GENERAL ANNOUNCEMENT::ANNOUNCEMENT BY SUBSIDIARY COMPANY, GRAND PLAZA HOTEL CORPORATION

Issuer & Securities

Issuer/ Manager

CITY DEVELOPMENTS LIMITED

Securities

CITY DEVELOPMENTS LIMITED - SG1R89002252 - C09

Stapled Security

No

Announcement Details

Announcement Title

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Announcement by Subsidiary Company, Grand Plaza Hotel Corporation

Announcement Reference

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Submitted By (Co./ Ind. Name)

Enid Ling Peek Fong

Designation

Company Secretary

Description (Please provide a detailed description of the event in the box below)

Please refer to the Announcement released by Grand Plaza Hotel Corporation on 1 April 2022 relating to Full Year Results for the year ended 31 December 2021.

Attachments

03.31.2022_GPHC_2021_AFS.pdf

Total size =7327K MB

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 2021

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

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

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

6. (SEC Use Only)
   Industry Classification Code:

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

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

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

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

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

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

Yes [x] No [ ]

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

Stock Exchange	:	Philippine Stock Exchange
Securities	:	Common Shares

12. Check whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and

141 of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports);

Yes [x]   No [ ]

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

Yes [x]   No [ ]

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

The share price of the Company as of 17 January 2022 is PhP14.32 and the total voting stock held by non-affiliates of the Company is 6,857,283. Therefore, the aggregate market value of the voting stock held by non-affiliates of the Company is PhP98,196,292.56.

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

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

Yes [ ]   No [ ]

DOCUMENTS INCORPORATED BY REFERENCE

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

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

PART I – BUSINESS & GENERAL INFORMATION

ITEM 1. BUSINESS

General

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

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

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

For the fiscal year ended 31 December 2021, the Company reported a net profit after tax of about PhP33.66 million as against a net profit after tax of PhP12.06 million in 2020 and profit after tax of PhP2.36 million in 2019.

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

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

Competitive Position

The main competitors of The Heritage Hotel Manila are, Hotel Jen Manila, Midas Casino and Hotel, Belmont Hotel and Citadines Bay Manila Hotel.

Based on information made available to us, for the year 2021, our Heritage Hotel occupancy was 78% versus competitor's occupancy of 70%. Our Average Room Rate was PhP2,435 while competitor rate was PhP2,409. The resultant Revenue Per Available Room (Revpar) of our Hotel was PhP1,904 versus competitor of PhP1,691.

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 JC Seafood Supplies, Sofia Seafood and Erickel Enterprises.

Dependence on Single Customer

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

Related Party Transactions

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

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

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

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

Policy on Related Party Transactions

In compliance with SEC Memorandum Circular No. 10, Series of 2019 on the Rules on Material Related Party Transactions for Publicly-Listed Companies which took effect on 27 April 2019, the Company adopted its Material Related Party Transactions Policy ("**Material RPT Policy**") on 24 October 2019.

Under the Company's Material RPT Policy, the term "related parties" is defined as "the reporting Company's directors, officers, substantial shareholders and their spouses and relatives within the fourth civil degree of consanguinity or affinity, legitimate or common-law, if these persons have control, joint control or significant influence over the reporting Company. It also covers the reporting Company's parent, subsidiary, fellow subsidiary, associate, affiliate, joint venture or an entity that is controlled, jointly controlled or significantly influenced or managed by a person who is a related party". Any related party transaction/s, either individually, or in aggregate over a 12-month period with the same related party, amounting to 10% or higher of the Company's total assets based on the Company's latest audited financial statement shall be deemed as a Material Related Party Transaction ("**Material RPT**") which is covered by the Material RPT Policy.

Under the Company's Material RPT Policy, the following approvals shall be required for transactions deemed as Material RPTs:

a. Approval of individual Material RPTs

   All individual Material RPTs shall be approved by at least two-thirds (2/3) vote of the Board of Directors, with at least a majority of the independent directors voting to approve the Material RPT. In case that a majority of the independent directors' vote is not secured, the Material RPT may be ratified by the vote of the stockholders representing at least two-thirds (2/3) of the outstanding capital stock.

b. Approval of aggregate RPT transactions

For aggregate RPT transactions within a twelve (12)-month period that breaches the materiality threshold of ten percent (10%) of the Company's total assets, the same board approval would be required for the transaction/s that meets and exceeds the materiality threshold covering the same related party.

Directors with personal interest in the transaction are mandated to abstain from participating in discussions and voting on the same. In case they refuse to abstain, their attendance shall not be counted for the purposes of assessing the quorum and their votes shall not be counted for purposes of determining approval.

In accordance with the Company's Material RPT Policy and the relevant rules and regulations of the SEC on Material RPTs, the Company is required to submit the following reports and disclosures to the SEC:

a. A summary of material related party transactions entered into during the reporting year which shall be disclosed in the Company's Integrated Annual Corporate Governance Report (I-ACGR) to be submitted annually every May 30.

b. Advisement Report in the form prescribed by the SEC of any Material RPT filed within three calendar days from the execution date of the transaction. The Advisement Report shall be signed by the Company's Corporate Secretary or authorized representative.

c. At a minimum, the disclosures in both (a) and (b) above shall include the following information:

    i. complete name of the related party;

    ii. relationship of the parties;

    iii. execution date of the Material RPT;

    iv. financial or non-financial interest of the related parties;

    v. type and nature of transaction as well as a description of the assets involved;

    vi. total assets (consolidated assets, if the reporting company is a parent company);

    vii. amount or contract price;

    viii. percentage of the contract price to the total assets of the reporting Company;

    ix. carrying amount of collateral, if any;

    x. terms and conditions;

    xi. rationale for entering into the transaction; and

    xii. the approval obtained (i.e., names of directors present, name of directors who approved the Material RPT and the corresponding voting percentage obtained).

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

In compliance with the 2015 Implementing Rules and Regulations of the Securities Regulation Code ("**SRC Rules**"), the Company must disclose the following details for a related party contract:

a. the nature of the related party relationship;
b. the type of transaction (e.g. supply or services contract, loans, guarantees);
c. the total amounts payable and receivable in the transaction from or to the related party; and
d. the elements of the transaction necessary to understand the listed company's financial statements.

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

No disclosure is needed for any transaction where:

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

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

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

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

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

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

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

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

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

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

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

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

Patents, Trademarks, Etc.

The Company registered the tradename "The Heritage Hotel Manila" with the Intellectual Property Office on 12 July 2000 under registration number 41995105127. Under current laws, the registration is valid for a term of 20 years, or up to 12 July 2020. This has been renewed and it is now valid until 12 July 2030.

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

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

Government Approval and Regulation

The Hotel applies for Department of Tourism ("**DOT**") accreditation annually. The accreditation is based on the 2012 Rules and Regulations to Govern the Accreditation of Accommodation Establishments of the DOT. The DOT inspects the Hotel to determine whether the Hotel meets the criteria of the DOT. The DOT certificate of accreditation has been renewed in 2020.

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 167 employees for the year ended 31 December 2021. Out of the 167 employees, 140 are regular employees and 27 are casual employees.

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

	REGULAR	CASUAL	TOTAL
Hotel Operating Staff (All operating dept)	86	8	94
Management/Admin/Security (A&G Dept)	25	14	39
Sales & Marketing	10		10
Repairs & Maintenance	19	5	24
Total	140	27	167

Barring any unforeseen circumstance, for the year 2022, the Company will maintain more or less the same number of employees as in year 2021.

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

ITEM 2. PROPERTIES

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

The lease for the Hotel site is for a period of 25 years renewable for another 25 years. The lease commenced on 1 January 1990. The Company has renewed its lease effective 1 January 2014 for another 25 years with monthly rental of PhP1,483,134.

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

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

ITEM 3. LEGAL PROCEEDINGS

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

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

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

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

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

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

On 6 November 2015, the Company filed its Formal Offer of Documentary Evidence. In two Resolutions dated 04 January 2016 and 11 March 2016 respectively, the CTA admitted in evidence the Company's documentary exhibits.

On 15 April 2016, the Company filed its Memorandum with the CTA.

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

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

In a Manifestation dated 01 September 2016, the CIR informed the CTA that it will adopt its arguments in its Answer as its Memorandum.

Thus, on 6 September 2016, the Company's tax counsel received a Resolution from the CTA stating that the case has been submitted for decision.

On 7 March 2017, the Company filed an Urgent Motion to Allow Payment of Taxes with the CTA. This is with respect to the Warrant of Garnishment with Land Bank. The Company uses this bank account for its tax payments.

On 24 August 2017, the Company withdrew its "Urgent Motion to Allow Payment of Taxes" with CTA and instead requested the CTA to submit the case for decision. On 31 August 2017, CTA granted the withdrawal of the Motion and submitted the case for decision.

On 4 July 2018, the CTA rendered its Decision.

In the Decision, the CTA held that it does not have jurisdiction to entertain the Petition. It explained that the CTA only has jurisdiction to review decisions of the CIR involving disputed assessments, and not those assessments which have become final and executory. The CTA held that due to the Company's failure to file a protest within the reglementary period, the assessment became final, executory, and demandable. In light of the foregoing, the CTA held that it had no jurisdiction to entertain the Petition.

The Company filed a Motion for Reconsideration ("MR") on 19 July 2018. In its MR, the Company argued that: (i) the CTA has jurisdiction to review collection proceedings initiated by the CIR pursuant to its powers under Section 7(A)(1) of the National Internal Revenue Code; and (ii) the tax deficiency assessment of the CIR is void for failure to indicate a due date for payment and thus, the absence of a protest does not render the assessment final and executory because no rights can emanate from a void assessment.

Amended Decision

On 30 October 2018, the Company received the CTA's Amended Decision granting the Company's MR. Thus, the CTA annulled and set aside the CIR's assessment against the Company for deficiency income tax, withholding tax on compensation, expanded withholding tax, documentary stamp taxes, and value-added tax, in the total amount of PhP508,101,387.12 for taxable year 2008.

In its Amended Decision, the CTA held that it had jurisdiction to review collection proceedings by the CIR pursuant to its powers under Section 7(a)(1) of the Tax Code, and in particular, "other matters" arising under the National Internal Revenue Code. The CTA held that while there is no disputed assessment, it can assume jurisdiction over the Petition under "other matters".

After a careful scrutiny of the Formal Letter of Demand and Final Assessment Notice, the CTA held that the same was not valid for failure to indicate a definite due date for payment by the taxpayer, which negates the CIR's demand for payment.

MR filed by CIR

On 20 November 2018, the MR filed by the CIR seeks to pray for a reconsideration of the Amended Decision and to uphold the Decision dated 4 June 2018 on the following grounds:

(1) The "other matters" clause of Section 7 of Republic Act No. 9282 does not include assessment cases.

(2) A challenge to the collection procedure under "other matters" cannot reach back and examine an undisputed assessment.

(3) Even assuming that the present case falls under the scope of "other matters", the Petition was filed out of time.

The Corporation filed its Comment to the CIR's MR on 12 December 2018 and prayed that the same be denied for lack of merit. On 14 March 2019, the CTA issued a decision denying the CIR Motion for Reconsideration as the Court finds no cogent reasons to reverse or modify the Amended Decision.

On 21 March 2019, the CIR filed an appeal to the CTA En Banc to set aside the Amended Decision. On 19 June 2019, the Corporation received a notice from the CTA En Banc to file its comments to Petition of CIR. The corporation filed its comment on 20 June 2019.

On 2 December 2019, the CTA En Banc issued a Notice of Resolution that since both CIR and the Corporation decided not to have the case mediated by Philippine Mediation Center – Court of Tax Appeals, the mediation proceedings are terminated and the case is submitted for decision by the CTA En Banc.

On 29 September 2020, CTA En Banc promulgated a decision affirming the CTA decision and denied the Petition of CIR for lack of merit. CIR, dissatisfied with the decision, filed a Motion for Reconsideration on 20 October 2020 and the Corporation has filed its Response to CIR's Motion for Reconsideration on 11 November 2020. As at 4 January 2021, there is no decision yet from CTA En Banc.

On 26 January 2021, the Corporation received from its counsel the Decision of CTA En Banc denying again the Motion for Reconsideration of CIR for lack of merit.

Petition for Review filed by the CIR

On 23 March 2021, Management of the Corporation was advised by the Corporation's tax counsel that it had received a copy of the Petition for Review dated 8 March 2021 filed by the CIR with the Philippine Supreme Court which seeks to set aside the CTA En Banc Decision dated 29 September 2020 (Decision) and CTA En Banc Resolution.

The Petition for Review seeks to (i) reverse and set aside the CTA En Banc Decision dated 29 September 2020 and Resolution dated 19 January 2021 and (ii) render a decision ordering the Corporation to pay the total amount of PhP 37,394,321.84, PhP 142,281,715.20, and PhP 326,352,191.20 representing withholding tax on compensation, value-added tax, and income tax assessment, respectively, or an aggregate amount of PhP 506,028,228.24 for taxable year 2008 as well as 25% and 50% surcharge, 20% deficiency and delinquency interest and 12% interest until full payment pursuant to the Tax Reform for Acceleration and Inclusion (TRAIN) law. The Company has also filed it position paper to the Supreme Court.

Other than the above tax case, to the best knowledge and/or information of the Company, neither itself nor any of its affiliates and subsidiaries have been involved during the past five (5) years in any material legal proceedings affecting/involving the Company, its affiliates or subsidiaries, or any material or substantial portion of their property before any court of law or administrative body in the Philippines or elsewhere which had not been previously disclosed.

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 17 May 2021 annual stockholders' meeting, the following were elected as directors of the Company:

Kwek Eik Sheng;
Bryan Cockrell;
Yam Kit Sung;
Wong Kok Ho;
Ricardo Pio Castro, Jr.
Mia Gentugaya; (independent director); and
Simeon Ken R. Ferrer (independent director).

