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Miscellaneous

* Asterisks denote mandatory information

Name of Announcer *	CITY DEVELOPMENTS LIMITED
Company Registration No.	196300316Z
Announcement submitted on behalf of	CITY DEVELOPMENTS LIMITED
Announcement is submitted with respect to *	CITY DEVELOPMENTS LIMITED
Announcement is submitted by *	Enid Ling Peek Fong
Designation *	Company Secretary
Date & Time of Broadcast	06-Aug-2009 18:01:17
Announcement No.	00109

>> Announcement Details

The details of the announcement start here ...

Announcement Title *	Announcement by Subsidiary Company, Grand Plaza Hotel Corporation on Results for Second Quarter and Half Year Ended 30 June 2009
Description	Please see attached the above announcement issued by Grand Plaza Hotel Corporation on 6 August 2009.
Attachments	GPHC.pdf Total size = **919K** (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 17 Q

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-Q

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

1 For the quarterly period ended **June 30, 2009**

2. Commission identification number ____________ 3. BIR Tax Identification No. **000-460-602-000**

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

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

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

10F, The Heritage Hotel Manila, Roxas Blvd. cor. EDSA, Pasay City 1300
7. Address of issuer's principal office

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

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

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

Title of each Class	Number of shares of common Stock outstanding and amount Of debt outstanding
COMMON SHARES	**87,318,270***
*includes 19,653,758 treasury shares	

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

Yes [X] No [ ]

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

PHILIPPINE STOCK EXCHANGE, INC. **COMMON**

12. Indicate by check mark whether the registrant:

12. Indicate by check mark whether the registrant:

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

Yes [X] No [ ]

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

Yes [X] No [ ]

PART I – FINANCIAL INFORMATION

Item 1 **Financial Statements**

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

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

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

PART II – O THER INFORMATION

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

SIGNATURES

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

Issuer **YAM KIT SUNG**
Signature and Title : **General Manager & Chief Financial Officer**
Date

PART I FINANCIAL INFORMATION

Item 1. Financial Statements Required Under SRC Rule 68.1

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

<u>Notes to Financial Statements</u>

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

The same accounting policies and methods of computation are followed in the interim financial statements for the year 2009 as compared with the most recent annual financial statements.

Seasonality or Cyclicality of Interim Operations
All segments of the business are in its normal trading pattern.

Material Items
There are no material items affecting assets, liabilities, equity, net income or cash flows that are unusual because of their nature, size or incidents.

Estimates
There are no changes in estimates of amounts reported in prior interim periods of the current financial year or changes in estimates of amounts reported in prior financial years that have a material effect in the current interim period.

Issuances of Debts and Equity
There are no issuances, repurchases and repayments of debts and equity securities.

Dividends
There were no dividends declared in the current interim period.

Segment Revenue and Results
Statement of Financial Accounting Standard No. 31, "Segment Reporting", which becomes effective for financial statements covering periods beginning on or after January 1, 2001, requires that a public business enterprise report financial and descriptive information about its reportable segments. Operating segments are components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision-maker in deciding how to allocate resources and in assessing performance.

The Company organized its business into 4 main segments:

- Room Division – Business derived from the sale of guestrooms.
- Food and Beverage Division – Business derived from the sale of food and beverage at various restaurants.
- Other Operated Departments – Business derived from telephone department, business center, carparking and laundry.
- Others- Business derived from rental of space.

The segment revenues and results are as follows:

	YTD 2nd Quarter Revenue – Peso	YTD 2nd Quarter Department Profit – Peso
Room	168,176,007	142,840,361
Food and Beverage	94,667,497	40,215,935
Other Operated Departments	2,008,975	43,844
Others	52,612,108	52,612,108

Subsequent Events
None

Composition of Company
There are no changes in the composition of the Company during the interim period, including business combinations, acquisition or disposal of subsidiaries and long-term investments, restructurings and discontinuing operations.

Contingent assets or liabilities
There are no changes in contingent assets or liabilities since the last annual balance sheet date.

Contingencies
There are no material contingencies and any other events or transactions that are material to an understanding of the current interim period.

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

The top 5 Key Performance Indicators of the Company are as follows:

Balance Sheet Analysis	**30 June 2009**	30 June 2008	31 December 2008
Current ratio	**1.72**	2.13	1.57
Net book value per share (include treasury shares)	**PhP13.34**	PhP13.15	PhP12.49
Profit & Loss Analysis			
Earnings per share	**PhP1.1**	PhP1.42	PhP2.70
Profit before tax margin ratio	**33%**	41%	38%
EBITDA	**PhP116 million**	PhP156 million	PhP300.2M

Current ratio is derived by dividing the current assets with the current liabilities. This indicator measures the liquidity of the Company in the short-term. Current ratio improved by 0.15 as compared to the end of last year due to higher current assets balance. Cash balance increased by PhP98 million from the end of last year as there were no major payments.

