

- Due from related parties: This balance represents the significant transaction the Company has with its related parties. There is a significant drop by PhP13 million compared to year 2005 as the related parties have settled their obligation with the Company. The 2 major parties are Rogo Realty Corporation and CDL Hotels (Phils.) Corp.

- Prepayments and other current assets: This balance increase mainly due to higher prepayments. This is mainly due to advance payment of insurance until May 2007 while in prior year, there is no such advance payment.

- Property and equipment: Fixed assets of the Company increased by PhP8 million. As the Company has started renovation of its 448 guestrooms in the last quarter of year 2006, it recognize a portion of the renovation cost to construction-in-progress of PhP27 million. However, this is offset by the depreciation charges for the year of PhP25 million.

Liabilities:
Total liabilities increased by about PhP4 million as compared to year 2005. The increment is due to higher accounts payable and accrued expenses, refundable deposits and reserves.

- Accounts payable and accrued expenses: This balance increased by PhP6 million or 7% relative to year 2005. The main reason for this increment is noted in accrued liabilities which increased by PhP6 million is due to increase in employee benefits and vacation leave accruals.

- Due to related parties: The Company has a management contract with CDL Hotels (Phils) Corp under which the latter provides management, technical and administrative services to the Company in return for a yearly management and incentive fees equivalent to a certain percentage of gross revenue and of gross operating profit, respectively. There is a decrease of PhP6.6 million compared to the same period last year in balance due to CDL Hotels (Phils) Corp as the Company has paid the management and incentive fees for the year.

- Refundable deposits: This pertains to deposits given by tenants as security deposits and deposits given by guests who want to hold functions in the hotel. The increase in this balance is consistent with the higher revenue.

- Other current liabilities: The bulk of this balance is for output tax payable. There is an increase of P10 million which is consistent with the increase in total revenue of the hotel.

- Reserves: Reserves pertain to a portion of the service charge set up by the Company to offset the cost of replacing certain operating equipment of the hotel such as lost, broken or damaged chinaware, glassware and flatware. The increase is consistent with the higher revenue during the year.

ITEM 7. FINANCIAL STATEMENTS

Please see attachments.

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

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

PART III – CONTROL AND COMPENSATION INFORMATION

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

NAME	OFFICE	CITIZENSHIP	FAMILY RELATION (*)	AGE
Wong Hong Ren	Chairman & President	Singaporean	No relation	57
Bryan Cockrell	Director	American	No relation	61
Eddie C. T. Lau	Director	Chinese	No relation	53
Michele Dee Santos	Director	Filipino	No relation	41
Angelito Imperio	Director	Filipino	No relation	69
Mia Gentugaya	Independent Director	Filipino	No relation	57
Eddie Yeo Ban Heng	Director / General Manager of The Heritage Hotel Manila	Malaysian	No relation	61
Yam Kit Sung	General Manager of the Company & Compliance officer	Singaporean	No relation	39
Stanley Kon	Assistant General Manager of The Heritage Hotel Manila	Malaysian	No relation	44
Sunny Goh	Executive Chef	Singaporean	No relation	49
Pearl Liu	Corporate Secretary	Filipino	No relation	53
Arlene De Guzman	Treasurer	Filipino	No relation	48

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

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

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

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

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

d) Being found by domestic or foreign court of competent jurisdiction in a civil action to have violated any securities or commodities law.

Business Experience:

WONG HONG REN
CHAIRMAN & PRESIDENT

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

BRYAN K. COCKRELL
DIRECTOR

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

ANGELITO C. IMPERIO
DIRECTOR

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

MIA G. GENTUGAYA
INDEPENDENT DIRECTOR

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

MICHELE DEE-SANTOS
DIRECTOR

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

EDDIE YEO
DIRECTOR & GENERAL MANAGER OF THE HERITAGE

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

EDDIE C.T. LAU
DIRECTOR

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

YAM KIT SUNG
GENERAL MANAGER & VICE PRESIDENT OF FINANCE OF GRAND PLAZA HOTEL CORPORATION

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

PEARL LIU
CORPORATE SECRETARY
Atty. Liu, appointed January 9, 2008, is the new Corporate Secretary of Grand Plaza Hotel Corp. She heads the Corporate and Commercial Practice Group of Quisumbing Torres. Ms. Liu was admitted to the Philippine Bar in 1983 after graduating with honors from the Ateneo de Manila University School of Law in 1982. Ms. Liu is a member of the American Chamber of Commerce, Business Process Outsourcing Association of the Philippines, Makati Business Club and Philippine-American Business Council. She is not a director of any other reporting company.

ITEM 10. EXECUTIVE COMPENSATION

EXECUTIVE AND DIRECTORS COMPENSATION

NAME	POSITION	YEAR	SALARY	BONUS	OTHERS/ DIRECTOR FEES
Wong Hong Ren	Chairman & President	2008			
Eddie Yeo Ban Heng	General Manager of Hotel	2008			
Yam Kit Sung	General Manager	2008			
Stanley Kon	Resident Manager of Hotel	2008			
Sunny Goh	Executive Chef	2008			
Total		2008	17,423,181	5,647,458	254,960
Directors		2008			2,330,882
All officers & Directors as a group		2008	17,423,181	5,647,458	2,585,842

The estimated total compensation for officers and directors in year 2009 is as follows:

Salary – PhP18 million
Bonus – PhP6 million
Other Fees – PhP2 million

FOR THE LAST 2 FINANCIAL YEARS – 2007 & 2006

NAME	POSITION	YEAR	SALARY	BONUS	OTHERS/ DIRECTOR FEES
Wong Hong Ren	Chairman & President	2007			
Eddie Yeo Ban Heng	General Manager of Hotel	2007			
Yam Kit Sung	General Manager	2007			
Stanley Kon	Resident Manager of Hotel	2007			
Sunny Goh	Exe. Chef	2007			
Total		2007	16,038,781	3,145,175	456,616
Directors		2007			1,739,185
All officers & Directors as a group		2007	16,038,781	3,145,175	2,195,801

NAME	POSITION	YEAR	SALARY	BONUS	OTHERS/ DIRECTO R FEES
Wong Hong Ren	Chairman & President	2006			
Eddie Yeo Ban Heng	General Manager of Hotel	2006			
Yam Kit Sung	General Manager	2006			
Ho Mei Mei	AGM of Hotel	2006			
Chua Yew Hock	Exe. Chef	2006			
Total		2006	20,419,804	4,023,327	581,779
Directors		2006			3,024,000
All officers & Directors as a group		2006	20,419,804	4,023,327	3,605,779

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

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

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

Security Ownership of Management

The following table shows the shareholding beneficially held by the officers of the Company as at 31 December 2008.