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 2021 and 2020:

Amount in Peso:

	HIGH	LOW	HIGH	LOW
	Year 2021	Year 2021	Year 2020	Year 2020
First Quarter	11.08	10.06	13.48	9.12
Second Quarter	16.50	9.62	18.98	9.11
Third Quarter	16.00	11.00	13.16	10.26
Fourth Quarter	16.48	10.38	12.70	10.10

The last recorded trade of the shares of the Company during the fiscal year covered by this report occurred on 31 December 2021. The share price was PhP14.38.

Holders of Securities

The Company has only one class of shares, i.e., common shares. The total outstanding common shares as of 31 December 2021 is 87,318,270 inclusive of 33,600,901 treasury shares.

As of 31 December 2021, the number of shareholders of the Company is 16,185.

The list of the top 20 shareholders is as follows:

	NAME OF SHAREHOLDER	NO. OF SHARES	% OF SHAREHOLDING (EXCLUDING TREASURY SHARES)
01	The Philippine Fund Limited	29,128,932	54.23%
02	Zatrio Pte Ltd	17,727,149	33.00%
03	PCD Nominee Filipino	3,814,435	7.10%
04	PCD Nominee Non-Filipino	235,167	0.44%
05	Alexander Sy Wong	34,505	0.06%
06	Cabanatuan Electric Corporation	11,084	0.02%
07	Asia Overseas Transport Co. Inc.	7,614	<0.01%

08	Naquines Fee Luna	6,869	<0.01%
09	School of St Anthony	6,608	<0.01%
10	Lua Zenaida Teo	6,559	<0.01%
11	Yam Kum Cheong	6,000	<0.01%
12	Yam Poh Choo	6,000	<0.01%
13	Phoon Lin Mui	6,000	<0.01%
14	Yam Kit Seng	6,000	<0.01%
15	Lim Rogelio Roleda	5,361	<0.01%
16	Chinjen Mary Dee	4,878	<0.01%
17	Uy Herbert Gochan	4,801	<0.01%
18	Nunag Lucas M	4,713	<0.01%
19	Amador Vicente Bernardo	4,093	<0.01%
20	Palawan Pawn Shop Inc	4,002	<0.01%
	Total	51,030,770	95.00%

Dividends

No dividends were declared for FY2021 and FY2020.

Dividend Policy

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

Recent Sales of Unregistered Securities

The Company does not have any unregistered securities.

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

(A) Full Fiscal Year

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

	2021	2020	2019
Current ratio (Solvency ratio)	**3.25**	2.97	2.49
Debt/Equity	**0.41**	0.41	0.44
Assets/Equity	**1.41**	1.41	1.45
Profit/(Loss) before tax margin ratio	**14.1%**	2.65%	(0.17%)
Earnings before interest, tax, depreciation & amortization (EBITDA) Peso	**87.84 million**	70.28 million	50.43million

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

Current ratio is derived by dividing the current assets with the current liabilities. This indicator measures the liquidity of the Company in the short-term. The current ratio improved by 0.28 (9.4%) compared to the same period of last year. This is mainly due to higher current assets and is a result of higher cash balance and prepaid expenses which increased by PhP102.1 million (36%) and PhP10.3 million (37.3%) respectively.

Debt to equity ratio measures a company's financial leverage. It is derived by dividing total liabilities over equity. There is no material change in this indicator as compared to 2019.

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

Profit before tax margin ratio is computed by dividing the profit before tax against the total revenue. This ratio measures whether the Company is able to contain its expenses in relation to the revenue. The Company reported a profit before tax of PhP47.1 million this year as compared to 2020 of PhP8.7 million.

EBITDA is a measure of the company profitability without interest, depreciation and, taxes. This ratio has improved by PhP17.5 million (24.9%) as compared to last year. This is due to higher trading profit.

Management is not aware of:

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

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

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

d. There are no material commitments for capital expenditures.

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

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

Results of Operations:

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

YEAR	REVENUE – PHP'000	NIAT – PHP'000
2021	**334,990**	**33,669**
220	329,900	12,065
2019	441,315	2,369

2021 Results of Operations

For the year under review 2021, the Company reported a net income after tax of PhP33.6 million as compared to PhP12.0 million in 2020. This is an improvement of PhP21.6 million or 180% over the prior year. This is achieved through a combination of higher revenue and managing cost.

Revenue:
Total revenue improved from PhP329.9 million to PhP334.9 million or PhP5 million (1.5%). This is mainly due to 10% rise in room revenue but offset by the 25% drop in F&B revenue. In FY2021, Covid-19 continued to plague the world economy especially the hospitality industry. With most countries' borders closed and social distance restriction imposed on dining facilities, our business continued to be affected.

Room revenue improved through higher occupancy from 63% to 78% or 15 percentage points while Average Room Rate ("ARR") fell from PhP2,479 to PhP2,217 or 10%. In FY2021, hotel captured more Overseas Workers Welfare Administration ("OWWA") market which helped it to improve its occupancy though with a lower room rate.

With the intermittent restriction on movements imposed by government, Food and Beverage ("F&B") business is severely impacted. Both Riviera and Banquet revenue fell by 24% and 53% respectively which is offset by 54% rise in room service. Total F&B revenue decreased by PhP16.3 million or 25%.

Cost of sales and services:
F&B cost of sales fell by PhP12.7 million (15.2%) over last year which is consistent with the 25% drop in F&B revenue.

Administrative Expenses:
Selling and Administrative expenses mainly consist of management and incentive fees, salaries, credit card commission, dues and subscription, property operation, maintenance, depreciation, insurance and impairment loss. No major change in this balance even though revenue has increased as the Company continued to exercise prudence in spending. Non-essential expenses are deferred.

Other income/(expenses):
This balance reported an income of PhP2.2 million in 2021 as compared to an expense of PhP18.2 million in prior year as in 2020, the Company recognized a foreign exchange loss of PhP12 million while it recognized a gain of PhP9.3 million in 2021.

2020 Results of Operations

For the year under review 2020, the Company reported a net income after tax of PhP12.0 million as compared to PhP2.3 million in 2019.

Revenue:
Total revenue fell from PhP441.3 million in 2019 to PhP329.9 million or a decrease of 33.7%. The global Covid-19 pandemic has severely impacted the hospitality business. With international borders closed and restricted travelling or movements in the country, the Company's business is impacted.

Room revenue registered a drop in revenue from PhP292.2 million in 2019 to PhP258.8 million or a decrease of PhP33.4 million (11.4%). Philippines felt the impact of Covid-19 in February 2020 and occupancy started to plummet. The Hotel was able to remain open throughout the year by focusing on essential workers, quarantine and returning Filipinos businesses. This allowed the Hotel to maintain about the same occupancy of 63% as in 2019. However, Average Room Rate fell from PhP2,765 to PhP2,476. This resulted in a drop in Revpar of 11.7%.

Food and Beverage ("F&B") business is more severely impacted than Rooms as government implemented restricted movements and social distancing. This resulted in Hotel closing its restaurant and reduced weddings and meetings in 2020. F&B revenue fell by PhP70.3 million (52.3%).

Other operated departments and others income are also impacted as there were lesser ancillary revenue.

Cost of sales and services:
F&B cost of sales decreased by PhP68.7 million or 45.1%. This is consistent with the drop in F&B revenue.

Selling and Administrative Expenses:
Selling and Administrative expenses mainly consist of management and incentive fees, salaries, credit card commission, dues and subscription, property operation, maintenance, depreciation, insurance and impairment loss. This balance fell by PhP57.2 million or 20.6% versus same period last year. At the onset of Covid-19, the Hotel embarked on various cost containment measures to reduce costs and cash burn. All non-essential capital expenditure and expenses were deferred.

Other income/(expenses):
This balance fell from a loss of PhP13.2 million in 2019 to loss of PhP18.2 million in 2020. This is mainly due to foreign exchange loss of PhP12.0 million versus PhP7.8 million in 2019. During the year 2020, the Peso has strengthened against the US dollar so when the Company translates its US deposits to Peso, it suffered an unrealized exchange loss.

2019 Results of Operations

For the year under review 2019, the Company reported a 6.7% growth in total revenue and reported a net income after tax after 3 years of losses. There is also no impairment loss in 2019.

Revenue:
Room revenue improved from PhP267.4 million to PhP292.2 million or 9.2% growth over prior year. This is due to an increase in occupancy from 59% to 64% and Average Room Rate has also increased from PhP2,690 to PhP2,725. Consequently, the Revpar registered an increase of PhP151 or 9.2% over 2018. Several key market segments such as Third Party Intermediary, Unmanaged Premium showed strong growth of 50% and 87% respectively over the prior year. However, this increment is offset by lower contribution from Wholesale and Association market segments.

Food and Beverage ("F&B") showed a minor improvement from PhP132.0 million to PhP134.3 million or 1.7% over 2018. The improvement in F&B mainly comes from Banquet and Lobby Lounge while offset by the lower contribution from Riviera. Banquet has a strong year especially in November and December 2019 due to major events and South East Asian Games held in Manila. Banquet increased its revenue from PhP47.7 million to PhP53.1 million or 17.4%.

Cost of sales and services:
F&B cost of sales increased by PhP1.9 million or 4.5%. This is consistent with the higher F&B revenue.

Selling and Administrative Expenses:
Selling and Administrative expenses mainly consist of management and incentive fees, salaries, credit card commission, dues and subscription, property operation, maintenance, depreciation, insurance and impairment loss. This balance fell by PhP30.2 million or 9.8% versus same period last year. The main reason for the decrease is due to absence of lease rental expense amounting to PhP17.7 million, lower professional fee by PhP26.4 million but offset by higher management fee of PhP1.6 million which is consistent with the higher revenue and GOP. In addition, depreciation also increased by about PhP6 million and insurance by PhP2.5 million.

Other income/(expenses):
There is a decrease in this item by PhP33.5 million (163%) relative to last year and this due to a foreign exchange loss of PhP7.8 million this year versus last year exchange gain of PhP11.7 million. During the year 2019, the Peso has strengthen against the US dollar so when the Company translates its US deposits to Peso, it suffer an unrealized exchange loss. In addition, the Company also has to recognize interest expense of PhP14.4 million this year due to adoption of new accounting standard on lease.

Financial Conditions:

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

YEAR	ASSETS - PHP'000	LIABILITIES – PHP'000
2021	**1,269,060**	**367,693**
2020	1,225,861	359,027
2019	1,240,450	382,723

2021 Financial Conditions

Total assets for the year 2021 increased by PhP43.2 million (3.5%) as compared to 2020 while total liabilities also increased by PhP8.6 million (2.4%).

Assets/Liabilities and Equity:

- Cash and cash equivalents: This balance consists of cash and fixed deposits placed with banks. Cash increased by PhP102.1 million (36%) versus end of last fiscal year. With better profitability and improved collection from OWWA, the hotel is able to increase the cash balance.

- Accounts receivables – net: This balance decreased from PhP127.1 million to PhP99.1 million or 22% lower than prior year. In 2021, hotel was able to work closely with OWWA for them to pay more promptly and this improved the accounts receivables.

- Due from related parties: This balance increased by PhP2.5 million (35.7%) relative to last year as related parties have not settled its outstanding liabilities to the Company.

- Inventories: Inventories consist mainly of F&B, general supplies and engineering supplies. There is a drop in this balance by PhP0.6 million (11.5%) and this is due to lower inventories in food and beverage and general supplies.

- Prepaid expenses and other current assets: This consist mainly of prepaid insurance, prepaid income tax and input tax. This balance increased from PhP27.6 million to PhP37.9 million. The increase is mainly due to the increase in prepaid tax by PhP14 million.

- Property and equipment net: This balance fell by PhP33.7 million (5.7%) as compared to prior year. This is mainly due to depreciation charges for the year offset by acquisitions of new property and equipment.

- Deferred tax assets –net: Deferred tax assets are due to retirement benefits, impairment loss, exchange gain/loss and actuarial gain on defined benefit plan. This year, the balance decreased by PhP11.8 million (36%) as a result of recognition of higher deferred tax liabilities from unrealized foreign exchange gain.

- Other noncurrent assets: This balance mainly consists of lease deposit, advances to suppliers/contractors and miscellaneous investment and deposits. The balance as compared to last year increased marginally by PhP2.1 million (2.2%) as a result of higher advances to suppliers/contractors. This pertains to reduction in some capital expenditures that are still work in progress and had not been capitalized yet.

- Accounts payable and accrued expenses: There is an increase of PhP3.3 million or 25.9% versus prior year. As business recovered slowly with higher occupancy, the hotel's trade payable also increased.

- Due to related parties: As at end of year 2021, this balance has increased by PhP4.1 million (9.7%) as the Company has not settled its outstanding liability with related companies of which the majority pertains to rental expense to an associate.

- Lease liability – current portion and non-current portion: Lease liability arose due to the adoption of IFRS 16 on accounting of lease in January 2019. The decrease is due to the amortization during the year.

2020 Financial Conditions

Total assets for the year 2020 decreased by PhP1.6 million (0.13%) as compared to 2019 while total liabilities also decreased by PhP10.8 million (2.8%).

Assets/Liabilities and Equity:

- Cash and cash equivalents: This balance consists of cash and fixed deposits placed with banks. Cash decreased by PhP30.3 million (9.6%) versus end of last fiscal year. With a lower revenue versus 2019 and slower in collection due to the restricted movements in the Philippines, cash balance has decreased.

- Accounts receivables – net: This balance increased from PhP88.3 million to PhP127.1 million or 43.9% higher than prior year. As explained in previous paragraph, due to the restricted movements mandated by government in Philippines, collection has slow down and this cased accounts receivables to increase.