Net book value per share is derived by dividing the net stockholders' equity by the total number of shares issued. This measures the value of the Company on a per share basis. This ratio improved compared to the same period last year and the year ended 31 December 2008 due to higher assets value.

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

Profit before tax margin ratio is computed by dividing the profit before tax against the total revenue. This ratio measures whether the Company is able to contain its expenses in relation to the revenue. This ratio is lower than last year due to lower revenue and profit.

EBITDA represents earnings before income tax, interest, depreciation and amortization. This indicator is in effect a measure of the cash flow of the Company. EBITDA is healthier this year due to higher revenue. EBITDA is lower than last year same period by 25% as a result of lower profit.

Balance Sheets Analysis:

Total assets increased by about PhP84 million or 6% as compared to the year ended 31 December 2008 and increased by about PhP144 million or 10% as compared to the same period of last year.

Cash and short term notes:
This balance includes short-term fixed deposits with banks. There is an increase of PhP98 million as compared to the end of last fiscal year. As compared against the same period last year, this balance increased by PhP18 million. Due to the current global financial crisis, the Company has tightened its capital expenditure spending for year 2009 so there is no major cash outlay.

Accounts receivable trade:
As compared to the same period of last year, there is an increase of PhP170 million. When compared with end of last fiscal year 2008, there is a fall of PhP1.2 million. The reason for the increase against last year same period is mainly because in last year, there was an offsetting of VAT receivable against payable for a tenant. However, in October 2008, the offsetting was reversed back which explained the increase in this balance.

Accounts receivable – others:
The decrease against the same period of last year is due to the VAT from a tenant which was adjusted back in September 2008.

Deferred tax assets:
Deferred tax assets increased by PhP13.4 million and PhP12 million against last year same period and end of last fiscal year respectively. The reason is because there is a wrong classification between deferred tax assets and income tax payable. There is no Profit and Loss impact and this wrong classification will be adjusted in July 2009.

Advances to associated/related companies:
The Company, in its normal course of business, has entered into transactions with its related parties, principally consisting of cash advances.

The Company also leases its hotel site and a furnished townhouse from an associated company. The Company has also entered into a management agreement with CDL Hotels (Phils.) Corporation, a related company, for the latter to operate the Hotel.

Under the terms and conditions of the agreement, the Company has to pay monthly basic management and incentive fees based on a percentage of the hotel's revenue and gross operating profit.

As compared to the same period of last year, there is a decrease of PhP2.1 million as the related companies settled their obligations during the second half of year 2008.

As compared with the end of last fiscal year, there is an increase of PhP5.7 million as the related companies have not settled its obligation with the Company.

Advances to immediate holding company:
There is an increase of PhP0.66 million versus end of last fiscal year as the immediate holding company has not settled its obligation with the Company.

Inventories:
Inventories increased by PhP4 million and PhP1.4 million compared with last year same period and end of last fiscal year. The variance against same period last year is mainly due to higher guest amenities cost for year 2009 and also an overstatement in recording of inventory.

Prepaid expenses:
The bulk of this balance represents insurance premium prepaid at the beginning of the year. As compared to end of the last fiscal year, there is a decrease of PhP7.1 million due to amortization of insurance premium.

Other current assets:
As compared to the same period of last year, there is a decrease of PhP12 million mainly due to the fact that in June 2008, the balance includes an amount of PhP17 million from Stock Transfer Services Inc. for the share buyback exercise. In addition, there is also lesser purchases this year so the input tax is also lower.

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

Compared to the same period of last year and end of fiscal year, the decrease is due to depreciation and disposal of fixed assets in connection with the renovation of the guest rooms.

Accounts payable:
There is a significant increase in this balance as compared with the same period of last year by PhP156.7 million. The reason is similar to the explanation for Accounts Receivables – Trade whereby there is an offset of VAT receivable with payables for one of the tenant. As compared with end of last fiscal year, there is a fall of PhP16 million due to the decrease in purchases which is consistent with the lower revenue.