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

The following entitles are directly or indirectly the beneficial owners of more than 5% of the Company's voting shares (common) as of 31 December 2008.

S/N	NAME OF SHAREHOLDER	CITIZENSHIP	NO. OF SHARES	% OF SHAREHOLDING (EXCLUSIVE OF TREASURY SHARES)
1	The Philippine Fund Limited	Bermuda	36,172,196[1]	53.46%
2	Zatrio Pte. Ltd.	Singapore	22,376,863	33.07%
3	RCBC Trust & Investment	Filipino	7,366,304	10.88%

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

---

[1] The Philippine Fund Limited is owned by:

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

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

ITEM 13. CORPORATE GOVERNANCE

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

The Company complies with regulations and issuances issued by government authorities pertaining to corporate governance.

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

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 2008 to December 2008:

Date of SEC Form 17-C	Summary of the matter disclosed
9 January 2008	In the 9 January 2008 meeting of the Board of Directors of Grand Plaza Hotel Corporation ("GPHC"), Messrs. Cornelio B. Abuda and Jehremiah C. Asis tendered their resignation as Corporate Secretary, respectively effective on 9 January 2008.
9 January 2008	Board approved a resolution to revise GPHC's Manual on Corporate Governance to include in Section 4.2.
30 January 2008	Certification on the attendance record of meetings of the members of the board of directors of the Corporation during the period 1 January to 31 December 2007.
30 January 2008	Certification on the Compliance of the Corporation of its Manual on Corporate Governance.
27 March 2008	Record date of the annual stockholders' meeting.
15 May 2008	Disclosure of the Board of Directors' approval of the

	proposal to purchase or buyback the shares of GPHC from its stockholders on record as of 5 June 2008.
15 May 2008	Election of Directors and re-appointment of KPMG Manabat Sanagustin & Co. as external auditor during the annual stockholders' meeting of the stockholders of GPHC.
15 May 2008	Election of the officers of GPHC, members of the Nomination Committee and members of the Audit Committee, and appointment of The Heritage Hotel Management Executive Committee to perform the functions of GPHC's Remuneration and Compensation Committee, during the organizational meeting of the newly-elected Board of Directors.
15 May 2008	Additional information on the terms and conditions of the buyback of shares.
27 May 2008	Revised timetable for the implementation of the proposed buyback of GPHC shares; disclosure of the Offer Letter, Instructions to Brokers (with Exhibit 1), and Selling Form.
23 June 2008	Disclosure of the result of the buyback of shares: final list of stockholders and the shares that they tendered under the buyback offer.
27 June 2008	Completion of the buyback of shares.
1 July 2008	Procedure and timetable for election of second Independent Director of GPHC.
21 July 2008	Resignation of Mr. Angelito C. Imperio as regular Director of GPHC.
26 August 2008	Final list of candidates for second Independent Director of GPHC.
26 August 2008	Election of Registrant's Second Independent Director
12 September 2008	Disclosure of the filing of surety bond with the Court of Tax Appeals and the Petition for Review pending with the Court of Tax Appeals relating to GPHC's deficiency VAT assessment.
19 September 2008	Launching of GPHC's official corporate website.
3 November 2008	Designation of Mr. Jimmy S. Quiñones as new handling partner of KPMG Manabat Sanagustin & Co. for GPHC.

SIGNATURES

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

By:

Wong Hong Ren
Chairman & President

Yam Kit Sung
General Manager/
Vice President Finance

Pearl Liu
Corporate Secretary

SUBSCRIBED AND SWORN to before me this _____ day of _________ 2009__ affiant(s) exhibiting to me their Community Tax Certificates/Passports, as follows:

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

____
Notary Public

Doc. No.
Page No.
Book No.
Series of 2008.

GRAND PLAZA HOTEL CORPORATION

6 February 2009

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, 2008, 2007 and 2006. The financial statements have been prepared in conformity with generally accepted accounting principles in the Philippines and reflect amounts that are based on the best estimates and informed judgment of management with an appropriate consideration to materiality.

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

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

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

__________________ ________________________

Wong Hong Ren	Yam Kit Sung
Chairman and President	General Manager & Chief Financial Officer

Subscribed and sworn to before me a notary public for and in the City of __________ this ______ day of ____________ 2009, the signatories exhibiting to me their Community Tax Certificates/Passports details of which are as follows:

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

Notary Public

Doc. No.
Page No.
Book No.
Series of 2008.

GRAND PLAZA HOTEL CORPORATION

6 February 2009

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, 2008, 2007 and 2006. The financial statements have been prepared in conformity with generally accepted accounting principles in the Philippines and reflect amounts that are based on the best estimates and informed judgment of management with an appropriate consideration to materiality.

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

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

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

Wong Hong Ren Chairman and President	Yam Kit Sung General Manager & Chief Financial Officer

Subscribed and sworn to before me a notary public for and in the City of PASAY CITY this FEB 06 2009 day of ________ 2009, the signatories exhibiting to me their Community Tax Certificates/Passports details of which are as follows:

Name	Community Tax Certificate/ Passport Number	Date	Place of Issue
Wong Hong Ren	S00165932	9 October 02	Singapore
Yam Kit Sung			

Notary Public

ATTY. CARLOS C. PORMENTO
NOTARY PUBLIC
UNTIL DECEMBER 31, 2009
PTR NO. 1429854 1-5-09 PASAY CIT
IBP NO. 753097 12-23-08 PASAY CI
ROLL NO. 30650

Doc. No. 80
Page No. 17
Book No. 4
Series of 2008, 9

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 PASAY CITY on FEB 06 2009

By:

Wong Hong Ren
Chairman & President

Yam Kit Sung
General Manager/
Vice President Finance

Pearl Liu
Corporate Secretary

SUBSCRIBED AND SWORN to before me this FEB 06 2009 day of 2009__ affiant(s) exhibiting to me their Community Tax Certificates/Passports, as follows:

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

ATTY. CARLOS C. PORMENTO
Notary Public
NOTARY PUBLIC
UNTIL DECEMBER 31, 2009
PTR NO. 1429854 1-5-09 PASAY CITY
IBP NO. 753097 12-23-08 PASAY CITY
ROLL NO 30650

Doc. No. 79
Page No. 17
Book No. 6
Series of 2009

GRAND PLAZA HOTEL CORPORATION

6 February 2009

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, 2008, 2007 and 2006. The financial statements have been prepared in conformity with generally accepted accounting principles in the Philippines and reflect amounts that are based on the best estimates and informed judgment of management with an appropriate consideration to materiality.