- Due from related parties: This balance increased from PhP0.075 million to PhP7.0 million as related parties have not settled its outstanding liabilities to the Company.

- Inventories: Inventories consist mainly of F&B, general supplies and engineering supplies. There is a drop in this balance by PhP2.3 million (30.6%) and this is due to lower inventories in food and beverage and general supplies which is consistent with the lower revenue.

- Prepaid expenses and other current assets: This consist mainly of prepaid insurance, prepaid income tax and input tax. This balance increased marginally from PhP26.6 million to PhP27.6 million. The increase is mainly due to the net variance between Creditable Withholding Tax and Prepaid Income Tax.

- Deferred tax assets –net: Deferred tax assets are due to retirement benefits, impairment loss, exchange gain/loss and actuarial gain on defined benefit plan. This year, the balance increased by PhP6.7 million (25.6%) as a result of higher retirement benefit and actuarial loss.

- Other noncurrent assets: This balance mainly consists of lease deposit, advances to suppliers/contractors and miscellaneous investment and deposits. The balance as compared to last year decreased marginally by PhP1.1 million (1.2%) as a result of higher advances to suppliers/contractors. This pertains to reduction in some capital expenditures that are still work in progress and had not been capitalized yet.

- Accounts payable and accrued expenses: There is a decrease of PhP35.3 million 38.8% versus prior year. As business has slowed down significantly during the year, trade payables also fell by PhP22.7 million (42.83%) versus 2019. Similarly, accruals for payroll and others also reduced by PhP12.62 million (22.86%).

- Due to related parties: As at end of year 2020, this balance has increased by PhP15.5 million (42.9%) as the Company has not settled its outstanding liability with related companies of which the majority pertains to rental expense to an associate.

- Lease liability – current portion and non-current portion: Lease liability arose due to the adoption of IFRS 16 on accounting of lease in January 2019. As a result, we have to recognize lease liability amounting to PhP3.9 million in current portion and PhP167.7 million for non-current portion.

- Accrued retirement benefits liability: This balance increased by PhP5.0 million or 17.3% from prior year. The increment is mainly due to actuarial loss of PhP3.4 million.

2019 Financial Conditions

Total assets for the year 2019 increased by PhP217 million (21.2%) as compared to 2018 while total liabilities also increased by PhP218 million (132%). The main reason for the increase in both assets and liabilities is due to the adoption of IFRS 16 on accounting for leases in 2019. Due to this new accounting standard, the Corporation has to recognize a Right-of-Use asset and liability.

Assets/Liabilities and Equity:

- Cash and cash equivalents: This balance consists of cash and fixed deposits placed with banks. Cash increased by PhP55 million (21.2%) versus end of last fiscal year. The improvement in trading coupled with less capital expenditure for the year caused cash balance to show a healthy increase of 21.2%.

- Accounts receivables – net: This balance increased from PhP78 million to PhP88.3 million or 13.2% higher than prior year. The higher room revenue in November and December due to major events in Manila increase the revenue and consequently, accounts receivables also increased.

- Due from related parties: This balance fell by PhP0.124 million or 62.1% versus same period last year as the related companies have settled some of its outstanding liabilities to the Company.

- Inventories: Inventories consist mainly of F&B, general supplies and engineering supplies. There is a drop in this balance by PhP1.7 million (18.4%) and this is due to lower inventories in beverage and general supplies.

- Prepaid expenses and other current assets: This consist mainly of prepaid insurance, prepaid income tax and input tax. This balance increased from PhP23.5 million to PhP26.6 million. The increase in prepaid income tax and reduction in input tax are the cause of the variance.

- Investment in associate: There is a drop in this balance by PhP0.2 million and this is mainly due to the dividends received amounting to PhP1.6 million.

- Deferred tax assets –net: Deferred tax assets are due to retirement benefits, impairment loss, exchange gain/loss and actuarial gain on defined benefit plan. This year, the balance increased by PhP7.5 million (40.3%) as a result of higher retirement benefit and actuarial loss.

- Other noncurrent assets: This balance mainly consists of lease deposit, advances to suppliers/contractors and miscellaneous investment and deposits. The balance as compared to last year increased by PhP4.1 million (4.6%) as a result of higher advances to suppliers/contractors. This pertains to some capital expenditures that are still work in progress and had not been capitalized yet.

- Accounts payable and accrued expenses: There is an increase of PhP23.6 million 35.1% versus prior year. Trade payables increased by PhP20.8 million (64.5%) due to increase in revenue. In addition, accrued liabilities PhP4.3 million (42.1%) as a result of higher commissions and other accrued expenses.

- Due to related parties: As at end of year 2019, this balance has increased by PhP4.7 million (14.9%) as the Company has not settled its outstanding liability with related companies.

- Lease liability – current portion and non-current portion: As discussed earlier, this is due to the adoption of IFRS 16 on accounting of lease. As a result, we have to recognize a Right-of-use liability amounting to PhP3.5 million in current portion and PhP28.4 million for non-current portion.

- Accrued retirement benefits liability: This balance increased by PhP7.9 million or 37.6% from prior year. The increment is mainly due to actuarial loss of PhP5.3 million versus a gain in 2018 of PhP6.6 million.

Risks

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

ITEM 7. FINANCIAL STATEMENTS

Please see attachments.

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

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

PART III – CONTROL AND COMPENSATION INFORMATION

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

NAME	OFFICE	CITIZENSHIP	FAMILY RELATION (*)	AGE
Kwek Eik Sheng)	Chairman & President	Singapore	No relation	40
Bryan Cockrell	Vice Chairman/Director	American	No relation	74
Wong Kok Ho	Director	Chinese	No relation	73
Ricardo Pio Castro, Jr. (appointed on 17 May 2021)	Director	Filipino	No relation	69
Mia Gentugaya	Independent Director	Filipino	No relation	70
Simeon Ken R. Ferrer (appointed on 17 May 2021)	Independent Director	Filipino	No relation	65
Yam Kit Sung	Director, General Manager of the Company / Chief Finance Officer / Compliance Officer / Chief Audit Executive	Singaporean	No relation	51
Farid Schoucair	General Manager The Heritage Hotel Manila Management Executive Committee	Swiss	No relation	65
Geraldine Nono Gaw	Director of Marketing / Member The Heritage Hotel Manila Management Executive Committee	Filipino	No relation	54
Juancho Baltzar	Director of Human Resources/ Member The Heritage Hotel Manila Management Executive Committee	Filipino	No relation	61
Alain Charles J. Veloso	Corporate Secretary	Filipino	No relation	42
Lesley Anne C. Mondez	Assistant Corporate Secretary	Filipino	No relation	35
Arlene De Guzman	Treasurer	Filipino	No relation	61
Josefina P. Malpas	Director Of Finance / Member The Heritage Hotel Manila Management Executive Committee	Filipino	No relation	48

Ramon Perez Jr., PME (employed on 26 Aug 2021)	Director of Engineering, Member - Heritage Hotel Manila Management Executive Committee	Filipino	No relation	62

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

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

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

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

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

Business Experience

KWEK EIK SHENG
CHAIRMAN & PRESIDENT

Mr. Kwek served as Chairman and President of the Board of Grand Plaza Hotel Corporation since his appointment on 1 January 2020. Mr. Kwek is currently the Group Chief Operating Officer of City Developments Limited ("CDL"), an appointment he has held since 1 January 2022.

Mr. Kwek joined CDL in 2009, covering Business Development for overseas projects before being appointed as Head of Corporate Development. In 2014, he assumed the role of Chief Strategy Officer and undertook an added portfolio as Head of Asset Management in April 2016. Prior to joining CDL, he was with the Hong Leong Group of companies in Singapore specializing in corporate finance roles from 2006 to 2008.

He currently also holds the position of Executive Director in Millennium & Copthorne Hotels Limited, previously listed on the London Stock Exchange under the name "Millennium & Copthorne Hotels plc". He is also a Non-Executive Director of Millennium & Copthorne Hotels New Zealand Limited and CDL Investments New Zealand Limited, both of which are listed on New Zealand's Exchange.

He holds a Bachelor of Engineering in Electrical and Electronics Engineering from Imperial College of Science, Technology and Medicine and a Master of Philosophy in Finance from Judge Business School, Cambridge University.

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 of the Group. Before his stint in the Philippines, he held numerous positions in Singapore, Indonesia and Saudi Arabia.

SIMEON KEN R. FERRER
INDEPENDENT DIRECTOR

Simeon Ken Ferrer is currently Of Counsel at SyCipLaw, having recently retired as a Senior Partner and Head of the Corporate Services Department. His practice areas include corporate governance, banking, finance and securities, foreign investments, mergers and acquisitions. He was listed in Euromoney Legal Group's Guide to the World's Leading Capital Market Lawyers for several years. He was cited in the area of capital market in IFLR's The Guide to the World's Leading International Law Firms and in Legal 500. He has also been listed as a leading lawyer in the Philippines in the area of commercial and corporate law in AsiaLaw Profiles. More recently, he received the IFLR Asia Best Lawyers award in 2020. Finally, as a Corporate Secretary of Meralco, the largest public utility in the Philippines, he has been consistently recognized as an Asian Company Secretary of the Year by Corporate Governance Asia. He is an SEC-accredited lecturer on corporate governance and is a member of the faculty of the Ateneo Law School. Mr. Ferrer is a member of the Integrated Bar of the Philippines and the Philippine Bar Association and a Fellow of the Institute of Corporate Directors. He is also the International Alumni Contact for the Philippines of the University of Michigan Alumni Association.

MIA G. GENTUGAYA
INDEPENDENT DIRECTOR

Mia Gentugaya was a Senior Partner, a member of the Executive Committee, and the head of the Banking, Finance & Securities Group in SyCip Salazar Hernandez & Gatmaitan as of her retirement from the law firm in 2016, and thereafter served as Of Counsel until the end of 2021. She is a member of the faculty of the College of Law of the University of the Philippines (Juris Doctor and Master of Laws programs), De La Salle University, and Silliman University. She has been a Director of the Company since August 1992 and has served as independent director since 2005. She was admitted to the Philippine Bar in 1978, and earned her Bachelor of Laws (LL.B.) and Master of Laws (LL.M.) degrees from the University of the Philippines. Ms. Gentugaya practices corporate and commercial law and has been named by Chambers & Partners, International Financial Law Review 1000, and The Legal 500 as one of the world's leading lawyers in banking and finance, and commercial law. She was also cited as one of the Philippines' Top 100 Lawyers for 2019 through 2021. Ms. Gentugaya also serves in the Board of Directors of various companies, including a BSP-regulated investment house and an educational institution.

RICARDO PIO CASTRO JR.

DIRECTOR

Ricardo P.C. Castro Jr. is a retired International Partner of Baker McKenzie law firm where he was a member of its Policy Committee and of its Manila member firm, Quisumbing Torres, where he was the Managing Partner for eight years. His practice areas included Dispute Resolution and Litigation, Global Mobility, and Corporate Compliance. At present, he is a member of the Advisory Board of Southwestern Institute for International and Comparative Law based in Texas, U.S.A. and of the Board of Trustees of the University of San Agustin. He is involved with Christoffel Blindenmission (CBM), a foundation based in Germany extending assistance to the disabled in the world's 80 poorest countries, where he was a member of its International Board for eight years. He is a lecturer in the Mandatory Continuing Legal Education program for lawyers. He has been a law professor, bar reviewer, and was a Bar Examiner in the 2004 bar examinations. After his retirement from active law practice in 2015, Mr. Castro has been elected and is presently an officer or a director of more than 30 corporations involved in property development, business process outsourcing, minerals, tourism, fashion, and manufacturing.

WONG KOK HO
DIRECTOR

Mr. Wong Kok Ho has been an executive director of Asia Financial Holdings Limited, a public listed company in Hong Kong Stock Exchange, since 2nd May 2007 and has served the Group for over 40 years. Mr. Wong is an executive director of Asia Insurance and a director of several other subsidiaries of the Company. Mr. Wong was the Chief Executive Officer of Asia Insurance until October 2016 and has extensive experience in the insurance industry. He sits on the boards of AFH Charitable Foundation Limited, The People's Insurance Co. of China (Hong Kong), Limited, AR Consultant Service (HK) Limited, Professional Liability Underwriting Services Limited and Asia Insurance (Philippines) Corporation. Mr. Wong is also an independent non-executive director of Sompo Insurance (Hong Kong) Company Limited, and an adviser to both BE Reinsurance Limited and BC Reinsurance Limited. Mr. Wong was educated in Hong Kong and Deakin University, Melbourne, Australia and is a fellow member of The Chartered Insurance Institute, London.

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

Mr. Yam Kit Sung has been appointed Director of the Corporation on 1 January 2020. He obtained his Bachelor of Accountancy (Honors) degree from Nanyang Technological University in Singapore. Upon graduation, he joined the international accounting firm, Price Waterhouse based in Singapore as an auditor and later joined CDL Hotels International Limited (now known as Millennium & Copthorne Hotels International Limited) as an Internal Auditor. In 1996, he joined The Heritage Hotel Manila as an Operations Analyst and was appointed General Manager of the Company in April 2000. In June 2006, Mr. Yam was appointed General Manager –Asset Management (China) for HL Global Enterprises Limited, a company listed on the Singapore Stock Exchange and part of the Hong Leong Group Singapore and he stepped down from this position on 15 January 2020.

He was appointed Vice President of Operational Finance (Asia & North America) for Millennium Hotels and Resorts, which is the parent company of the Company, in September 2019. He also sits on the Board of several companies in Millennium Hotels and Resorts.