Accrued Liabilities:
Compared to the same period of last year, there is a decrease of PhP10.7 million and this is mainly due to the fact that in prior year, the balance included an amount of PhP5 million for real estate tax, PhP1 million for accrual of insurance and PhP2 million for the

reversal of accrual of property management system. There is a fall of PhP3 million from the end of last fiscal year and this is due to the settlement of accrued directors' fees and legal fees in year 2009.

Due to associated/related companies:
As compared against the end of fiscal year, there is a significant increase of PhP11 million. The increase is because the Company has not settled its outstanding balance with the related company.

Refundable deposit:
This balance represents deposit from tenants or guests of the hotel. There is an increase of PhP3.4 million versus end of the last fiscal year as the Company has secured a new tenant who paid the required rental deposits.

Other current liabilities:
The variance against the same period of last year is fall of PhP23.6 million. This is due to the fact that in prior year, there was a recorded liabilities representing the purchase of a few major capital expenditures like telephone system, Opera computer system and some equipments for the guest rooms.

Income Tax Payable:
There is an increase of PhP6.5 million or 35% compared with the end of last fiscal year. The increase represents the tax payable by the Company for the second quarter of year 2009.

Treasury Stock:
There is an increase of PhP140 million in treasury stock compared with the same period of last year due to the share buyback exercise of the Company in the second half of year 2008.

Income Statement Analysis For the 6 Months Ended 30 June 2009:

Revenue:
Total revenue decreased by PhP60.8 million or 16% as compared to the same period last year. The decrease is observed mainly in all segments of the business.

Room revenue showed a decrease by PhP29 million. Occupancy decreased from 69% in year 2008 to 55% in the current year of review. However, the fall in room revenue is offset by the higher Average Room Rate by PhP271 or 7% versus prior period. The unfavorable variance in room revenue is mainly due to the current world financial crisis and the H1N1 swine flu that also affected traveling patterns.

Food and beverage (F&B) business showed a decrease of PhP27.7 million or 23% compared to the same period of last year. This is mainly due to lower F&B revenue for the following outlets, Riviera café, casino and banquet. The biggest shortfall in revenue is from casino which registered a fall in revenue by PhP11 million or 30% compared to the same period of last year. The management of Pagcor is controlling their expenses and this directly affected the business of this outlet. Riviera registered a shortfall of PhP6 million and this is partly due to lower breakfast revenue since occupancy is down. Banquet also showed a fall in revenue by PhP6 million as a result of lesser meeting and events secured.

Rental Income/Others showed a fall in revenue by PhP3.4 million or 6% compared to last year same period due to the non-renewal of tenancy agreement of one tenant.

Cost of Sales:
Cost of sales for F&B registered a decrease which is consistent with the decrease in revenue. Cost of sales for other operated department is higher than last year due to the fact that in prior year, there was a refund from the telephone company of about PhP0.5 million.

Gross Profit:
Gross profit is derived after deducting cost of sales from gross revenue. Gross profit as compared to last year registered a decrease of PhP54 million as a result of lower revenue.

Operating Expenses:
Operating expenses include among others, payroll and related expenses, utilities, depreciation charges, rental and other fixed expenses. This expense decreased by PhP13 million compared to the same period of last year due to various cost cutting measures implemented in view of the slow down in business.

Net Operating Income:
This is derived after deducting operating expenses from gross operating profit. Net operating income decreased by PhP42 million or 30% versus last year which is a result of lower revenue.

Non-operating income:
This balance registered a shortfall of PhP7.6 million or 46% compared to the same period of last year. This is mainly due to lower exchange gain of PhP4 million versus PhP11 million for the same period of last year.

Income Statement Analysis For the Second Quarter Ended 30 June 2009:

Revenue:
Total revenue decreased by PhP23 million as compared to the same period last year.

Room revenue showed a decrease of PhP10 million as a result of lower occupancy but offset by higher Average Room Rate.

Food and beverage (F&B) business showed a fall in revenue by PhP13 million as a result of lower revenue for the Riviera, banquet and casino.

Cost of Sales:
Cost of sales for F&B registered a decrease as compared to last year. The decrease is consistent with the lower F&B revenue.

Gross Profit:
Gross profit is derived after deducting cost of sales from gross revenue. Gross profit as compared to last year is lower by PhP20 million mainly due to lower room and F&B revenues.

Operating Expenses:
Operating expenses include among others, payroll and related expenses, utilities, depreciation charges, rental and other fixed expenses. There is a decrease of approximately PhP9 million due to lower revenue and cost control.

Net Operating Income:
This is derived after deducting operating expenses from gross operating profit. The lower margin is due to lower revenue.