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

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

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

Wong Hong Ren
Chairman and President

Yam Kit Sung
General Manager & Chief Financial Officer

Subscribed and sworn to before me a notary public for and in the City of _________ this _____ day of ___________ 2009, the signatories exhibiting to me their Community Tax Certificates/Passports details of which are as follows:

Name	Community Tax Certificate/ Passport Number	Date	Place of Issue
Wong Hong Ren			
Yam Kit Sung	S7023301J	16 Sept 2002	SINGAPORE

Notary Public

Doc. No.
Page No.
Book No.
Series of 2008.

GRAND PLAZA HOTEL CORPORATION

FINANCIAL STATEMENTS
December 31, 2008 and 2007

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

REPORT OF INDEPENDENT AUDITORS

Board of Directors and Stockholders
Grand Plaza Hotel Corporation

We have audited the accompanying financial statements of Grand Plaza Hotel Corporation, which comprise the balance sheets as at December 31, 2008 and 2007, and the statements of income, statements of changes in equity and statements of cash flows for each of the years in the three-year period ended December 31, 2008, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

KPMG

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Grand Plaza Hotel Corporation as of December 31, 2008 and 2007, and its financial performance and its cash flows for each of the years in the three-year period ended December 31, 2008 in accordance with Philippine Financial Reporting Standards.

Manabat Sanagustin & Co.

February 6, 2009
Makati City, Metro Manila

GRAND PLAZA HOTEL CORPORATION
BALANCE SHEETS

	Note	December 31 **2008**	2007
ASSETS			
Current Assets			
Cash and cash equivalents	*4, 25*	**P180,473,346**	P155,032,369
Receivables - net	*5, 14, 25*	**249,895,391**	236,913,313
Loan receivable	*9, 14, 19, 25*	**15,500,000**	15,500,000
Due from related parties	*14, 25*	**384,148**	5,173,947
Inventories	*6*	**10,618,707**	8,609,806
Prepayments and other current assets	*7*	**22,932,220**	17,248,430
Total Current Assets		**479,803,812**	438,477,865
Noncurrent Assets			
Deferred tax assets	*21*	**6,459,892**	11,780,054
Investment in an associate	*8, 14*	**46,674,476**	45,848,645
Property and equipment - net	*10*	**791,964,131**	822,747,878
Other assets	*11, 14, 19*	**94,774,356**	94,774,356
Total Noncurrent Assets		**939,872,855**	975,150,933
		P1,419,676,667	P1,413,628,798
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and accrued expenses	*12, 25*	**P71,619,576**	P63,924,386
Income tax payable		**18,608,932**	25,675,349
Due to related parties	*14, 19*	**11,251,378**	6,959,647
Refundable deposits	*19*	**25,655,067**	28,392,131
Other current liabilities	*13, 25*	**178,162,193**	220,359,248
Total Current Liabilities		**305,297,146**	345,310,761
Noncurrent Liability			
Accrued retirement liability	*20*	**23,749,065**	20,687,634
Total Liabilities		**329,046,211**	365,998,395
Equity			
Capital stock		**873,182,700**	873,182,700
Additional paid-in capital		**14,657,517**	14,657,517
Retained earnings:			
Appropriated	*22*	**982,663,220**	842,785,920
Unappropriated		**202,790,239**	159,790,186
Treasury stock	*23*	**(982,663,220)**	(842,785,920)
Total Equity		**1,090,630,456**	1,047,630,403
		P1,419,676,667	P1,413,628,798

See Notes to the Financial Statements.

GRAND PLAZA HOTEL CORPORATION
STATEMENTS OF INCOME

		Years Ended December 31		
	Note	**2008**	2007	2006
REVENUES				
Rooms		**P381,341,736**	P354,014,675	P329,097,179
Food and beverage		**236,045,080**	228,051,537	224,958,055
Other operating departments		**5,169,302**	7,181,751	8,734,803
Others	*19*	**110,204,712**	108,122,277	107,997,916
		732,760,830	697,370,240	670,787,953
COST OF SALES	*15*			
Food and beverage		**66,953,642**	62,005,563	61,520,377
Other operating departments		**963,721**	3,378,134	3,932,907
		67,917,363	65,383,697	65,453,284
GROSS PROFIT		**664,843,467**	631,986,543	605,334,669
SELLING EXPENSES	*16*	**212,480,589**	202,090,935	203,131,091
ADMINISTRATIVE EXPENSES	*17*	**194,155,320**	180,848,412	187,020,593
		406,635,909	382,939,347	390,151,684
NET OPERATING INCOME		**258,207,558**	249,047,196	215,182,985
OTHER INCOME (EXPENSES)				
Interest income		**8,252,267**	11,274,535	17,130,531
Foreign exchange gain (loss)		**13,907,914**	(12,311,564)	1,222,152
Equity in net income of an associate	*8*	**825,831**	1,139,859	536,810
Dividend income		**75,371**	221,591	67,705
Other income (expenses)		**(540,809)**	1,336,032	48,671
		22,520,574	1,660,453	19,005,869
INCOME BEFORE INCOME TAX		**280,728,132**	250,707,649	234,188,854
INCOME TAX EXPENSE	*21*	**97,850,779**	85,134,941	76,593,950
NET INCOME		**P182,877,353**	P165,572,708	P157,594,904
Basic and Diluted Earnings Per Share	*18*	**P2.70**	P2.35	P2.15

See Notes to the Financial Statements.