ARLENE DE GUZMAN
TREASURER

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

ALAIN CHARLES J. VELOSO
CORPORATE SECRETARY

Mr. Alain Charles Veloso is a partner of Quisumbing Torres' Corporate & Commercial/M&A Practice Group. He heads the Firm's Capital Markets and the Competition Practice Groups He is also a member of the Firm's Technology, Media & Telecommunications and Industrials, Manufacturing and Transportation groups. He has 15 years of legal practice, advising clients with regard to their transactions in the Philippines, including private and public M&A transactions, debt, and equity capital markets transactions, and structuring and establishment of their Philippine presence. Mr. Veloso also heads the Firm's Inclusion & Diversity and B-Green Committees. Mr. Veloso currently serves as the Chairperson of the Diversity and Inclusion Committee of the Integrated Bar of the Philippines (IBP) Makati Chapter.

He joined Quisumbing Torres in 2006 after graduating class valedictorian and *cum laude* from the University of the Philippines College of Law in 2006. Mr. Veloso was admitted to the Philippine Bar in 2007 and ranked 10th in the 2006 Philippine Bar exams. Prior to obtaining his law degree, Mr. Veloso obtained his B.S. Accountancy from the University of the Philippines – Tacloban College in 2001, graduating *cum laude* and is a Certified Public Accountant. Mr. Veloso studied EU Competition Law at the London School of Economics and Political Science in 2017. He is one of the authors of The Philippine Competition Act Annotated 2021 edition.

Mr. Veloso has been recognized as External Counsel of the Year in Asia by The Asian-MENA In-House Community Counsels in 2019, and cited as a Next Generation Lawyer for Corporate and M&A by Legal 500 for 2017 and 2018. He was also a 2018 Bench and Bar Awardee of the Integrated Bar of the Philippines' Leyte Chapter. He was awarded Young Lawyer of the Year by Asian Legal Business Philippine Law Awards 2020 and as a Leading Individual in Capital Markets by The Legal 500 Asia Pacific 2020 and 2021. More recently, he was awarded Client Choice Awards for Competition by Lexology 2021.

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

LESLEY ANNE C. MONDEZ
ASSISTANT CORPORATE SECRETARY

Ms. Lesley Anne C. Mondez is an associate of the law firm Quisumbing Torres. Ms. Mondez was previously appointed as the Assistant Corporate Secretary of Grand Plaza Hotel Corporation on 5 February 2018. Ms. Mondez has eight years of experience in the areas of mergers and acquisitions, capital markets, corporate reorganization and restructuring, commercial agreements, and general corporate and commercial work. She has participated in the conduct of legal due diligence on several target companies, including listed companies, and has drafted and assisted in the negotiations of transaction documents relating to mergers and acquisitions, commercial lending and project finance. Ms. Mondez's practice spans several industries, including banking, gaming, manufacturing, real estate, and energy mining and infrastructure.

FARID SCHOUCAIR
GENERAL MANAGER – HERITAGE HOTEL MANILA MANAGEMENT EXECUTIVE COMMITTEE

Farid Schoucair joined The Heritage Hotel Manila, as General Manager, last December 17, 2019. Farid was transferred from the Grand Copthorne Waterfront Hotel in Singapore, back to Manila. Half Lebanese and half Swiss, Farid got his diploma in Hotel & Tourism Management, from the Centre International de Glion, in Montreux, Switzerland back in 1980. He then joined the Hyatt Regency Dubai, back in 1981 as a Management trainee and climbed the ladder from banqueting department to various F&B management positions and then General Manager of the Hyatt Regency Jeju back in August 1996. Farid has spent 25-years with Hyatt International; moving from Macau to Saipan, Singapore, Kuala Lumpur, Manila, South Korea and back to Manila; where he was managing the Hyatt Regency Manila up to December 2006. In April 2007, he joined M&C, to renovate and rebrand the then-Regent Hotel in KL to the Grand Millennium KL. He then moved back to Manila to renovate and rebrand the Renaissance Hotel in Makati to the New World Makati Hotel, where he spent the last ten years; before moving back to Singapore at the helm of the Grand Copthorne Waterfront Hotel, back in March 2019.

JOSFINA MALPAS
DIRECTOR OF FINANCE, MEMBER – HERITAGE HOTEL MANILA MANAGEMENT EXECUTIVE COMMITTEE

Josefina "Josie" Malpas joined the Heritage Hotel as the Director of Finance on February 1, 2021. Josie is a graduate of Bachelor of Science in Business Administration Major in Accounting in 1983 from the University of the East Manila and passed the Certified Public Accountant board examinations the following year in 1984. She brings with her 36 years of experience in the hotel industry. She first joined the Hyatt Regency as an F&B Outlet Cashier in 1985 and from there she held several positions and steadily rose from the ranks. She left Hyatt in 2006 to join The Peninsula Manila as Chief Accountant and was later on promoted to the position of Assistant Financial Controller.

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

Ms. Geraldine N. Gaw joined the company in 2003 as the Director of Catering and was promoted as Director of Sales and Marketing in 2008. Prior to joining the Heritage Hotel Geraldine held the position of Convention and Banquet Sales Manager from 1999 to 2003 at the Manila Midtown Hotel. She has also held several senior positions in various hotels in Metro Manila and Davao City, namely the Mandarin Oriental Hotel and the Davao Insular Intercontinental Inn. She is currently a member of the Hotel Sales and Marketing Association. She is also serving as the Treasurer for the recently formed Pasay City Alliance of Travel Advocates (PCATA). A group of Pasay City Hotels in partnership with the City Mayor's Office whose advocacy is to promote Pasay City as a destination more than a just a transit city. Geraldine graduated from Ateneo De Davao University with a Degree in Business Administration major in Accounting.

JUANCHO BALTAZAR
DIRECTOR OF HUMAN RESOURCES, MEMBER – HERITAGE HOTEL MANILA MANAGEMENT EXECUTIVE COMMITTEE

An extensive background in the hospitality profession, Atty. Juancho Baltazar has exposure in almost all areas of hotel management and thus embedded in him the important aspect of the business which is "Customer Service". His love for teaching has given him the ability to be an influence in the molding of the character of the people working in the organization. Through the years, he has acquired skills in the area of recruitment and selection, training and development, employee relations, coaching and counseling, motivation, public speaking, and strategy planning, among others. Rising from the ranks, Choy knows how people in the organization behave. As a lawyer, he has a good knowledge of Labor Law and Labor Relations. He has extensive experience in collective bargaining negotiations and dealing with the unions. He is a professional whose years of specialization in operation and human resource management and development have trained him to spot the right person for the right job and to consistently maintain and improve the quality of the workforce especially in the areas of work efficiency, training, and in the development of customer-oriented professionals. He is a graduate of the Philippine Christian University in 1983 with a degree in Business Administration and a Bachelor of Laws degree from the Lyceum of the Philippines University in 1988. He also has a diploma in Hotel Management from the Singapore Hotel and Tourism Education Centre (SHATEC) in 1996.

RAMON PEREZ JR., PME
DIRECTOR OF ENGINEERING, MEMBER - HERITAGE HOTEL MANILA MANAGEMENT EXECUTIVE COMMITTEE

A seasoned engineer, Ramon has extensive background in the hospitality industry and exposure in opening hotels. Prior to joining the Heritage Hotel he held the position of Director of Engineering at Grand Hyatt Manila as part of the Pre-opening Team until 2020. He also held several senior positions in various hotels & resorts in Metro Manila, namely the Solaire Resort & Casino, Dusit Thani Manila, Hyatt Regency Manila and New World Hotel Makati.

He is a graduate of the Western Mindanao State University in 1980 with a degree in Bachelor of Science in Mechanical Engineering. He is a registered Professional Mechanical Engineer and a Certified Asean Energy Manager.

Attendance Record

Meeting Attendance of the Company's Board of Directors in 2021:

Date of Board of Directors' meetings	Name of Directors						
	Kwek Eik Sheng	Bryan Cockrell	Wong Kok Ho	Mia Gentugaya	Simeon Ferrer	Yam Kit Sung	Ricardo Pio Castro, Jr.
9 February 2021	Present	Present	Present	Present	N/A (not yet elected)	Present	N/A (not yet elected)
17 May 2021 (10:30 am)	Present	Present	Present	Present	N/A (not yet elected)	Present	N/A (not yet elected)
17 May 2021 (12:00 pm)	Present	Present	Present	Present	Present	Present	Present
25 May 2021	Present	Present	Present	Present	Present	Present	Present
6 August 2021	Present	Present	Present	Present	Present	Present	Present
11 October 2021	Present	Absent	Present	Present	Present	Present	Present
2 November 2021	Present	Present	Present	Present	Present	Present	Present
***							
Total	7/7	6/7	7/7	7/7	5/5	7/7	5/5
Percentage of Attendance	100%	85.71%	100%	100%	100%	100%	100%

Meeting Attendance of the Company's Audit Committee in 2021:

Date of the Audit Committee meetings	Name of Directors		
	Bryan Cockrell	Mia Gentugaya	Ricardo Pio Castro, Jr.
9 February 2021	Present	Present	N/A (not yet elected)
4 May 2021	Present	Present	N/A (not yet elected)
6 August 2021	Present	Present	Present
2 November 2021	Present	Present	Present
15 December 2021	Present	Absent	Present
***			
Total	5/5	4/5	3/3
Percentage of Attendance	100%	80%	100%

Meeting Attendance of the Company's Corporate Governance Committee in 2021:

Date of the Corporate Governance Committee meetings	Name of Directors				
	Kwek Eik Sheng	Simeon Ken R. Ferrer	Bryan Cockrell	Ricardo Castro, Jr.	Mia Gentugaya
9 February 2021	Present	N/A (not yet elected)	Present	N/A (not yet elected)	Present
17 March 2021	Present	N/A (not yet elected)	Present	N/A (not yet elected)	Present
****					
Total	2/2	N/A	2/2	N/A	2/2
Percentage of Attendance	100%	N/A	100%	N/A	100%

ITEM 10. EXECUTIVE COMPENSATION

EXECUTIVE AND DIRECTORS COMPENSATION

NAME	POSITION	YEAR	SALARY	BONUS	OTHERS/ DIRECTOR ALLOWANCES
Farid Schoucair	General Manager of Hotel	2021			
Josie Malpas	Director of Finance	2021			
Angelica Vicencio	Director of Sales	2021			
Gigi Gaw	Director of Sales & Marketing	2021			
Juancho Baltazar	Director of Human Resources	2021			
Total		2021	13,515,787	180,999	0
Directors allowances		2021			799,600
All officers & Directors as a group		2021	13,515,787	180,999	799,600

The estimated total compensation for officers and directors in year 2022 is as follows:

Salary – PhP14 million
Bonus – PhP0.5 million
Other Fees – PhP0.8 million

FOR THE LAST 2 FINANCIAL YEARS – 2020 and 2019

NAME	POSITION	YEAR	SALARY	BONUS	OTHERS/ DIRECTOR ALLOWANCES
Farid Schoucair	General Manager of Hotel	2020			
Yam Kit Sung	General Manager of the Company	2020			
Ederlinda F. Decano	Director of Finance	2020			
Gigi Gaw	Director of Sales & Marketing	2020			
Juancho Baltazar	Director of Human Resources	2020			
Total		2020	14,399,659	1,258,778	
Directors allowances		2020			826,133
All officers & Directors as a group		2020	14,399,659	1,258,778	826,133

NAME	POSITION	YEAR	SALARY	BONUS	OTHERS/ DIRECTOR ALLOWANCES
Eddie Yeo Ban Heng	General Manager of Hotel	2019			
Yam Kit Sung	General Manager of the Company	2019			
Ederlinda F. Decano	Director of Finance	2019			
Gigi Gaw	Director of Sales & Marketing	2019			
Juancho Baltazar	Director of Human Resources	2019			
Total		2019	19,227,566	3,002,043	
Directors allowances		2019			696,333
All officers & Directors as a group		2019	19,227,566	3,002,043	696,333

In 2021, the directors were given the following per diem allowance for their attendance in meetings in 2021: for the regular directors, PhP15,000 per meeting of the Audit Committee and the Board, and for independent directors, PhP15,000 per meeting of the Audit Committee and PhP15,720 per meeting of the Board. The allowance and compensation of the directors (i.e., in 2021) 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 2021.

TITLE OF CLASS	NAME OF BENEFICIAL OWNER / (CITIZENSHIP)	AMOUNT & NATURE OF BENEFICIAL OWNERSHIP	PERCENT OF CLASS
Common shares	Yam Kit Sung (Singaporean)	3,000 shares beneficial	Less than 1%
Common shares	Kwek Eik Sheng (Singaporean)	1 share beneficial	Less than 1%

The following entities are directly or indirectly the beneficial owners of more than 5% of the Company's voting shares (common) as of 31 December 2021.

S/N	NAME OF SHAREHOLDER	CITIZENSHIP	NO. OF SHARES	% OF SHAREHOLDING (EXCLUSIVE OF TREASURY SHARES)
1	The Philippine Fund Limited	Bermuda	29,128,932	54.23%
2	Zatrio Pte. Ltd.	Singapore	17,727,149	33.00%

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Please see Note 14 of the audited financial statements for details.

ITEM 13. CORPORATE GOVERNANCE

Please refer to the attached Annual Corporate Governance Report of the Company for the year 2021.