Non-operating income:
Total non-operating income decreased by PhP6.3 million as compared to the same period of last year. This is due to the total foreign exchange gain of PhP9 in year 2008 versus PhP3.3 million in this current period.

There are no material event(s) and uncertainties known to management that would address the past and would have an impact on the future operations of the following:

- Any known trends, demands, commitments, events or uncertainties that will have a material impact on the Company's liquidity.
- Any material commitments for capital expenditures, the general purpose of such commitments and the expected sources of funds for such expenditures.
- Any known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues/income from continuing operations.
- Any significant elements of income or loss that did not arise from the Company's continuing operations.
- The causes for any material change(s) (5% or more) from period to period in one or more line items (vertical and horizontal) of the Company's financial statements.
- Any seasonal aspects that had a material effect on the financial condition or results of operations.

Management is not aware of any event that may trigger direct or contingent financial obligations that is material to the Company, including any default or acceleration of an obligation. Management is not aware of any material off-balance sheet transaction, arrangement, obligation (including contingent obligations), and other relationships of the Company with unconsolidated entities or other persons that were created during the first 6 months of 2009.

PART II – OTHER INFORMATION

Tax matter:

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 favor of the Republic of Philippines so much of such personal/real property as may be necessary to satisfy in full the sum/sums due … ; and to cover such expenses as may be incurred in making this distraint/levy;" and (b) the Warrants of Garnishment issued by the BIR against the Company's bank accounts in the Philippines on 14 August 2008. Prior to the effectivity of the Temporary Restraining Order, and as a consequence of the Warrants of Garnishment, the Company was not able to operate the garnished bank accounts

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

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

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

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

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

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.

Financial Risk Exposure:

In the context of the current global financial condition, the Securities and Exchange Commission sent us a memorandum to companies on 29 October 2008, which requires companies to make a self-assessment or evaluation to determine whether any of the items below are applicable. If applicable, these items must be disclosed in the interim financial report on SEC Form 17-Q ("Quarterly Report"):

1. The qualitative and quantitative impact of any changes in the financial risk exposures of GPHC, particularly on currency, interest, credit, market and liquidity risks, that would materially affect its financial condition and results of operation, and a description of any enhancement in the Company's risk management policies to address the same.

2. A description of the financial instruments of the Company and the classification and measurements applied for each. If material in amount, provide detailed explanation or complex securities particularly on derivatives and their impact on the financial condition of the Company.

3. The amount and description of the Company's investments in foreign securities.

4. The significant judgments made in classifying a particular financial instrument in the fair value hierarchy.

5. An explanation of how risk is incorporated and considered in the valuation of assets or liabilities.

6. A comparison of the fair values as of date of the recent interim financial report and as date of the preceding interim period, and the amount of gain or loss recognized for each of the said periods.

7. The criteria used to determine whether the market for a financial instrument is active or inactive, as defined under Philippine Accounting Standard 39 – Financial Instruments.

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

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

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

<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.

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

<u>Liquidity Risk</u>

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.

<u>Market Risk</u>

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

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

Room Rates

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

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

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

Foreign Currency Risk

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

The Company functional currency is Philippines peso. As at 30 June 2009, it holds bulk of its cash and cash equivalent in Philippines peso. The United States dollars are used to settle foreign obligations. As such, the Company does not have currency risk exposure.

The Company does not have any third party loans so it has no interest rate risk. The Company in the ordinary course of business extends credit to its customers. Exposure to credit risk is monitored on an ongoing basis, credit review being performed for clients requesting for credit limit. The total exposure to trade receivables as at 30 June 2009 is Peso33.8 million.

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk by forecasting projected cash flows and maintaining a balance between continuity of funding and flexibility. As at 30 June 2009, the Company has Peso586 million current assets and Peso340 million liabilities so the current assets are able to cover its liability.

The Company does not invest in any other financial instruments. Any surplus funds are placed in short-term fixed deposits with local bank like Metropolitan Bank and Trust Co. and foreign bank like Australian and New Zealand Bank (ANZ).

The Company also does not invest in foreign securities.

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

	30 June 2009	30 June 2009	31 December 2008	31 December 2008
	Carrying amount	Fair value	Carrying amount	Fair value
Cash and cash equivalents	278,283,613	278,283,613	180,473,345	180,473,345
Receivables net	227,278,854	227,278,854	230,231,473	230,231,473
Due from related party	20,035,967	20,035,967	13,598,936	13,598,936
Loan receivable	15,500,000	15,500,000	15,500,000	15,500,000
Lease deposit	78,000,000	78,000,000	78,000,000	78,000,000
Accounts payable & accrued expenses	260,591,796	260,591,796	273,352,652	273,352,652
Due to related party	19,522,603	19,522,603	8,394,863	8,394,863

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

Cash and cash equivalent – the carrying amount approximates the fair value due to its short maturity.