GRAND PLAZA HOTEL CORPORATION
STATEMENTS OF CHANGES IN EQUITY

	Note	2008	2007	2006
		Years Ended December 31		
CAPITAL STOCK				
Common stock - P10 par value				
Authorized - 115,000,000 shares				
Issued - 87,318,270 shares		**P873,182,700**	P873,182,700	P873,182,700
ADDITIONAL PAID-IN CAPITAL		**14,657,517**	14,657,517	14,657,517
RETAINED EARNINGS				
Appropriation for acquisition of treasury stock				
Balance at beginning of year		**842,785,920**	697,078,470	551,388,370
Additions during the year	*22*	**139,877,300**	145,707,450	145,690,100
Balance at end of year		**982,663,220**	842,785,920	697,078,470
Unappropriated				
Balance at beginning of year		**159,790,186**	210,386,986	249,845,527
Appropriation during the year	*22*	**(139,877,300)**	(145,707,450)	(145,690,100)
Net income for the year		**182,877,353**	165,572,708	157,594,904
Dividends declared during the year	*24*	**-**	(70,462,058)	(51,363,345)
Balance at end of year		**202,790,239**	159,790,186	210,386,986
		1,185,453,459	1,002,576,106	907,465,456
TREASURY STOCK, at cost - 19,653,758 shares, 16,856,212 shares, and 13,942,063 shares in 2008, 2007 and 2006, respectively	*23*			
Balance at beginning of year		**(842,785,920)**	(697,078,470)	(551,388,370)
Acquisition of treasury stock during the year	*22*	**(139,877,300)**	(145,707,450)	(145,690,100)
Balance at end of year		**(982,663,220)**	(842,785,920)	(697,078,470)
		P1,090,630,456	P1,047,630,403	P1,098,227,203

See Notes to the Financial Statements.

GRAND PLAZA HOTEL CORPORATION
STATEMENTS OF CASH FLOWS

		Years Ended December 31		
	Note	**2008**	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		**P280,728,132**	P250,707,649	P234,188,854
Adjustments for:				
Depreciation and amortization	*10*	**39,750,917**	28,565,678	25,637,134
Interest income		**(8,252,267)**	(11,274,535)	(17,130,531)
Unrealized foreign exchange gain (loss)		**(3,688,558)**	2,852,636	(2,484,551)
Retirement expense	*20*	**3,061,431**	1,196,838	4,470,059
Equity in net income of an associate	*8*	**(825,831)**	(1,139,859)	(536,810)
Gain on disposal of property and equipment		**(278,073)**	(1,138,010)	(48,671)
Impairment losses on receivables		**(237,172)**	(293,413)	(44,504)
Dividend income		**(75,371)**	(221,591)	(67,705)
Operating income before working capital changes		**310,183,208**	269,255,393	243,983,275
Decrease (increase) in:				
Receivables		**(12,187,052)**	(15,473,326)	(14,152,378)
Inventories		**(2,008,901)**	(985,656)	1,351,131
Prepayments and other current assets		**(17,935,914)**	(12,737,291)	(23,153,778)
Increase (decrease) in:				
Accounts payable and accrued expenses		**7,695,190**	(192,857)	1,423,965
Due to related parties		**4,291,731**	2,691,836	(8,483,465)
Refundable deposits		**(2,737,064)**	1,002,697	1,530,361
Other current liabilities		**(11,076,184)**	20,132,685	9,015,025
Cash generated from operations		**276,225,014**	263,693,481	211,514,136
Income taxes paid		**(87,344,910)**	(71,773,028)	(71,681,294)
Interest received		**7,694,413**	10,715,552	17,169,994
Dividend received		**75,371**	221,591	67,705
Net cash provided by operating activities		**196,649,888**	202,857,596	157,070,541
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to property and equipment	*10*	**(40,089,597)**	(63,734,790)	(33,327,251)
Proceeds from disposal of property and equipment		**279,629**	1,217,427	48,671
Decrease (increase) in other assets		**-**	32,999	(2,000)
Net cash used in investing activities		**(39,809,968)**	(62,484,364)	(33,280,580)

Forward

	Note	2008	2007	2006
		Years Ended December 31		
CASH FLOWS FROM FINANCING ACTIVITIES				
Decrease (increase) in due from related parties		**P4,789,799**	(P4,161,421)	P13,070,727
Increase in due to related parties		**-**	-	1,567
Dividends paid	*24*	**-**	(70,462,058)	(51,363,345)
Acquisition of treasury stock	*23*	**(139,877,300)**	(145,707,450)	(145,690,100)
Net cash used in financing activities		**(135,087,501)**	(220,330,929)	(183,981,151)
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**3,688,558**	(2,852,636)	2,484,551
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**25,440,977**	(82,810,333)	(57,706,639)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**155,032,369**	237,842,702	295,549,341
CASH AND CASH EQUIVALENTS AT END OF YEAR	*4*	**P180,473,346**	P155,032,369	P237,842,702

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 ultimate parent of the Company is Hong Leong Investment Holdings Pte Ltd., a corporation organized in Singapore.

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

2. Basis of Preparation

<u>Statement of Compliance</u>
The financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS).

The financial statements as of and for the year ended December 31, 2008 were approved by the Board of Directors (BOD) on February 6, 2009.

<u>Basis of Measurement</u>
The financial statements have been prepared on the historical cost basis.

<u>Functional and Presentation Currency</u>
The Company's financial statements are presented in Philippine peso, which is the Company's functional currency.

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

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

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

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

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

As of December 31, 2008 and 2007, allowance losses on impairment on receivables amounted to P383,817 and P146,645, 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 adjust 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 on a regular basis to identify inventories which are to be written down to net realizable values.

Inventories, at lower of cost and net realizable value, amounted to P10,618,707 and P8,609,806 as of December 31, 2008 and 2007, respectively (see Note 6).

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

As of December 31, 2008 and 2007, the carrying amount of property and equipment amounted to P791,964,131 and P822,747,878, respectively (see Note 10).

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

As of December 31, 2008 and 2007, the Company's deferred tax assets amounted to P6,459,892 and P11,780,054, respectively (see Note 21).

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

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

As of December 31, 2008 and 2007, the Company's accrued retirement liability amounted to P23,749,065 and P20,687,634, respectively. Retirement expense amounted to P3,128,769 and P3,799,613 in 2008 and 2007, respectively (see Note 20).