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

Exhibits
None

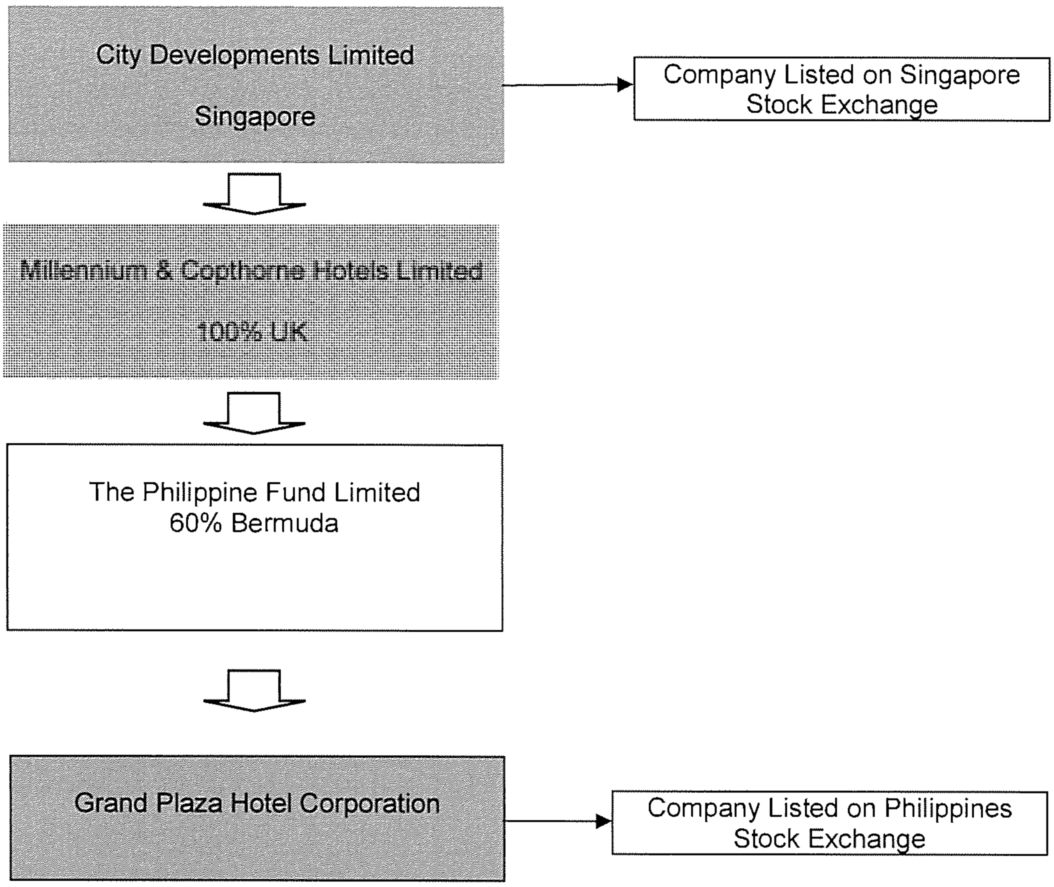
Reports on SEC Form 17-C

The following events were reported in SEC Form 17-C during the period January 2021 to December 2021:

Date of Filing of SEC Form 17-C	Summary of the matter disclosed
27 January 2021	Grand Plaza Hotel Corporation - CTA En Banc Resolution dated 19 January 2021 on CTA EB Case No. 2039 (CTA Case No. 8992) entitled "Commissioner of Internal Revenue vs. Grand Plaza Hotel Corporation"
9 February 2021	1. Appointment of Ms. Josefina Malpas as Director of Finance and a member of the Management Executive Committee 2. Grand Plaza Hotel Corporation ("Corporation") – Appointment of Atty. Juancho Baltazar as the Data Privacy Officer of the Corporation to replace Ms. Ederlinda Decano.
18 March 2021	Resignation of Ms. Ariane Mae V. Vallada as Assistant Corporate Secretary and Appointment of Ms. Lesley Anne C. Mondez as Assistant Corporate Secretary
24 March 2021	Petition for Review - Grand Plaza Hotel Corporation - Commissioner of Internal Revenue vs. Grand Plaza Hotel Corporation (docketed as G.R. No. 255287 (Court of Tax Appeals (CTA) En Banc (EB) No. 2039))
29 March 2021	Demise of Antonio Rufino
26 May 2021	Replacement of Corporate Governance Chair (from Mia Gentugaya to Simeon Ken Ferrer)

The Group Structure

The Philippine Fund Limited Group Structure



As at 31 December 2021

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 __________, 2022.

By:

Kwek Eik Sheng
Chairman and President

NOTARY PUBLIC
Ho Suk Tsing
Leslie
NP2021/0252
1 Apr 2021 – 31 Mar 2022
SINGAPORE

Yam Kit Sung
Director and General Manager/
Chief Financial Officer

Alain Charles J. Veloso
Corporate Secretary

SUBSCRIBED AND SWORN to before me this _____ day of ________ 2022__ 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 2022.

GRAND PLAZA HOTEL CORPORATION

15 February 2022

Statement of Management's Responsibility for Financial Statements

SECURITIES AND EXCHANGE COMMISSION
CCP Complex
Pasay City

The management of **Grand Plaza Hotel Corporation** (the **"Company"**), is responsible for the preparation and fair presentation of the financial statements, including the schedules attached therein, as at and for the years ended **December 31, 2021 and 2020**, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

Kwek Eik Sheng
Chairman and President

Yam Kit Sung
Director, General Manager & Chief Financial Officer

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__________, 2022.

By:

Kwek Eik Sheng
Chairman and President

Yam Kit Sung
Director and General Manager/
Chief Financial Officer

Alain Charles J. Veloso
Corporate Secretary

SUBSCRIBED AND SWORN to before me this _____ day of _________ 2022__ affiant(s) exhibiting to me their Community Tax Certificates/Passports, as follows:

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Notary Public

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GRAND PLAZA HOTEL CORPORATION

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Kwek Eik Sheng
Chairman and President

Yam Kit Sung
Director, General Manager & Chief Financial Officer

GRAND PLAZA HOTEL CORPORATION

FINANCIAL STATEMENTS
December 31, 2021, 2020 and 2019

With Independent Auditors' Report

R.G. Manabat & Co.
The KPMG Center, 6/F
6787 Ayala Avenue, Makati City
Philippines 1209
Telephone +63 (2) 8885 7000
Fax +63 (2) 8894 1985
Internet www.home.kpmg/ph
Email ph-inquiry@kpmg.com

REPORT OF INDEPENDENT AUDITORS

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Grand Plaza Hotel Corporation (the Company), which comprise the statements of financial position as at December 31, 2021 and 2020, and the statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2021, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Grand Plaza Hotel Corporation as at December 31, 2021 and 2020, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2021 in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

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

Firm Regulatory Registration & Accreditation:
PRC-BOA Registration No. 0003, valid until November 21, 2023
SEC Accreditation No. 0003-SEC, Group A, valid for five (5) years covering the audit of 2020 to 2024 financial statements (2019 financial statements are covered by SEC Accreditation No. 0004-FR-5)
IC Accreditation No. 0003-IC, Group A, valid for five (5) years covering the audit of 2020 to 2024 financial statements (2019 financial statements are covered by IC Circular Letter (CL) No. 2019-39, Transition clause)
BSP Accreditation No. 0003-BSP, Group A, valid for five (5) years covering the audit of 2020 to 2024 financial statements (2019 financial statements are covered by BSP Monetary Board Resolution No. 2161, Transition clause)

Key Audit Matter

Key audit matter is the matter that, in our professional judgment, was of most significance in our audit of the financial statements of the current period. This matter was addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Valuation of Property and equipment
Refer to Note 10 to the financial statements.

The risk

As at December 31, 2021, the carrying amount of the Company's property and equipment was P550.46 million which represents 43% of its total assets. The Company's property and equipment were considered at risk of impairment because the Company has experienced a difficult business environment in 2021 and 2020 due to the Corona Virus Disease 2019 (COVID-19) pandemic. The fear of COVID-19 led to significant uncertainty and chaotic conditions in many industries. In the Philippines and in other countries, each government has implemented drastic measures including travel restrictions and home quarantine, to control the pandemic. Thus, this COVID-19 pandemic has affected every sector across the globe, and the hotel industry, to which the Company belongs, is an economic sector which is among those most severely affected.
In transitioning to return to its pre-pandemic normal operations, management exercises judgement in making an estimate of the recoverable amount of the asset against its carrying amount. The recoverable amount determined is based on cash flow projections prepared by management and highly dependent on its expectations of future hotel revenues and estimated costs necessary to make such revenues amidst a scenario that the effects of COVID-19 will continue and that it could take years for the hotel industry to recover. Therefore, greater levels of audit efforts were required in respect of the assumptions and estimates used in deriving the recoverable amount of these property and equipment.

Our response

Our audit procedures included, among others, obtaining an understanding of management's processes for impairment testing and assessing management's determination of the recoverable amount of the Company's property and equipment, which mainly consist of its hotel assets, by reviewing the fair value as reported by an independent appraiser who carried out the valuation using the *Income Approach*. We also performed evaluation of the competence, capabilities and objectivity of the independent appraiser and involved our own valuation specialists to assess the appropriateness of the valuation techniques and the reasonableness of the inputs and assumptions in the valuation report such as the projected economic growth, inflation rate, discount rate, and occupancy and room rates used in determining the recoverable amount of the Company's property and equipment. We assessed the main future cash flow inputs and corroborated them by comparing them to internal forecasts and strategic plans that were approved by management and compared these inputs against historical data and industry forecasts. We also assessed the adequacy of the relevant disclosures made in the financial statements.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2021, but does not include the financial statements and our auditors' report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2021 are expected to be made available to us after the date of this auditors' report.

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

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

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

KPMG

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

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Note 28 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such supplementary information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

R.G. MANABAT & CO.

ALICIA S. COLUMBRES
Partner
CPA License No. 069679
SEC Accreditation No. 1590-AR-1, Group A, valid until August 7, 2022
Tax Identification No. 120-964-156
BIR Accreditation No. 08-001987-027-2020
Issued July 20, 2020; valid until July 19, 2023
PTR No. MKT 8854058
Issued January 3, 2022 at Makati City

March 29, 2022
Makati City, Metro Manila

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date MAR 31 2022 REG
JANICE O. DIZON

GRAND PLAZA HOTEL CORPORATION

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **Grand Plaza Hotel Corporation** (the "Company") is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended **December 31, 2021, 2020 and 2019**, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

Bryan Cockrell
Vice Chairman

Arlene De Guzman
Treasurer

Yam Kit Sung
Chief Financial Officer

Signed this 30th day of March 2022.

GRAND PLAZA HOTEL CORPORATION
STATEMENTS OF FINANCIAL POSITION

	Note	December 31 2021	2020
ASSETS			
Current Assets			
Cash and cash equivalents	*4, 25*	**P386,245,378**	P284,101,843
Receivables - net	*5, 25*	**106,369,487**	127,183,475
Loan receivable	*9, 14, 25*	**15,500,000**	15,500,000
Due from related parties	*14, 25*	**2,376,917**	7,054,105
Inventories	*6*	**4,661,037**	5,265,257
Prepaid expenses and other current assets	*7*	**37,966,524**	27,625,186
Total Current Assets		**553,119,343**	466,729,866
Noncurrent Assets			
Property and equipment - net	*10, 14, 20*	**550,463,200**	584,100,813
Investment in an associate	*8, 14*	**50,398,850**	50,211,824
Deferred tax assets - net	*22*	**21,070,647**	32,861,582
Other noncurrent assets	*11, 14*	**94,008,340**	91,957,767
Total Noncurrent Assets		**715,941,037**	759,131,986
		P1,269,060,380	P1,225,861,852
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and accrued expenses	*12, 25*	**P61,595,142**	P56,918,972
Refundable deposits - current portion	*19, 20, 25*	**26,666,052**	27,419,221
Due to related parties	*14, 25*	**46,285,248**	42,134,727
Lease liability - current portion	*14, 20, 25*	**4,237,441**	13,424,707
Other current liabilities	*13, 25*	**31,434,439**	16,991,622
Total Current Liabilities		**170,218,322**	156,889,249
Noncurrent Liabilities			
Refundable deposits - net of current portion	*19, 20, 25*	**468,000**	468,000
Retirement benefits liability	*21*	**33,482,499**	33,908,459
Lease liability - noncurrent portion	*14, 20, 25*	**163,524,676**	167,762,117
Total Noncurrent Liabilities		**197,475,175**	202,138,576
Total Liabilities		**367,693,497**	359,027,825
Equity			
Capital stock	*24*	**873,182,700**	873,182,700
Additional paid-in capital		**14,657,517**	14,657,517
Remeasurement gains on retirement benefits liability- net	*21*	**8,896,027**	8,032,225
Retained earnings	*23*	**1,684,651,009**	1,650,981,955
Treasury stock	*24*	**(1,680,020,370)**	(1,680,020,370)
Total Equity		**901,366,883**	866,834,027
		P1,269,060,380	P1,225,861,852

See Notes to the Financial Statements.

GRAND PLAZA HOTEL CORPORATION
STATEMENTS OF PROFIT OR LOSS

	Note	2021	2020	2019
		Years Ended December 31		
REVENUES				
Rooms		**P284,641,767**	P258,805,062	P292,242,478
Food and beverage		**47,788,080**	64,024,822	134,309,229
Other operating departments		**238,853**	2,098,822	5,907,127
Others		**2,321,841**	4,971,881	8,856,283
		334,990,541	329,900,587	441,315,117
COST OF SALES AND SERVICES	*16*	**70,664,777**	83,396,982	152,059,414
GROSS OPERATING INCOME		**264,325,764**	246,503,605	289,255,703
ADMINISTRATIVE EXPENSES	*17*	**219,452,087**	219,500,745	276,796,695
NET OPERATING INCOME		**44,873,677**	27,002,860	12,459,008
OTHER INCOME (EXPENSES)				
Interest income	*4, 9, 14*	**5,199,246**	6,440,213	7,704,414
Equity in net income of an associate	*8*	**1,587,026**	1,531,113	1,425,677
Interest on lease liability	*20*	**(13,894,621)**	(14,202,680)	(14,486,420)
Foreign exchange gain (loss) - net		**9,334,158**	(12,001,059)	(7,889,878)
		2,225,809	(18,232,413)	(13,246,207)
INCOME (LOSS) BEFORE INCOME TAX		**47,099,486**	8,770,447	(787,199)
INCOME TAX EXPENSES (BENEFIT)	*22*	**13,430,432**	(3,295,261)	(3,156,688)
NET INCOME		**P33,669,054**	P12,065,708	P2,369,489
Basic and Diluted Earnings Per Share	*18*	**P0.63**	P0.22	P0.04

See Notes to the Financial Statements.