Receivables/ due from related party/ loan receivable/ lease deposit/ accounts payable and accrued expenses/ due to related party – current receivables are reported at their net realizable values, at total amount less allowances for uncollectible amounts. Current liabilities are stated at amounts reasonably expected to be paid within the next 12 months or operating cycle. Due from/to related party and loan receivable are payable on demand. In the case of lease deposit, the fair value approximates the carrying amount.

GRAND PLAZA HOTEL CORPORATION
Balance Sheets
June 30, 2009 and 2008
(With comparative figures for the year ended December 31, 2008)
(In Philippine Pesos)

ASSETS	Unaudited June 30, 2009	Unaudited June 30, 2008	Audited Dec. 31, 2008
Current Assets			
Cash and short-term notes	278,283,613.75	260,194,904.52	180,473,346.18
Accrued interest receivable	217,255.49	132,715.67	260,158.16
Accounts receivable - trade	225,771,195.02	55,949,546.34	227,053,155.05
Accounts receivable - others	1,980,193.05	6,930,431.39	3,562,135.27
Provision for bad debts	(472,534.00)	(223,413.12)	(383,817.12)
Deferred tax assets/(liabilities)	18,528,812.35	5,111,921.81	6,459,891.80
Input tax		-	
Advances to associated/related companies	19,321,390.32	21,470,086.94	13,546,016.75
Advances to immediate holding company	714,577.85	-	52,920.00
Inventories	14,295,983.16	10,263,065.09	12,871,171.50
Prepaid expenses	11,902,301.78	12,008,379.47	18,998,280.84
Creditable withholding tax	37,131.55	134,471.60	163,769.42
Other current assets	16,225,642.76	28,659,519.22	20,637,706.19
Advances to/from THHM	-	-	-
Total Current Assets	*586,805,563.08*	*400,631,628.93*	*483,694,734.04*
Property and Equipment	*772,454,949.14*	*815,596,127.50*	*791,964,131.49*
Investment in Stock of Associated Company	*46,990,796.18*	*46,052,179.66*	*46,674,476.32*
Deposit on Lease Contract	*78,000,000.00*	*78,000,000.00*	*78,000,000.00*
Loans Receivable	*15,500,000.00*	*15,500,000.00*	*15,500,000.00*
Other Assets			
Miscellaneous investments and deposits	5,085,790.50	5,085,790.50	5,085,790.50
Others	1,010,000.00	1,010,000.00	1,010,000.00
Total Other Assets	*6,095,790.50*	*6,095,790.50*	*6,095,790.50*
Total Assets	***1,505,847,098.90***	***1,361,875,726.59***	***1,421,929,132.35***

GRAND PLAZA HOTEL CORPORATION
Balance Sheets
June 30, 2009 and 2008
(With comparative figures for the year ended December 31, 2008)
(In Philippine Pesos)

LIABILITIES AND STOCKHOLDERS' EQUITY	Unaudited June 30, 2009	Unaudited June 30, 2008	Dec. 31, 2008
Current Liabilities			
Accounts payable	202,409,314.33	45,695,845.12	218,289,756.40
Accrued liabilities	49,612,935.93	60,409,358.74	52,206,382.93
Rental payable	8,569,544.40	5,713,029.60	2,856,514.80
Due to associated/related companies	19,522,603.25	23,776,101.38	8,394,863.14
Advances from immediate holding company - ne	-	-	
Refundable deposit	29,063,587.15	27,362,150.76	25,655,067.21
Deferred rental	1,718,563.78	1,718,463.86	1,718,463.86
Dividend payable		-	
Income tax payable	25,149,779.74	21,011,919.15	18,608,931.70
Other current liabilities	4,615,636.39	28,248,516.21	3,568,697.21
Total Current Liabilities	*340,661,964.97*	*213,935,384.82*	*331,298,677.25*
Long - Term Liabilities			
Reserves			
Total Long - Term Liabilities	-	-	-
Capital Stock			
Authorized - 115,000,000 shares in 2006 and 2005 at P10.00 par value per share			
Capital stock	873,182,699.00	873,182,699.00	873,182,699.00
Premium on capital stock	11,965,903.78	11,965,903.78	11,965,903.78
Paid-in capital in excess of par - Warrants	2,691,613.81	2,691,613.81	2,691,613.81
Treasury stock	(982,663,220.00)	(842,785,920.00)	(982,663,220.00)
Retained earnings/(deficit) - beginning	1,185,453,458.51	1,002,576,106.07	1,002,576,106.07
Retained profit/(loss) for the period	74,554,678.83	100,309,939.11	182,877,352.44
Dividend declared	-	-	
Total Stockholders' Equity	*1,165,185,133.93*	*1,147,940,341.77*	*1,090,630,455.10*
Total Liabilities and Stockholders' Equity	***1,505,847,098.90***	***1,361,875,726.59***	***1,421,929,132.35***