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

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

- 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.

Contingencies
The estimate of the probable costs for the resolution of possible claims has been developed in consultation with outside legal counsel and is based upon an analysis of potential results.

3. Summary of Significant Accounting Policies

The following summary explains the significant accounting policies which have been adopted and applied consistently to all periods presented in these financial statements.

Adoption of New Standards, Amendments to Standards and Interpretations
The Financial Reporting Standards Council (FRSC) approved the adoption of a number of new standards, amendments to standards and interpretations issued as part of PFRS.

Amendments to Standard and Interpretations Adopted in 2008
Effective January 1, 2008, the Company adopted the following amendments to standard and interpretations:

- Amendments to PAS 39, *Financial Instruments: Recognition and Measurement,* and PFRS 7, *Financial Instruments: Disclosures,* permits an entity to reclassify non-derivative financial assets, other than those designated at fair value through profit or loss upon initial recognition, out of the trading category in certain circumstances. The amendments also permit an entity to transfer from the available-for-sale category to the loans and receivables category a financial asset that otherwise would have met the definition of loans and receivables, if the entity has the intention and ability to hold that financial asset for the foreseeable future. The amendments to PAS 39 are effective from July 1, 2008.

- Philippine Interpretation International Financial Reporting Interpretations Committee (IFRIC) 11, *IFRS 2 - Group and Treasury Share Transactions* describes how to apply PFRS 2, *Share-based Payment,* to share-based payment arrangements involving an entity's own equity instruments and share-based payment arrangements of subsidiaries involving equity instruments of its parent company.

- Philippine Interpretation IFRIC 14, *IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* clarifies when refunds or reductions in future contributions in relation to defined benefit assets should be regarded as available and provides guidance on the impact of minimum funding requirements on such assets. It also addresses when a minimum funding requirement might give rise to a liability.

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

Revised Standard and Interpretation Not Yet Adopted
The following are the relevant revised standard and interpretation which are not yet effective for the year ended December 31, 2008, and have not been applied in preparing these financial statements:

- Revised PAS 1, *Presentation of Financial Statements* requires entities to disclose "total comprehensive income" that is, changes in equity during a period, other than those changes resulting form transactions with owners in their capacity as owners in their capacity as owners. This will be presented either in one statement (i.e., a statement of comprehensive income) or two statements (i.e., an income statement and a statement beginning with profit or loss and displaying components of other comprehensive income).

- Philippine Interpretation IFRIC 13, *Customer Loyalty Programmes* addresses the accounting by entities that operate, or otherwise participate in, customer loyalty programs for their customers. It relates to customer loyalty programs under which the customer can redeem credits for awards such as free or discounted goods or services.

- *Improvements to Philippine Financial Reporting Standards 2008* discusses 35 amendments and is divided into two parts: (a) Part I includes 24 amendments that result in accounting changes for presentation, recognition or measurement purposes; and (b) Part II includes 11 terminology or editorial amendments that the IASB expects to have either no or only minimal effects on accounting . These amendments are generally effective for annual periods beginning on or after January 1, 2009.

Revised PAS 1, IFRIC 13 and Improvement to Philippine Financial Reporting Standards 2008 will be effective for financial years beginning January 1, 2009. These revised standard and interpretation are not expected to have any material effect on the financial statements.

<u>Financial Instruments</u>

Non-derivative Financial Instruments

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

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

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

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

Cash and Cash Equivalents

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

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

Accounts payable and accrued expenses, due to related party, refundable deposits and other current liabilities
These are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between proceeds (net of transaction costs) and the redemption value is recognized in the statements of income over the period of the borrowing using the effective interest method.

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

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

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

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

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

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

The estimated useful lives are as follows:

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

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

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

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

Impairment of Assets

Financial Assets

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

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

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

All impairment losses are recognized in the statements of income.

Non-financial Assets

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

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

Foreign Currency Transactions

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

Operating Leases

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

Revenue and Expense Recognition

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

Room revenue: Revenue is recognized upon actual room occupancy.

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

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

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

Costs and expenses are recognized when incurred.

Income Tax

Income tax expense comprises of current and deferred tax. Income tax expense is recognized in statements of income except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

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

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

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

Treasury Stock
Treasury stock is carried at cost.

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

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

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

The retirement liability is the aggregate of the present value of the defined benefit obligation and actuarial gains and losses not recognized reduced by past service cost not yet recognized and the fair value of plan assets out of which the obligation are to be settled directly. If such aggregate is negative, the asset is measured at the lower of such aggregate or the aggregate of cumulative unrecognized net actuarial losses and past service cost and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions of the plan (the "asset ceiling test").

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

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

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

4. Cash and Cash Equivalents

This account consists of:

	Note	**2008**	2007
Cash on hand and in banks		**P18,294,620**	P20,170,616
Short-term investments		**162,178,726**	134,861,753
	25	**P180,473,346**	P155,032,369

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

The Company pledged a portion of its short term investment with ANZ bank amounting to P94.4 million to secure the bond in connection with the value added tax (VAT) case (see Note 5).

5. Receivables

This account consists of:

	Note	**2008**	2007
Trade			
Receivables from PAGCOR		**P178,815,386**	P172,153,883
Charge customers	*23, 25*	**42,192,468**	41,529,542
Other trade receivables		**7,389,510**	5,299,628
		228,397,364	218,983,053
Interest	*14*	**13,214,788**	12,764,788
Advances to contractors		**1,035,410**	1,821,475
Advances to employees		**329,995**	77,127
Other receivables		**7,301,651**	3,413,515
		250,279,208	237,059,958
Less allowance for impairment losses on trade receivables		**383,817**	146,645
	25	**P249,895,391**	P236,913,313

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

Receivables from Philippine Amusement and Gaming Corporation (PAGCOR) include mainly to billings for output VAT to the said government-controlled corporation. The collection of this amount is still pending as PAGCOR is seeking clarification from the Bureau of Internal Revenue (BIR) whether it is subject to the 10% VAT in its status as a government corporation. The corresponding 10% output VAT payable from the billings to PAGCOR is likewise not remitted to the BIR pending the clarification from the BIR (see Note 13).