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date MAR 31 2022 REG
JANICE O. DIZON

GRAND PLAZA HOTEL CORPORATION
STATEMENTS OF COMPREHENSIVE INCOME

		Years Ended December 31		
	Note	**2021**	2020	2019
NET INCOME		**P33,669,054**	P12,065,708	P2,369,489
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified to profit or loss				
Remeasurement gain (loss) on retirement benefits liability	*21*	**386,762**	(4,226,663)	(5,376,619)
Reduction in tax rate	*22*	**573,731**	-	-
Deferred tax benefit (expense) for the current period	*22*	**(96,691)**	1,267,999	1,612,986
		863,802	(2,958,664)	(3,763,633)
TOTAL COMPREHENSIVE INCOME (LOSS)		**P34,532,856**	P9,107,044	(P1,394,144)

See Notes to the Financial Statements.

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date MAR 31 2022 REG
JANICE O. DIZON

GRAND PLAZA HOTEL CORPORATION
STATEMENTS OF CHANGES IN EQUITY

Years Ended December 31

	Note	Capital Stock (Note 24)	Additional Paid-in Capital	Remeasurement Gains on Retirement Benefits Liabilty - net of tax	Retained Earnings (Note 23)	Treasury Stock (Note 24)	Total Equity
Balance at January 1, 2019		P873,182,700	P14,657,517	P14,754,522	P1,636,546,758	(P1,680,020,370)	P859,121,127
Net income for the year		-	-	-	2,369,489	-	2,369,489
Other comprehensive loss for the year	21	-	-	(3,763,633)	-	-	(3,763,633)
Total comprehensive income (loss) for the year		-	-	(3,763,633)	2,369,489	-	(1,394,144)
Balance at December 31, 2019		P873,182,700	P14,657,517	P10,990,889	P1,638,916,247	(P1,680,020,370)	P857,726,983
Balance at January 1, 2020		P873,182,700	P14,657,517	P10,990,889	P1,638,916,247	(P1,680,020,370)	P857,726,983
Net income for the year		-	-	-	12,065,708	-	12,065,708
Other comprehensive loss for the year	21	-	-	(2,958,664)	-	-	(2,958,664)
Total comprehensive income (loss) for the year		-	-	(2,958,664)	12,065,708	-	9,107,044
Balance at December 31, 2020		P873,182,700	P14,657,517	P8,032,225	P1,650,981,955	(P1,680,020,370)	P866,834,027
Balance at January 1, 2021		P873,182,700	P14,657,517	P8,032,225	P1,650,981,955	(P1,680,020,370)	P866,834,027
Net income for the year		-	-	-	33,669,054	-	33,669,054
Other comprehensive income for the year	21	-	-	863,802	-	-	863,802
Total comprehensive income for the year		-	-	863,802	33,669,054	-	34,532,856
Balance at December 31, 2021		**P873,182,700**	**P14,657,517**	**P8,896,027**	**P1,684,651,009**	**(P1,680,020,370)**	**P901,366,883**

See Notes to the Financial Statements.

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date MAR 31 2022 REG
JANICE O. DIZON

GRAND PLAZA HOTEL CORPORATION
STATEMENTS OF CASH FLOWS

		Years Ended December 31		
	Note	2021	2020	2019 As restated (Note 20)
CASH FLOWS FROM OPERATING ACTIVITIES				
Income (loss) before income tax		**P47,099,486**	P8,770,447	(P787,199)
Adjustments for:				
Depreciation and amortization	*10, 17*	**42,965,281**	43,283,263	42,728,166
Interest expense on lease liability	*20*	**13,894,621**	14,202,680	14,486,420
Unrealized foreign exchange loss (gain)		**(9,491,318)**	11,095,968	(7,588,718)
Retirement benefits cost	*21*	**3,142,494**	3,176,687	2,997,044
Provision for (reversal of) impairment losses on receivables	*5, 17, 25*	**(736,371)**	693,795	(118,294)
Interest income	*4, 9, 14*	**(5,199,246)**	(6,440,213)	(7,704,414)
Equity in net income of an associate	*8*	**(1,587,026)**	(1,531,113)	(1,425,677)
Operating income before working capital changes		**90,087,921**	73,251,514	42,587,328
Decrease (increase) in:				
Receivables		**21,545,834**	(40,585,088)	(10,725,643)
Due from related parties		**4,677,188**	(6,978,480)	124,012
Inventories		**604,220**	2,241,829	1,722,569
Prepaid expenses and other current assets		**(10,341,338)**	(939,697)	(1,402,839)
Other noncurrent assets		**(2,050,573)**	1,043,754	(4,015,471)
Increase (decrease) in:				
Accounts payable and accrued expenses		**4,676,170**	(33,957,069)	23,649,993
Refundable deposits		**(753,169)**	(536,540)	(64,321)
Due to related parties		**4,150,521**	5,964,457	4,724,516
Other current liabilities		**14,442,817**	(6,039,432)	6,532,978
Net cash generated from (used in) operations		**127,039,591**	(6,534,752)	63,133,122
Interest received		**5,203,771**	7,481,330	8,299,196
Income taxes paid		**(1,162,457)**	(2,099,250)	(4,536,830)
Retirement benefits paid	*21*	**(3,181,692)**	(2,457,573)	(469,759)
Net cash provided by (used in) operating activities		**127,899,213**	(3,610,245)	66,425,729

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LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISI...
Date MAR 31 2022 REC...
JANICE O. DIZON

		Years Ended December 31		
	Note	**2021**	2020	2019 As restated (Note 20)
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to property and equipment	*10*	**(P9,327,668)**	(P8,562,580)	(P2,867,343)
Dividends received from an associate	*8*	**1,400,000**	1,200,000	1,600,000
Net cash used in investing activities		**(7,927,668)**	(7,362,580)	(1,267,343)
CASH FLOWS FROM FINANCING ACTIVITIES				
Interest payment of lease liability	*20*	**(21,581,936)**	(7,101,340)	(14,486,420)
Principal payment of lease liability	*20*	**(5,737,392)**	(1,174,548)	(3,311,188)
Net cash used in financing activities		**(27,319,328)**	(8,275,888)	(17,797,608)
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**9,491,318**	(11,095,968)	7,588,718
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**102,143,535**	(30,344,681)	54,949,496
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	*4*	**284,101,843**	314,446,524	259,497,028
CASH AND CASH EQUIVALENTS AT END OF YEAR	*4*	**P386,245,378**	P284,101,843	P314,446,524

See Notes to the Financial Statements.

GRAND PLAZA HOTEL CORPORATION
NOTES TO THE FINANCIAL STATEMENTS

1. Reporting Entity

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

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

2. Basis of Preparation

Statement of Compliance

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

The financial statements were approved and authorized for issue by the Board of Directors (BOD) on February 15, 2022.

Basis of Measurement

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

Functional and Presentation Currency

The Company's financial statements are presented in Philippine peso, which is also the Company's functional currency. All amounts have been rounded-off to the nearest peso, unless otherwise indicated.

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

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

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

Due to the current unforeseeable global consequences of the COVID-19 pandemic, these management's judgments and estimates are subject to increased uncertainty.

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

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

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

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

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

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

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

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

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

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

Determining Term and Discount Rate of Lease Arrangement
Where the Company is the lessee, management is required to make judgments about whether an arrangement contains a lease, the lease term and the appropriate discount rate to calculate the present value of the lease payments.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases entered into by the Company as lessee, management uses the incremental borrowing rate, being the rate that the Company would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Company uses an approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Company and makes adjustments specific to the lease.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if it is reasonably certain that the lease will be extended (or not terminated) and, as such, included within lease liabilities.

Estimating Allowance for Impairment Losses on Receivables
The Company uses the expected credit losses model in estimating the level of allowance which includes forecasts of future events and conditions. A credit loss is the difference between the cash flows that expected to be received discounted at the original effective interest rate. The model represents a probability-weighted estimate of the difference over the remaining life of the receivables. The maturity of the Company’s receivables is less than one year so the lifetime expected credit losses and the 12-month expected credit losses is similar. In addition, management assessed the credit risk of the receivables as at the reporting date as low, therefore the Company did not have to assess whether a significant increase in credit risk has occurred.

The loss allowances for financial assets are based on assumptions about risk of default and expected credit loss rates. The Company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Company’s past history, existing market conditions as well as forward-looking estimates at the end of each reporting period. Expected credit losses on receivables amounted to nil, P693,795 and nil for the years ended December 31, 2021, 2020 and 2019, respectively (see Note 17). As at December 31, 2021 and 2020, allowance for expected credit losses on receivables amounted to P14,299,899 and P16,716,364, respectively (see Notes 5 and 25). The carrying of receivables - net amounted to P106,369,487 and P127,183,475 as at December 31, 2021 and 2020, respectively (see Notes 5 and 25).

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

As at December 31, 2021 and 2020, the carrying amount of property and equipment amounted to P550,463,200 and P584,100,813 respectively (see Note 10).

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

As of December 31, 2021 and 2020, the Company's unrecognized deferred tax assets amounted to P6,086,205 and P15,212,689, respectively. Management does not expect to have sufficient future taxable profit against which the Company can utilize the benefits therefrom. As at December 31, 2021 and 2020, recognized deferred tax assets amounted to P24,035,989 and P36,303,964, respectively (see Note 22).

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

The Company's retirement benefits liability amounted to P33,482,499 and P33,908,459 as at December 31, 2021 and 2020, respectively. The retirement benefits cost recognized in profit or loss amounted to P3,142,494, P3,176,687 and P2,997,044 for the years ended December 31, 2021, 2020 and 2019, respectively. Cumulative actuarial gain amounted to P11,861,369 and P11,474,607 as at December 31, 2021 and 2020, respectively (see Note 21).

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

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

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

- significant negative industry or economic trends.

If any indicator exists, the asset's recoverable amount is estimated. Determining the recoverable amount of the assets requires estimation of cash flows expected to be generated from continued use and ultimate disposal of such assets. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses would increase recorded operating expenses and decrease noncurrent assets.

The Company's property and equipment were considered at risk of impairment because the Company has experienced a difficult business environment in 2021 and 2020 due to the Corona Virus Disease 2019 (COVID-19) pandemic. The fear of COVID-19 led to significant uncertainty and chaotic conditions in many industries. In the Philippines and in other countries, each government has implemented drastic measures including travel restrictions and home quarantine, to control the pandemic. Thus, this COVID-19 pandemic has affected every sector across the globe, and the hotel industry to which the Company belongs is an economic sector which is among those most severely affected (see Note 27).

No impairment loss was recognized for the years ended December 31, 2021, 2020 and 2019 (see Note 10).

Estimating Provisions and Contingencies
The Company is currently involved in tax case and assessment arising from the ordinary course of business. The estimate of the probable costs for the resolution of these claims has been developed in consultation with outside counsels handling the defense in these matters and is based upon an analysis of potential results. The Company's management and its legal counsel believe that the lawsuits and claims will not have material effect on the Company's financial position and performance. Accordingly, no provision for probable losses arising from legal contingencies was recognized in the financial statements as at December 31, 2021 and 2020 (see Note 26).

3. Summary of Significant Accounting Policies

The accounting policies set out below have been applied consistently to all the years presented in these financial statements. There are no new standards, amendments to standards and interpretations effective starting January 1, 2021 that have a significant impact on the Company's financial statements.

Standards Issued But Not Yet Adopted
A number of new standards and amendments to standards are effective for annual periods beginning after January 1, 2021. However, the Company has not early adopted the following new or amended standards in preparing these financial statements. Unless otherwise stated, none of these are expected to have a significant impact on the Company's financial statements.

Effective January 1, 2022

- *Property, Plant and Equipment - Proceeds before Intended Use (Amendments to PAS 16 Property, Plant and Equipment).* The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment the proceeds from selling items produced before that asset is available for use. The proceeds before intended use should be recognized in profit or loss, together with the costs of producing those items which are identified and measured in accordance with PAS 2 *Inventories*.

The amendments also clarify that testing whether an item of property, plant and equipment is functioning properly means assessing its technical and physical performance rather than assessing its financial performance.

For the sale of items that are not part of a company's ordinary activities, the amendments require the Company to disclose separately the sales proceeds and related production cost recognized in profit or loss and specify the line items in which such proceeds and costs are included in the statement of comprehensive income. This disclosure is not required if such proceeds and cost are presented separately in the statement of comprehensive income.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022. Earlier application is permitted. The amendments apply retrospectively, but only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the company first applies the amendments.

- *Onerous Contracts - Cost of Fulfilling a Contract (Amendment to* PAS 37*, Provisions, Contingent Liabilities and Contingent Assets).* The amendments clarify that the cost of fulfilling a contract when assessing whether a contract is onerous includes all costs that relate directly to a contract - i.e. it comprises both incremental costs and an allocation of other direct costs.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2022 to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments is recognized as an opening balance adjustment to retained earnings or other component of equity, as appropriate. The comparatives are not restated. Earlier application is permitted.

- *Annual Improvements to PFRS Standards 2018-2020.* This cycle of improvements contains amendments to four standards of which PFRS 9*, Financial Instruments* is relevant to the Company.

  - *Fees in the '10 per cent'. Test for Derecognition of Financial Liabilities (Amendment to PFRS 9)*. The amendment clarifies that for the purpose of performing the '10 per cent' test for derecognition of financial liabilities, the fees paid net of fees received included in the discounted cash flows include only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. It applies to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2022. Earlier application is permitted.