GRAND PLAZA HOTEL CORPORATION
Income Statements
For the years ended June 30, 2009 and 2008
(With comparative figures for the year ended December 31, 2008)
(In Philippine Pesos)

	Unaudited Year-to-date June 30, 2009	Unaudited Year-to-date June 30, 2008	Audited Full Year Dec. 31, 2008
Revenue			
Rooms	168,176,007.66	197,236,919.06	380,351,872.27
Food & Beverage	94,667,497.37	122,383,507.24	236,216,843.69
Other Operated Depts.	2,008,975.69	2,686,210.50	4,126,866.61
Rental Income/Others	52,612,108.42	56,041,431.95	112,745,053.69
Total Revenue	*317,464,589.14*	*378,348,068.75*	*733,440,636.26*
Cost of Sales			
Food & Beverage	27,506,008.42	34,478,174.92	67,029,605.08
Other Operated Depts.	658,833.65	280,129.87	963,721.19
Total Cost of Sales	*28,164,842.07*	*34,758,304.79*	*67,993,326.27*
Gross Profit	289,299,747.07	343,589,763.96	665,447,309.99
Operating Expenses	192,954,281.93	205,210,167.93	404,969,123.81
Net Operating Income	*96,345,465.14*	*138,379,596.03*	*260,478,186.18*
Non-operating Income/(Loss)			
Interest Income	4,304,464.91	4,193,044.16	8,252,266.89
Dividend Income	74,150.00	74,470.84	75,370.84
Gain/(Loss) on Disposal of Fixed Assets	825.00	161,930.00	278,073.45
Exchange Gain/(Loss)	4,112,473.65	11,775,239.30	10,818,403.47
Share in Net Income/(Loss) of Associated Co.	316,319.86	203,534.58	825,831.24
Other Income	-	-	-
Total Non-Operating Income	*8,808,233.42*	*16,408,218.88*	*20,249,945.89*
Net Income/(Loss) Before Tax	105,153,698.56	154,787,814.91	280,728,132.07
Provision for Income Tax	30,599,019.73	54,477,875.80	97,850,779.63
Net Income/(Loss) After Tax	***74,554,678.83***	***100,309,939.11***	***182,877,352.44***
Earnings per share	***1.10***	***1.42***	***2.70***
Dilluted earnings per share	***1.10***	***1.42***	***2.70***

Notes:

In June 30, 2008 total shares outstanding is 70,462,058 shares net of 16,856,212 treasury shares.

In June 30, 2009 and December 31, 2008, total shares outstanding is 67,664,512 net of 19,653,758 treasury shares.

GRAND PLAZA HOTEL CORPORATION
Income Statements
For the 2nd quarters ended June 30, 2009 and 2008
(In Philippine Pesos)

	Unaudited 2nd Quarter June 30, 2009	Unaudited 2nd Quarter June 30, 2008
Revenue		
Rooms	85,319,730.26	95,671,193.49
Food & Beverage	44,511,718.23	57,771,937.93
Other Operated Depts.	888,836.62	1,110,579.85
Rental Income/Others	28,187,773.74	27,950,043.73
Total Revenue	*158,908,058.85*	*182,503,755.00*
Cost of Sales		
Food & Beverage	13,274,315.82	16,944,999.11
Other Operated Depts.	350,540.31	(378,568.29)
Total Cost of Sales	*13,624,856.13*	*16,566,430.82*
Gross Profit	145,283,202.72	165,937,324.18
Operating Expenses	94,384,092.35	103,204,014.13
Net Operating Income	*50,899,110.37*	*62,733,310.05*
Non-operating Income/(Loss)		
Interest Income	2,039,048.89	2,136,179.10
Dividend Income	-	12,000.49
Gain/(Loss) on Disposal of Fixed Assets	-	155,080.00
Exchange Gain/(Loss)	3,372,601.75	9,422,458.64
Share in Net Income/(Loss) of Associated Co.	159,049.87	207,858.86
Total Non-Operating Income	*5,570,700.51*	*11,933,577.09*
Net Income/(Loss) Before Tax	56,469,810.88	74,666,887.14
Provision for Income Tax	16,632,138.34	25,739,104.80
Net Income/(Loss) After Tax	***39,837,672.54***	***48,927,782.34***