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

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

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

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

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

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

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

6. Inventories

This account consists of:

	2008	2007
Food	**P959,549**	P2,171,784
General supplies	**5,255,621**	2,312,703
Beverage and tobacco	**1,907,875**	1,097,741
Engineering supplies	**926,989**	834,591
Others	**1,568,673**	2,192,987
	P10,618,707	P8,609,806

7. Prepayments and Other Current Assets

This account consists of:

	2008	2007
Input VAT	**P14,352,735**	P11,293,102
Prepaid expenses	**8,319,716**	5,838,504
Others	**259,769**	116,824
	P22,932,220	P17,248,430

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

8. Investment in an Associate

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

This account consists of:

	2008	2007
Acquisition cost	**P48,200,000**	P48,200,000
Accumulated share in net losses:		
Balance at beginning of year	**(2,351,355)**	(3,491,214)
Equity in net income of associate during the year	**825,831**	1,139,859
Balance at end of year	**(1,525,524)**	(2,351,355)
	P46,674,476	P45,848,645

A summary of the financial information of HLC follows:

	2008	2007
Total assets	**P153,604,490**	P151,679,884
Total liabilities	**90,918,299**	91,058,270
Total equity, net of subscription receivable of P54 million	**62,686,191**	60,621,614
Revenue	**10,678,560**	10,798,560
Net income	**2,064,578**	2,849,648

9. Loan Receivable

This pertains to the loan granted to Rogo Realty Corporation (RRC), under common control, which is collateralized by RRC's investment in shares of stock of HLC with a carrying value P72.3 million as of December 31, 2008 and is payable on demand with interest rate of 5% per annum. The loan is carried at cost.

10. Property and Equipment

The movements in this account are as follows:

	Building and Building Improvements	Furniture, Fixture and Equipment	Transportation Equipment	Leasehold Improvements	Construction in Progress	Total
Gross carrying amount:						
Balance, January 1, 2007	P972,268,264	P336,315,393	P4,158,198	P385,157	P27,351,619	P1,340,478,631
Additions	-	11,826,507	-	-	51,908,283	63,734,790
Disposals	-	(60,213,645)	-	-	-	(60,213,645)
Reclassification	-	74,859,234	-	-	(74,859,234)	-
Balance, December 31, 2007	972,268,264	362,787,489	4,158,198	385,157	4,400,668	1,343,999,776
Additions	-	40,089,597	-	-	-	40,089,597
Disposals	-	(34,846,455)	-	-	-	(34,846,455)
Reclassification	-	4,400,668	-	-	(4,400,668)	-
Balance, December 31, 2008	**972,268,264**	**372,431,299**	**4,158,198**	**385,157**	**-**	**1,349,242,918**
Accumulated depreciation and amortization:						
Balance, January 1, 2007	259,802,488	291,370,560	1,262,243	385,157	-	552,820,448
Depreciation and amortization during the year	21,267,487	6,466,551	831,640	-	-	28,565,678
Disposals	-	(60,134,228)	-	-	-	(60,134,228)
Balance, December 31, 2007	281,069,975	237,702,883	2,093,883	385,157	-	521,251,898
Depreciation and amortization during the year	21,267,713	17,803,383	679,821	-	-	39,750,917
Disposals	-	(3,724,028)	-	-	-	(3,724,028)
Balance, December 31, 2008	**302,337,688**	**251,782,238**	**2,773,704**	**385,157**	**-**	**557,278,787**
Carrying amount:						
December 31, 2007	P691,198,289	P125,084,606	P2,064,315	P -	P4,400,668	P822,747,878
December 31, 2008	**P669,930,576**	**P120,649,061**	**P1,384,494**	**P -**	**P -**	**P791,964,131**

No impairment loss was recognized for the Company's property and equipment for the years ended December 31, 2008 and 2007.

11. Other Assets

This account consists of:

	Note	2008	2007
Lease deposit	*14, 23, 25*	**P78,000,000**	P78,000,000
Prepaid rental	*14, 23, 25*	**10,678,565**	10,678,565
Miscellaneous investments and deposits		**5,085,791**	5,085,791
Others		**1,010,000**	1,010,000
		P94,774,356	P94,774,356

12. Accounts Payable and Accrued Expenses

This account consists of:

	2008	2007
Trade payables	**P42,270,131**	P25,707,477
Accrued liabilities	**28,850,320**	37,717,784
Others	**499,125**	499,125
	P71,619,576	P63,924,386

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

13. Other Current Liabilities

This account consists of:

	2008	2007
Output VAT payable	**P164,018,219**	P164,197,367
Deferred rental	**1,718,464**	7,364,845
Others	**12,425,510**	48,797,036
	P178,162,193	P220,359,248

Output VAT payable consists mainly of output tax charged to PAGCOR, as discussed in Note 5.

14. Related Party Transactions

Transactions with Related Parties

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

	Nature	**2008**	2007
Due from related parties:			
RRC	Advances	**P216,391**	P65,498
HLC	Advances	**114,837**	1,029,374
The Philippine Fund Limited (TPFL)	Advances	**52,920**	218,717
CDL Hotels (Phils.) Corporation (CDL)	Advances	**-**	3,860,358
		P384,148	P5,173,947

	Nature	2008	2007
Due to related parties:			
CDL	Management and incentive fees	**P2,781,794**	P3,431,055
HLC	Rent payable	**2,856,515**	952,172
Millenium & Copthorne Int'l Ltd. (M & C)	Advances	**5,613,069**	2,576,420
		P11,251,378	P6,959,647

Other transactions with related parties as follows:

	Nature	*Note*	2008	2007
RRC	Interest	*9*	**P13,214,788**	P12,439,788
HLC	Interest	*24*	**-**	325,000
		5	**13,214,788**	12,764,788
RRC	Loan	*9*	**15,500,000**	15,500,000
HLC	Lease deposit	*11, 19*	**78,000,000**	78,000,000
HLC	Prepaid rent	*11, 19*	**10,678,565**	10,678,565

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

The interest receivable from HLC arises from the 5% interest on the lease deposit of the Company to HLC (see Note 23).

The interest receivable from RRC arises from the 5% interest on the loan granted by the Company to RRC (see Note 9).

The Company has a management contract with CDL under which the latter provides management, technical and administrative services to the Company in return for a yearly management and incentive fees equivalent to a certain percentage of total gross revenue and of gross operating profit, respectively.