Effective January 1, 2023

- *Classification of Liabilities as Current or Non-current (Amendments to* PAS 1*, Presentation of Financial Statements).* To promote consistency in application and clarify the requirements on determining whether a liability is current or non-current, the amendments:

  - removed the requirement for a right to defer settlement of a liability for at least twelve months after the reporting period to be unconditional and instead requires that the right must have substance and exist at the end of the reporting period;

  - clarified that a right to defer settlement exists only if the company complies with conditions specified in the loan agreement at the end of the reporting period, even if the lender does not test compliance until a later date; and

  - clarified that settlement of a liability includes transferring a company's own equity instruments to the counterparty, but conversion options that are classified as equity do not affect classification of the liability as current or non-current.

  The amendments apply retrospectively for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted.

  In November 2021, the International Accounting Standards Board issued the Exposure Draft, Non-Current Liabilities with Covenants after considering stakeholder feedback on the December 2020 tentative agenda decision issued by the IFRS Interpretations Committee about the amendments. The exposure draft proposes to again amend IAS 1 as follows:

  - Conditions which the entity must comply within twelve months after the reporting period will have no effect on the classification as current or non-current.

  - Additional disclosure requirements will apply to non-current liabilities subject to such conditions to enable the assessment of the risk that the liability could become repayable within twelve months.

  - Separate presentation in the statement of financial position will be required for non-current liabilities for which the right to defer settlement is subject to conditions within 12 months after the reporting period.

  - The effective date of the amendments will be deferred to no earlier than January 1, 2024.

  Comments on the Exposure Draft is due on March 21, 2022.

- *Disclosure of Accounting Policies (Amendments to PAS 1, Presentation of Financial Statements and PFRS Practice Statement 2 Making Materiality Judgements).* The amendments are intended to help companies provide useful accounting policy disclosures. The key amendments to PAS 1 include:

  - requiring companies to disclose their *material* accounting policies rather than their *significant* accounting policies;

- clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and

- clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

The amendments to PFRS Practice Statement 2 includes guidance and additional examples on the application of materiality to accounting policy disclosures.

The amendments are effective from January 1, 2023. Earlier application is permitted.

▪ *Definition of Accounting Estimates (Amendments to PAS 8, Accounting Policies, Changes in Accounting Estimates and Errors).* To clarify the distinction between changes in accounting policies and changes in accounting estimates, the amendments introduce a new definition for accounting estimates, clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty.

  The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that an accounting estimate is developed to achieve the objective set out by an accounting policy.

  Developing an accounting estimate includes both selecting a measurement technique and choosing the inputs to be used when applying the chosen measurement technique. The effects of changes in such inputs or measurement techniques are changes in accounting estimates.

  The definition of accounting policies remain unchanged. The amendments also provide examples on the application of the new definition.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted, and will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the amendments are applied.

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

Recognition and Initial Measurement. Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the intrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at Fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Classification and Subsequent Measurement. On initial recognition, a financial asset is classified as measured at: amortized cost; fair value through other comprehensive income (FVOCI) - debt investment; FVOCI - equity investment; or FVTPL.

The Company has no financial assets classified as measured at: FVOCI - debt investment; FVOCI - equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and

- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

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

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

Business Model Assessment. The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

a. the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;

b. how the performance of the portfolio is evaluated and reported to the Company's management;

c. the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;

d. how managers of the business are compensated - e.g., whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and

e. the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Financial Liabilities

Classification, Subsequent Measurement and Gains and Losses. Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if its is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

Included under other financial liabilities are the Company's accounts payable and accrued expenses, refundable deposits, due to related parties, lease liability - current portion and other current liabilities except for output VAT payable and other statutory payables.

Impairment of Financial Assets

The Company uses the expected credit losses ("ECL") model which is applied to all debt instruments measured at amortized cost or FVOCI as well as to issued loan commitments and most financial guarantee contracts. The ECL model is a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition. Assets move through the three stages as credit quality changes and the stages dictate how an entity measures impairment losses. Stage 1 includes financial instruments that have not had a significant increase in credit risk since initial recognition or which have low credit risk at the reporting date. For these items, 12-month ECL are recognized. The 12-month ECL are the expected credit losses that result from default events that are possible within 12 months after the reporting date. Stage 2 includes financial instruments that have had a significant increase in credit risk since initial recognition (unless they have low credit risk at the reporting date) but are not credit impaired. For these items, lifetime expected credit losses are recognized which are the weighted average credit losses with the probability of default as the weight. Stage 3 includes financial assets that are credit impaired at the reporting date. For these items, lifetime expected credit losses are recognized.

A financial asset is 'credit impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience, credit assessment and including forward-looking information.

The information analyzed by the Company includes the following, among others:

- actual and expected significant changes in the political, regulatory and technological environment of the debtor or in its business activities;

- payment record - this includes overdue status as well as a range of variables about payment ratios; and

- existing and forecast changes in the business, financial and economic conditions

The Company considers a financial asset to be in default when:

- the debtor is unlikely to pay its credit obligation to the Company in full, without recourse by the Company to actions such as realizing security (if any is held); or

- the debtor is past due more than 90 days on any material credit obligation to the Company.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

Receivables are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Company determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, the financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

The carrying amount of the asset shall be reduced either directly or through use of an allowance account. The impairment loss for the period shall be recognized in the statement of comprehensive income. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the statement of comprehensive income, to the extent that the carrying amount of the asset does not exceed its amortized cost at the reversal date.

Offsetting of Financial Assets and Liabilities

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

Derecognition of Financial Instruments

Financial Assets. A financial asset (or, where applicable, a part of a financial asset or a part of a group of similar financial assets) is derecognized when:

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

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

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

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

Financial Liabilities. A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

Determination of Fair Values
A number of the Company’s accounting policies and disclosures require the determination of fair value, for both financial and nonfinancial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes, when necessary. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

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

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

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

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

Inventories
Inventories are measured at the lower of cost and net realizable value (NRV). Cost is determined using the first-in, first-out (FIFO) principle, and includes expenditures incurred in acquiring the inventories and bringing them to their existing location and condition. NRV is the estimated selling price in the ordinary course of business, less the estimated selling expenses. Obsolete inventories are disposed of and related costs are recognized in profit or loss.

Investment in an Associate
An associate is an entity in which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but not control or joint control over those policies.

The Company's investment in an associate is accounted for using the equity method. Under the equity method, the investment in an associate is initially recognized at cost. The carrying amount of the investment is adjusted to recognize the changes in the Company's share in the net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

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

Property and Equipment

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

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

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

	Number of Years
Building and building improvements	46 - 50
Right-of-use asset	21
Furniture, fixtures and equipment	5 - 10
Transportation equipment	5
Leasehold improvements	5 or term of the lease, whichever is shorter

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

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

Impairment of Nonfinancial Assets

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

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

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

Capital Stock

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

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

Treasury Stock

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

Retained Earnings

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

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

Revenue

Revenue from Contracts with Customers

The Company's business is primarily engaged in offering hotel rooms and facilities such as restaurants, function halls, coffee shops and all adjuncts and accessories, thereto.

The Company recognizes revenue when it transfers control over a product or service to a customer. Revenue is measured based on the consideration specified in a contract with a customer.

The following is a description of principal activities from which the Company generates its revenue. Revenue is disaggregated by major products/service lines as reflected in the statements of profit or loss.

Hotel Rooms and Function Halls
Revenue from hotel rooms and function halls is recognized at the point in time when control of the service is transferred to a customer, generally on actual occupancy. The normal credit terms for lease of hotel rooms and function halls is 30 days, when payment is made on credit.

Food and Beverage
Revenue from food and beverage is recognized at the point in time when the goods have been delivered.

Other Operating Departments
Revenue from other operating departments is recognized at the point in time when the service has been rendered. This pertains to the revenue from telephone use, internet and laundry services.

Other Revenues
Other revenues are recognized at the point in time when the service has been rendered.

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

Costs and Expenses
Costs and expenses are recognized when incurred.

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

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

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

Leases

At inception of a contract, the Company assesses whether a contract is, or contains. a lease. A contract is. or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

As a Lessor

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

As a Lessee

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The Company determines its incremental borrowing rate by obtaining interest rates from external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and

- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term Leases and Leases of Low-value Assets
The Company has elected not to recognize right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

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

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

The Company has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted for them under PAS 37, *Provisions, Contingent Liabilities and Contingent Assets.*

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

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

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

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

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

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

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

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

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

<u>Related Parties</u>
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. Related parties may be individuals or corporate entities.

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

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

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

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

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

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

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

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

4. Cash and Cash Equivalents

This account consists of:

	Note	**2021**	2020
Cash on hand and in banks		**P183,284,150**	P90,746,196
Short-term investments		**202,961,228**	193,355,647
	25	**P386,245,378**	P284,101,843

Cash in banks earns annual interest at the prevailing bank deposit rates. Short-term investments consist mainly of time deposits which earn annual interest ranging from 0.05% to 0.10%, 0.05% to 1.79% and 1.30% to 2.05% in 2021, 2020 and 2019, respectively. Interest income earned from this account amounted to P524,246, P1,765,213 and P3,029,414 for the years ended December 31, 2021, 2020 and 2019, respectively.

5. Receivables - net

This account consists of:

	Note	**2021**	2020
Trade:			
Charge customers	*25*	**P2,421,639**	P20,983,714
Others		**76,055,597**	82,617,439
		78,477,236	103,601,153
Utility charges		**33,442,882**	32,437,816
Advances to employees		**1,521,486**	1,430,839
Interest		**29,747**	34,272
Others		**7,198,035**	6,395,759
		120,669,386	143,899,839
Less allowance for impairment losses on trade receivables	*25*	**(14,299,899)**	(16,716,364)
	25	**P106,369,487**	P127,183,475

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

Trade - Charge customers include receivables from airlines, travel agencies and embassies.

Trade - Others include receivables from Philippine Amusement and Gaming Corporation (PAGCOR) and Overseas Workers Welfare Administration (OWWA). Receivables from PAGCOR amounting to P29,409,140, in 2021 and 2020 which mainly consist of unpaid billings from the contract with PAGCOR which was terminated in July 2013. The collection of the remaining receivables from PAGCOR is subject to the ongoing reconciliation of records between the Company and PAGCOR who have not yet reached an agreement as to the net amount of settlement due to each party.

Receivables from OWWA amounting to P55,892,937 and P60,752,020 as at December 31, 2021 and 2020, respectively, which consist of unpaid billings from the contract with OWWA to cater to repatriated Overseas Filipino Workers who are waiting for swab test results.

The Company's exposure to credit risks related to trade receivables is disclosed in Note 25.

6. Inventories

Inventories carried at cost consists of:

	2021	2020
Engineering supplies	**P2,224,972**	P2,338,891
General supplies	**1,154,151**	1,354,235
Food	**910,978**	1,124,414
Beverage and tobacco	**116,839**	213,220
Others	**254,097**	234,497
	P4,661,037	P5,265,257

There was no write down of inventories to NRV in each of the three years in the period ended December 31, 2021.

7. Prepaid Expenses and Other Current Assets

This account consists of:

	2021	2020
Prepaid income tax	**P16,145,655**	P12,315,118
Creditable withholding VAT	**10,333,218**	-
Input VAT	**7,902,404**	7,343,692
Prepaid expenses	**3,381,674**	7,599,921
Utilities deposit	**203,573**	366,455
	P37,966,524	P27,625,186

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

Creditable withholding VAT represents the five percent (5%) taxes withheld from its collections from OWWA.

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

8. Investment in an Associate

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

This account consists of:

	2021	2020
Acquisition cost	**P48,200,000**	P48,200,000
Accumulated share in net earnings:		
Balance at beginning of year	**2,011,824**	1,680,711
Equity in net income	**1,587,026**	1,531,113
Dividends received	**(1,400,000)**	(1,200,000)
Balance at end of year	**2,198,850**	2,011,824
	P50,398,850	P50,211,824

A summary of the information of HLC as follows:

	2021	2020
Current assets	**P33,460,200**	P36,490,932
Noncurrent assets	**121,830,382**	121,830,382
Current liabilities	**(5,293,458)**	(8,791,754)
Noncurrent liability	**(78,000,000)**	(78,000,000)
Net assets (100%) - net	**71,997,124**	71,529,560
Add: Subscription receivable	**54,000,000**	54,000,000
	P125,997,124	P125,529,560
Company's share of net assets (40%)	**P50,398,850**	P50,211,824
Revenue	**P17,797,608**	P17,797,608
Net income/total comprehensive income (100%)	**P3,967,566**	P3,827,782
Company's share in net income/total comprehensive income (40%)	**P1,587,026**	P1,531,113

9. Loan Receivable

This pertains to the loan granted to Rogo Realty Corporation (RRC), a company under common control, collateralized by RRC's investment in shares of stock of HLC with a carrying value of P72,300,000 as at December 31, 2021 and 2020 and is collectable on demand with interest rate of 5% per annum (see Note 14).

Interest income earned in 2021, 2020 and 2019 amounted to P775,000 for each year.