GRAND PLAZA HOTEL CORPORATION
Statements of Changes in Equity
For the years ended June 30, 2009 and 2008
(With comparative figures for the year ended December 31, 2008)
(In Philippine Pesos)

	Unaudited June 30, 2009	Unaudited June 30, 2008	Audited Dec. 31, 2008
Balance - beginning	**1,090,630,455.10**	**1,047,630,402.66**	**1,047,630,402.66**
Prior period adjustment	-		
Balance - as adjusted	**1,090,630,455.10**	**1,047,630,402.66**	**1,047,630,402.66**
Net income for the period	74,554,678.83	100,309,939.11	182,877,352.44
Dividends	-	-	-
Retirement of shares	-	-	-
Buyback of shares	-	-	(139,877,300.00)
Balance - end	***1,165,185,133.93***	***1,147,940,341.77***	***1,090,630,455.10***

GRAND PLAZA HOTEL CORPORATION
Cash Flow Statements
For the years ended June 30, 2009 and 2008
(With comparative figures for the year ended December 31, 2008)
(In Philippine Pesos)

	Unaudited Year-to-date June 30, 2009	Unaudited Year-to-date June 30, 2008	Audited Full Year Dec. 31, 2008
Cash flows from operating activities			
Net income	74,554,678.83	100,309,939.11	182,877,352.44
Adjustments to reconcile net income to net cash provided by operating activities			
Prior period adjustments	-		-
Depreciation and amortization	19,878,346.05	18,077,133.67	39,750,917.46
Equity in net income of associated company	(316,319.86)	(203,534.58)	(825,831.24)
Provision for bad debts	472,534.00	223,413.12	383,817.12
Changes in operating assets and liabilities			
(Increase) decrease in			
Accrued interest receivable	42,902.67	35,978.67	(91,463.82)
Accounts receivable - trade	898,142.91	162,886,861.29	(8,216,747.42)
Accounts receivable - others	1,581,942.22	(4,581,492.81)	(1,213,196.69)
Deferred income tax	(12,068,920.55)	6,668,132.22	5,320,162.23
Input tax	-	-	-
Advances to associated company	(5,775,373.57)	(3,750,067.99)	4,174,002.20
Advances to immediate holding company	(661,657.85)	218,716.92	165,796.92
Inventories	(1,424,811.66)	860,093.38	(1,748,013.03)
Prepaid expenses	7,095,979.06	4,508,689.79	(2,481,211.58)
Creditable withholding tax	126,637.87	(33,647.72)	(62,945.54)
Other current assets	4,412,063.43	(10,184,965.43)	(2,163,152.40)
Advances to/from THHM	-	-	-
Increase (decrease) in			
Accounts payable	(15,880,442.07)	(158,548,476.50)	14,045,434.78
Accrued liabilities	(2,593,447.00)	2,288,027.56	(5,914,948.25)
Notes payable	-	-	-
Rental payable	5,713,029.60	4,760,858.00	1,904,343.20
Due to associated company	11,127,740.11	17,768,625.89	2,387,387.65
Advances from immediate holding company - net	-	-	-
Advances from intermediate holding company	-	-	-
Refundable deposit	3,408,519.94	(1,029,980.58)	(2,737,064.13)
Deferred rental - Pagcor	99.92	(5,646,381.24)	(5,646,381.24)
Due to City e-Solutions Limited *(formerly CHIL)*	-	-	-
Due to Byron	-	-	-
Dividend payable	-	(444,999.10)	(444,999.10)
Output tax	-	-	-
Income tax payable	6,540,848.04	(4,663,430.02)	(7,066,417.47)
Other current liabilities	1,046,939.18	(9,030,907.49)	(33,710,726.49)
	98,179,431.27	120,488,586.16	178,686,115.60
Cash flows from investing activities			
Acquisition of property and equipment - net	(369,163.70)	(15,326,050.53)	(13,367,838.31)
Dividend (declared)/received	-	-	-
(Receipts)/Refund of deposit on lease contract	-	-	-
(Receipts)/Payments relating to other assets	-	-	-
Buyback of shares - net	-	-	(139,877,300.00)
	(369,163.70)	(15,326,050.53)	(153,245,138.31)
Cash flows from financing activities			
Increase/(Decrease) in reserves	-	-	-
	-	-	-
Net increase in cash and short-term notes	97,810,267.57	105,162,535.63	25,440,977.29
Cash and short-term notes, Beginning	180,473,346.18	155,032,368.89	155,032,368.89
Cash and short-term notes, Ending	**278,283,613.75**	**260,194,904.52**	**180,473,346.18**