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

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

Transactions with Key Management Personnel

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

	2008	2007	2006
Directors of Hotel operations	**P3,859,733**	P3,281,032	P2,908,849
Executive officers	**17,296,987**	21,391,327	23,579,700
	P21,156,720	P24,672,359	P26,488,549

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

15. Cost of Sales

This account consists of:

	2008	2007	2006
Inventories, beginning	**P8,609,806**	P7,624,150	P8,975,281
Purchases	**69,926,264**	66,369,353	64,102,153
Available for sale	**78,536,070**	73,993,503	73,077,434
Inventories, ending	**(10,618,707)**	(8,609,806)	(7,624,150)
	P67,917,363	P65,383,697	P65,453,284

16. Selling Expenses

This account consists of:

	Note	2008	2007	2006
Salaries, wages and employee benefits:	*20*			
Food and beverage		**P45,778,159**	P45,672,927	P48,001,577
Rooms		**26,826,902**	27,221,647	25,089,431
Other operated departments		**1,400,407**	2,825,447	2,902,112
		74,005,468	75,720,021	75,993,120
Property operation, maintenance, energy and conservation		**103,279,038**	95,635,433	97,667,359
Guest supplies		**9,534,800**	9,042,134	8,757,893
Transport charges		**5,085,423**	2,999,942	1,583,942
Laundry and dry cleaning		**4,651,194**	4,256,758	4,328,967
Kitchen fuel		**2,968,056**	3,064,683	3,229,529
Printing and stationery		**2,283,388**	2,645,619	2,280,624
Music and entertainment		**1,602,242**	1,569,097	1,313,043
Permits and licenses		**1,563,221**	1,209,142	1,350,073
Cleaning supplies		**1,449,740**	1,497,651	1,392,469
Commission		**1,011,201**	612,473	547,574
Miscellaneous		**5,046,818**	3,837,982	4,686,498
		P212,480,589	P202,090,935	P203,131,091

17. Administrative Expenses

This account consists of:

	Note	**2008**	2007	2006
Hotel Overhead Departments				
Salaries, wages and employee benefits:	*20*			
Administrative and general		**P38,897,712**	P33,531,559	P36,524,054
Engineering		**8,745,080**	9,555,590	8,835,142
Sales and marketing		**6,770,057**	7,484,769	7,208,155
Human resources		**2,252,221**	2,287,548	2,452,909
		56,665,070	52,859,466	55,020,260
Management and incentive fees		**37,988,564**	34,833,634	31,875,716
Credit card commission		**5,330,643**	5,181,258	5,218,836
Entertainment		**1,826,988**	1,161,600	1,492,634
Legal and professional fees		**1,016,682**	2,883,416	3,422,804
Awards and social activities		**530,104**	425,551	153,766
Miscellaneous		**3,746,783**	11,120,404	11,767,515
		107,104,834	108,465,329	108,951,531
Corporate Office				
Depreciation and amortization		**39,750,917**	28,565,678	25,637,134
Insurance		**14,589,252**	12,463,244	14,111,359
Leased land rental		**10,678,560**	10,678,560	10,798,560
Property tax		**4,265,681**	9,265,681	9,265,681
Miscellaneous		**17,766,076**	11,409,920	18,256,328
		87,050,486	72,383,083	78,069,062
		P194,155,320	P180,848,412	P187,020,593

18. Earnings Per Share

Basic earnings per share are computed as follows:

	2008	2007	2006
Outstanding number of shares			
Balance at beginning of year - net of treasury stock of 19,653,758 shares, 16,856,212 shares, and 13,942,063 shares in 2008, 2007, and 2006, respectively	**P70,462,058**	P73,376,207	P76,290,009
Acquisition of treasury stock	**2,797,546**	2,914,149	2,913,802
	P67,664,512	P70,462,058	P73,376,207

	2008	2007	2006
Net income for the year	**P182,877,353**	P165,572,708	P157,594,904
Divided by outstanding shares	**67,664,512**	70,462,058	73,376,207
	P2.70	P2.35	P2.15

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

19. Leases

Lease Receivables

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

	2008	2007	2006
Due within one year	**P -**	P50,939,190	P101,535,303
After one year but not more than five years	**-**	-	50,924,644
	P -	P50,939,190	P152,459,947

The lease agreements with the third parties required the latter to give the Company lease deposits in the total amount of P23,470,282 shown as part of "Refundable Deposits" in the balance sheets.

Lease Obligations

The Company leases the land occupied by the Hotel from HLC for a period of 25 years up to January 1, 2015. Future minimum rental obligations on the land are as follows:

	2008	2007	2006
Due within one year	**P10,678,560**	P10,678,560	P10,678,565
After one year but not more than five years	**42,714,240**	42,714,240	42,714,260
More than five years	**10,678,560**	21,357,120	32,035,695
	P64,071,360	P74,749,920	P85,428,520

On August 1, 2004, the Company, as lessee, and HLC, as lessor, agreed to amend the Contract of Lease with Option to Purchase executed by the parties on November 12, 1991 covering the lease of the land. The amended contract provides for the following:

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

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

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

Advance rental payment (shown as part of "Other Assets" in the balance sheet) of P10,678,565 to be applied on the rent due from the Company for the year 2009.

20. Retirement Cost

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

The reconciliation of the present value of the defined benefit obligation to the recognized liability under the "Accrued Retirement Liability" in the Company's balance sheets is shown below:

	2008	2007
Present value of defined benefit obligation	**P16,969,517**	P17,553,702
Fair value of plan assets	**-**	-
	16,969,517	17,553,703
Unamortized actuarial gains	**6,779,548**	3,133,931
Liability recognized in the balance sheets	**P23,749,065**	P20,687,634

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

	2008	2007
Present value of obligation at beginning of year	**P17,553,702**	P16,456,780
Current service cost	**1,822,942**	2,318,503
Interest cost	**1,404,296**	1,481,110
Benefits paid	**(67,338)**	(95,485)
Actuarial gains	**(3,744,085)**	(2,607,206)
Present value of obligation at end of year	**P16,969,517**	P17,553,702

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

	2008	2007
Current service cost	**P1,822,942**	P2,318,503
Interest cost	**1,404,296**	1,481,110
Amortization of actuarial gain	**(98,469)**	-
Retirement expense	**P3,128,769**	P3,799,613

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

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

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

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

21. Income Tax

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

	2008	2007	2006
Current tax expense	**P92,530,617**	P86,440,416	P78,096,384
Deferred tax expense (benefit)	**5,320,162**	(1,305,475)	(1,502,434)
	P97,850,779	P85,134,941	P76,593,950

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

	2008	2007	2006
Income tax expense at statutory tax rate	**P98,254,846**	P87,747,677	P81,966,099
Additions to (reductions in) income tax resulting from the tax effects of:			
Income subjected to final tax	**(1,191,675)**	(2,213,785)	(4,314,666)
Equity in net income of an associate	**(289,041)**	(398,951)	(187,890)
Effect of change in tax rate	**1,076,649**	-	(869,593)
	P97,850,779	P85,134,941	P76,593,950

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

	2008	2007
Accrual of retirement expense	**P6,935,775**	P8,152,610
Foreign exchange difference loss (gain)	**(1,106,567)**	998,422
Deferred rental income	**515,539**	2,577,696
Provision for impairment losses on receivables	**115,145**	51,326
	P6,459,892	P11,780,054

On October 10, 2007, the BIR issued Revenue Regulations No. 12-2007, which amended the timing of the calculation and payment of Minimum Corporate Income Tax (MCIT) from an annual basis to a quarterly basis, i.e. excess MCIT from a previous quarter during the current taxable year may be applied against subsequent quarterly or current annual income tax due, whether MCIT or Regular Corporate Income Tax (RCIT). However, excess MCIT from the previous taxable year/s are not creditable against MCIT due for a subsequent quarter and are only creditable against quarterly and annual RCIT.

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

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

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

22. Appropriation of Retained Earnings

The Company has appropriated the amount of P139,877,300, P145,707,450, and P145,690,100 in 2008, 2007 and 2006, respectively, to finance the acquisition of treasury stock during those years.

23. Treasury Stock

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

Date of meeting	No. of shares purchased	Stockholders on record as of	Ratio of purchase	Cost per share	Amount
May 15, 2008	2,797,546	June 5, 2008	1:25	P50	P139,877,300
May 15, 2007	2,914,149	June 5, 2007	1:25	50	145,707,450
May 15, 2006	2,913,802	June 5, 2006	1:26	50	145,690,100

As of December 31, 2008, 19,653,758 shares were held in treasury.

24. Dividend Declaration

The board of directors declared cash dividends on various dates as follows:

Date of declaration	Stockholders on record as of	Date of payment	Dividend per Share	Amount
Oct. 30, 2007	Nov. 15, 2007	Dec. 19, 2007	P1.00	P70,462,058
Oct. 23, 2006	Nov. 8, 2006	Dec. 1, 2006	0.70	51,363,345

The dividends had been distributed on various dates.

25. Financial Risk and Capital Management

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

- Credit Risk
- Liquidity Risk
- Market Risk

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

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

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

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

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

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

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

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

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

The maximum exposure to credit risk for trade receivables from charge customers as of December 31, 2008 and 2007 by type of customer is as follows:

	Note	**2008**	2007
Corporations		**P13,718,494**	P18,328,984
PAGCOR		**13,034,715**	11,841,230
Travel agencies		**7,003,069**	6,471,478
Credit cards		**3,486,922**	3,156,175
Airlines		**2,951,131**	1,606,551
Others		**1,998,137**	125,124
		42,192,468	41,529,542
Less allowance for impairment losses on trade receivables		**383,817**	146,645
	5	**P41,808,651**	P41,382,897

The aging of trade receivables as of December 31, 2008 and 2007 is as follows:

	2008		2007	
	Gross Amount	**Impairment**	Gross Amount	Impairment
Current	**P25,716,468**	**P -**	P26,820,825	P -
Over 30 days	**12,662,272**	**-**	11,257,326	-
Over 60 days	**2,972,024**	**-**	3,158,101	-
Over 90 days	**841,704**	**383,817**	293,290	146,645
	P42,192,468	**P383,817**	P41,529,542	P146,645

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

	Amount
Balance at January 1, 2007	P440,058
Trade receivables written off in 2007	(267,270)
Reversals in 2007	(26,143)
Balance at December 31, 2007	146,645
Impairment losses on receivables	237,172
Balance at December 31, 2008	P383,817

The allowance for impairment loss on trade receivables as of December 31, 2008 and 2007 of P383,817 and P146,645, respectively, relates to outstanding accounts of customers that are more than 90 days past due.

Liquidity Risk

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

The Company's current liabilities as of December 31, 2008 and 2007 amounted to P305,297,146 and P345,310,761, respectively, which are less than its current assets of P479,803,812 and P438,477,865, respectively. Thus, the Company has sufficient funds to pay for its current liabilities and has minimal liquidity risk.

Market Risk

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

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

Room Rates

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

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

Interest Rate Risk

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

Foreign Currency Risk

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

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

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

	2008		2007	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Cash and cash equivalents	**P180,473,346**	**P180,473,346**	P155,032,369	P155,032,369
Receivables - net	**249,895,391**	**249,895,391**	236,913,313	236,913,313
Due from related parties	**384,148**	**384,148**	5,173,947	5,173,947
Loan receivable	**15,500,000**	**15,500,000**	15,500,000	15,500,000
Lease deposit	**78,000,000**	**78,000,000**	78,000,000	78,000,000
Accounts payable and accrued expenses	**71,619,576**	**71,619,576**	63,924,386	63,924,386
Due to related parties	**11,251,378**	**11,251,378**	6,959,647	6,959,647

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

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

Receivables/Due from Related Parties/Loan Receivable/Lease Deposit/Accounts Payable and Accrued Expenses/Due to Related Parties
Current receivables are reported at their net realizable values, at total amounts less allowances for estimated uncollectible accounts. Current liabilities are stated at amounts reasonably expected to be paid within the next twelve months or within the Company's operating cycle. Due to/from related parties and loan receivable are payable on demand. In the case of lease deposit, the fair value approximates the carrying amount.

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

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

The Company is not subjected to externally imposed capital requirements.

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

26. Contingencies

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