GRAND PLAZA HOTEL CORPORATION
Cash Flow Statements
For the 2nd quarters ended June 30, 2009 and 2008
(In Philippine Pesos)

	Unaudited 2nd quarter June 30, 2009	Unaudited 2nd quarter June 30, 2008
Cash flows from operating activities		
Net income	39,837,672.54	48,927,782.34
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	9,934,348.90	8,990,326.41
Equity in net income of associated company	(159,049.87)	(207,858.86)
Provision for bad debts	472,534.00	223,413.12
Changes in operating assets and liabilities		
(Increase) decrease in		
Accrued interest receivable	69,744.83	26,199.83
Accounts receivable - trade	(1,260,925.67)	174,499,003.59
Accounts receivable - others	2,244,349.97	(5,116,660.40)
Deferred income tax	(11,159,141.31)	2,506,672.56
Input tax	-	-
Advances to associated company	(2,508,165.56)	(2,562,560.21)
Advances to immediate holding company	(198,181.05)	377,051.22
Inventories	(334,243.54)	374,726.02
Prepaid expenses	3,433,665.68	1,799,685.32
Creditable withholding tax	(121,401.70)	(53,890.28)
Other current assets	6,023,351.67	(17,979,050.94)
Advances to/from THHM	-	-
Increase (decrease) in		
Accounts payable	(6,229,899.54)	(156,487,350.83)
Accrued liabilities	(3,731,797.82)	681,525.56
Notes payable	-	-
Rental payable	2,856,514.80	2,856,514.80
Due to associated company	8,257,302.45	10,719,070.80
Advances from immediate holding company - ne	-	-
Advances from intermediate holding company	-	-
Refundable deposit	(3,104,991.77)	527,513.14
Deferred rental - Pagcor	99.92	(22,094,535.30)
Due to City e-Solutions Limited *(formerly CHIL)*	-	-
Due to Byron	-	-
Dividend payable	-	(444,999.10)
Output tax	-	-
Income tax payable	13,076,919.99	323,757.99
Other current liabilities	(12,651.10)	(338,292.38)
	57,386,055.82	47,548,044.40
Cash flows from investing activities		
Acquisition of property and equipment - net	(369,163.70)	(4,216,103.27)
(Receipts)/Payments relating to other assets	-	-
Retirement of treasury stocks	-	-
Buyback of shares	-	-
	(369,163.70)	(4,216,103.27)
Cash flows from financing activities		
Increase/(Decrease) in reserves	-	-
	-	-
Net increase in cash and short-term notes	57,016,892.12	43,331,941.13
Cash and short-term notes, Beginning	221,266,721.63	216,862,963.39
Cash and short-term notes, Ending	**278,283,613.75**	**260,194,904.52**

Grand Plaza Hotel Corporation

Aging Report As At 30 June 2009

Customer Type	0 to 8 days	9 to 30 days	31 to 60 days	61 to 90 days	91 to 120 days	Over 120 days	Total	%
Airlines	1,014,116	3,336,628	1,416,820	5,473	81,955	67,210	5,922,203	17.51%
Credit card	699,488	76,713					776,201	2.29%
PAGCOR	2,597,128	4,185,146	1,434,451	747,941			8,964,666	26.50%
Individual - local							-	0.00%
Company - local	2,040,908	1,113,829	7,838,413	3,109,519	375,559	411,372	14,889,600	44.01%
Overpayment	(150)	(47,752)	(43,603)	(48,977)	(58,783)	(946,786)	(1,146,051)	-3.39%
Permanent accounts	29,373	11,148	9,000	16,196	6,060	2,911	74,688	0.22%
Employee charges							-	0.00%
Travel Agent - Local	493,491	400,288	439,171	108,160			1,441,110	4.26%
Temporary credit	66,325	144,333	1,059,192				1,269,850	3.75%
Travel Agent - Foreign	304,010	1,124,472	190,536	19,392			1,638,410	4.84%
TOTAL	7,244,689	10,344,805	12,343,980	3,957,704	404,791	(465,293)	33,830,676	100.00%
%	21.41%	30.58%	36.49%	11.70%	1.20%	-1.38%	100.00%	