10. Property and Equipment - net

The movements and balances in this account are as follows:

	Building and Building Improvements	Furniture Fixtures and Equipment	Transportation Equipment	Leasehold Improvements	Right-of-Use Asset (Note 20)	Total
Cost						
Balance, January 1, 2020	P1,028,554,204	P394,099,781	P7,438,511	P385,157	P178,571,220	P1,609,048,873
Additions	4,382,469	4,180,111	-	-	-	8,562,580
Balance, December 31, 2020	1,032,936,673	398,279,892	7,438,511	385,157	178,571,220	1,617,611,453
Additions	7,392,023	1,935,645	-	-	-	9,327,668
Balance, December 31, 2021	**1,040,328,696**	**400,215,537**	**7,438,511**	**385,157**	**178,571,220**	**1,626,939,121**
Accumulated Depreciation and Amortization						
Balance, January 1, 2020	567,683,453	373,454,493	5,410,736	385,157	8,537,269	955,471,108
Depreciation and amortization during the year	27,028,715	7,061,217	656,062	-	8,537,269	43,283,263
Balance, December 31, 2020	594,712,168	380,515,710	6,066,798	385,157	17,074,538	998,754,371
Depreciation and amortization during the year	27,063,123	6,708,827	656,062	-	8,537,269	42,965,281
Balance, December 31, 2021	**621,775,291**	**387,224,537**	**6,722,860**	**385,157**	**25,611,807**	**1,041,719,652**
Impairment Loss						
Balance, January 1, 2020/ December 31, 2020	32,956,783	1,703,373	96,113	-	-	34,756,269
Balance, December 31, 2021	**32,956,783**	**1,703,373**	**96,113**	**-**	**-**	**34,756,269**
Carrying Amount						
December 31, 2020	P405,267,722	P16,060,809	P1,275,600	P -	P161,496,682	P584,100,813
December 31, 2021	**P385,596,622**	**P11,287,627**	**P619,538**	**P -**	**P152,959,413**	**P550,463,200**

The Company has obtained the services of an independent appraiser to determine the fair value of its property and equipment which primarily consists of hotel assets.

Valuation Techniques and Significant Unobservable Inputs
The fair value of property and equipment was arrived at using the Income Approach. The aforementioned approach is a method used to derive a value indication for an income producing property by converting its anticipated benefits (cash flows and reversion) into property value. This conversion can be accomplished by discounted cash flow analysis. The Discounted Cash Flow Analysis involves the projection of a series of periodic cash flows to a business. Periodic cash flow is typically estimated as gross income less vacancy and collection losses and less operating expenses/outgoings. The series of net incomes, along with an estimate of reversion/terminal value, anticipated at the end of the projection period, is then discounted. The fair value measurement was categorized as a Level 3 fair value based on the inputs in the valuation technique used (see Note 3).

The key assumptions used in the estimation of the recoverable amount are set out below. The values assigned to the key assumptions represent the independent appraiser's assessment of future trends in the relevant industry.

Gross Revenue. Gross revenues of the Company over the next ten (10) years are projected to grow in line with the economy. This assumes that the market share of the Company will be flat on the assumption that it will also grow at par with the economy.

Operating Expenses. Operating expenses are projected to increase at a single-digit growth rate and at a slower pace than revenue.

Discount Rate. The Company uses the weighted-average cost of capital as the discount rate. In determining the appropriate discount rate, regard has been given to various market information, including but not limited to, 10-year government bond yield, bank lending rates, market premium. The discount rate used is 12% in 2021.

Terminal Growth Rate. The long-term rate used to extrapolate the cash flow projections of the property and equipment beyond the period covered by the cash flow excludes capital acquisitions and expansions in the future. The terminal growth rate used is 2% in 2021.

Terminal Value Rate. The Company used 10% terminal rate to estimate the value of the asset at the end of the explicit projection period.

No impairment loss was recognized in 2021, 2020 and 2019. Management has identified that a reasonably possible change in two key assumptions could cause the carrying amount to exceed the recoverable amount. The following table shows the amount by which these two assumptions would need to change individually for the estimated recoverable amount to be equal to the carrying amount.

	Change Required for Carrying Amount to Equal Recoverable Amount
Discount rate	**5.4%**
Terminal value rate	**4.3%**

11. Other Noncurrent Assets

This account consists of:

	Note	**2021**	2020
Lease deposit	*14, 20, 25*	**P78,000,000**	P78,000,000
Miscellaneous deposits		**8,582,719**	8,582,719
Advances to suppliers		**6,415,621**	4,365,048
Others		**1,010,000**	1,010,000
		P94,008,340	P91,957,767

Miscellaneous deposits consist of utility and rent deposits.

12. Accounts Payable and Accrued Expenses

This account consists of:

	Note	**2021**	2020
Trade		**P39,158,767**	P30,333,222
Accrued other liabilities		**12,600,297**	11,452,451
Accrued payroll		**6,242,206**	12,080,948
Accrued utilities		**3,593,872**	3,052,351
	25	**P61,595,142**	P56,918,972

Trade payables have normal terms of 30 to 45 days.

Accrued other liabilities consists of dues and subscriptions, credit card commission, insurance, maintenance, professional fee, commissions and other accrued expenses.

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

13. Other Current Liabilities

This account consists of:

	Note	2021	2020
Deferred output VAT		**P18,856,277**	P8,093,765
Deposits for utilities		**5,184,148**	5,184,148
Payable to employees		**3,442,663**	2,257,526
Payable to government agencies		**3,071,981**	997,428
Rewards redemption payable		**136,189**	172,912
Others		**743,181**	285,843
	25	**P31,434,439**	P16,991,622

14. Related Party Transactions

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

				Outstanding Balance			
Category/Transaction	Year	Note	Amount of the Transaction	Due from Related Parties	Due to Related Parties	Terms	Conditions
Associate							
▪ Lease deposit	**2021**	11, 20	**P -**	**P78,000,000**	**P -**	Required lease	Collectable upon
	2020		-	78,000,000	-	deposit on the	termination of the
	2019		-	78,000,000	-	leased land	contract
▪ Interest income	**2021**	14b, 20	**3,900,000**	**1,950,000**	**-**	5% per annum of	Unsecured;
	2020		3,900,000	-	-	the lease deposit	no impairment
	2019		3,900,000	-	-		
▪ Rent expense	**2021**	17, 20	**-**	**-**	**-**	Due and	Unsecured
	2020		-	-	-	demandable; non	
	2019		-	-	-	interest bearing	
▪ Rent income	**2021**	14e	**180,000**	**-**	**-**	Due and	Unsecured
	2020		180,000	-	-	demandable; non	
	2019		180,000	-	-	interest bearing	
Under Common Control							
▪ Management and incentive fees	**2021**	14d, 17	**19,178,154**	**-**	**45,316,898**	Due and	Unsecured
	2020		17,472,942	-	40,488,334	demandable; non	
	2019		19,350,770	-	34,690,665	interest bearing	
▪ Advances	**2021**	14a	**1,839,438**	**104,000**	**968,350**	Due and	Unsecured;
	2020		7,145,268	7,054,105	1,646,393	demandable; non	no impairment
	2019		915,630	75,625	1,479,605	interest bearing	
▪ Loan	**2021**	9, 14c	**-**	**15,500,000**	**-**	Due and	Unsecured;
	2020		-	15,500,000	-	demandable;	no impairment
	2019		-	15,500,000	-	interest bearing	
▪ Interest income	**2021**	9, 14c	**775,000**	**322,917**	**-**	5% per annum of	Unsecured;
	2020		775,000	-	-	the loan receivable	no impairment
	2019		775,000	-	-		
▪ Rent income	**2021**	14e	**420,000**	**-**	**-**	Due and	Unsecured
	2020		420,000	-	-	demandable; non	
	2019		420,000	-	-	interest bearing	
Key Management Personnel of the Entity							
▪ Short term employee benefits	**2021**	14g	**14,423,744**	**-**	**-**		
	2020		15,658,438	-	-		
	2019		22,229,609	-	-		
TOTAL	**2021**			**P95,876,917**	**P46,285,248**		
TOTAL	2020			P100,554,105	P42,134,727		
TOTAL	2019			P93,575,625	P36,170,270		

Due from related parties is included in the following accounts:

	Note	2021	2020
Loan receivable	9	**P15,500,000**	P15,500,000
Due from related parties		**2,376,917**	7,054,105
Other noncurrent assets	11, 20	**78,000,000**	78,000,000
		P95,876,917	P100,554,105

a. The Company grants/obtains advances to/from related parties for working capital purposes. These advances are non-interest bearing, unsecured and receivable/payable on demand.

b. The interest receivable from HLC, an associate, represents the uncollected interest on the lease deposit of the Company to HLC at 5% a year (see Note 20). The related interest income amounted to P3,900,000 annually for the three-year period ended December 31, 2021.

c. The interest receivable from RRC, an entity under common control, represents the uncollected interest on the loan granted by the Company to RRC at 5% per annum (see Note 9). The related interest income amounted to P775,000 annually for the three-year period ended December 31, 2021.

d. The Company has a Management Agreement with Elite Hotel Management Services Pte. Ltd - Philippine Company (Elite), an entity under common control, under which the latter provides management, technical and administrative services. In return, the Company pays monthly basic management and incentive fees based on a percentage of the hotel's revenue (2%) and gross operating profit (7%), respectively, starting April 2011. The agreement was last renewed in April 2017 and is effective until December 31, 2021. The renewal of the agreement is in process as at report date.

e. The rent income from HLC, RRC and Elite represents the sub-leased portion of an office space consisting of 30 square meters, 25 square meters and 65 square meters, respectively, located at the Hotel. The lease covers a period of 2.5 years until December 31, 2016, and was renewed for another three (3) years until December 31, 2019. The contract was further renewed for another one (1) year from January 1 until December 31, 2021, and is renewable for another one (1) year.

f. The Company leases the land occupied by the Hotel from HLC (see Note 20).

g. Transactions with Key Management Personnel

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

	2021	2020	2019
Executive officers	**P8,500,527**	P14,399,659	P16,127,721
Directors of hotel operations	**5,923,217**	1,258,779	6,101,888
	P14,423,744	P15,658,438	P22,229,609

   The compensation and benefits of one of key management personnel are paid by Millennium & Corpthorne Hotels (M&C), the Parent Company's intermediary parent.

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

   Due from and to related parties are normally settled in cash. As at December 31, 2021 and 2020, the Company determined that due from related parties are fully recoverable, hence, no impairment loss has been recognized.

15. Payroll and Employee Benefits

This account consists of:

	2021	2020	2019
Rooms	**P16,564,250**	P19,971,028	P32,665,997
Food and beverage	**12,223,772**	14,069,796	28,084,584
Hotel overhead departments:			
Administrative and general	**26,204,622**	27,724,771	40,175,422
Sales and marketing	**8,555,634**	7,842,800	13,599,168
Engineering	**8,396,327**	7,676,356	9,408,448
Human resources	**2,631,945**	2,548,832	2,897,412
Other operating departments	**216,528**	443,650	1,024,537
	P74,793,078	P80,277,233	P127,855,568

Payroll and employees benefits charged in the statements of profit or loss were allocated as follows:

	Note	**2021**	2020	2019
Cost of sales and services	*16*	**P29,004,550**	P34,484,474	P61,775,118
Administrative expenses	*17*	**45,788,528**	45,792,759	66,080,450
		P74,793,078	P80,277,233	P127,855,568

Payroll and employee benefits charged to cost of sales and services are recorded under “Rooms”, “Food and Beverage” and “Other Operating Departments”

16. Cost of Sales and Services

This account consists of:

	Note	**2021**	2020	2019
Payroll and employee benefits	*15*	**P29,004,550**	P34,484,474	P61,775,118
Food and beverage		**17,729,947**	20,730,014	43,536,549
Guest supplies		**5,292,779**	5,716,667	9,578,397
Operating supplies		**5,224,133**	3,878,999	2,210,283
Permits and licenses		**3,180,905**	2,967,672	467,580
Cleaning supplies		**1,360,627**	2,807,744	1,062,587
Kitchen fuel		**1,123,137**	1,149,273	2,273,439
Printing and stationary		**792,555**	1,008,165	2,284,169
Online selling and marketing tools		**731,238**	963,486	3,997,794
Laundy and dry cleaning		**682,357**	763,404	708,975
Housekeeping expenses		**610,718**	608,099	1,710,735
Other operating departments		**622,402**	473,421	2,806,472
Transport charges		**318,784**	882,747	5,521,828
Commission		**43,445**	2,777,322	6,655,534
Music and entertainment		**4,902**	292,499	889,154
Miscellaneous		**3,942,298**	3,892,996	6,580,800
		P70,664,777	P83,396,982	P152,059,414

17. Administrative Expenses

This account consists of:

	Note	**2021**	2020	2019
Hotel Overhead Departments				
Payroll and employee benefits	*15*	**P45,788,528**	P45,792,759	P66,080,450
Management and incentives fees	*14*	**19,178,154**	17,472,942	19,350,770
Telecommunications		**3,544,414**	3,120,347	1,203,476
Data processing		**3,166,544**	2,767,444	2,747,314
Awards and social activities		**1,016,870**	234,968	1,396,031
Advertising		**501,934**	1,228,204	4,769,837
Credit card and commission		**460,427**	2,531,002	5,168,175
Entertainment		**448,584**	133,735	705,419
Dues and subscription		**383,826**	818,000	3,932,484
Miscellaneous		**3,164,113**	2,186,413	5,203,460
		77,653,394	76,285,814	110,557,416
Corporate Office				
Depreciation and amortization	*10*	**42,965,281**	43,283,263	42,728,166
Property tax		**9,265,751**	9,265,841	9,265,721
Insurance		**9,145,748**	8,832,798	10,101,214
Professional fees		**7,087,706**	5,716,830	5,741,280
Corporate office payroll and related expense		**1,685,095**	1,960,081	7,556,630
Office supplies		**871,498**	2,143,146	3,074,381
Director's fees/allowances		**799,600**	826,133	299,655
Taxes and licenses		**192,637**	118,996	138,053
Transportation and travel		**31,116**	51,343	175,870
Provision for impairment losses on receivables	*25*	**-**	693,795	-
Miscellaneous		**1,329,142**	5,602,343	1,102,577
		73,373,574	78,494,569	80,183,547
Power light and and water		**56,126,157**	54,660,961	72,504,123
Property operations and maintenance		**12,298,962**	10,059,401	13,551,609
		P219,452,087	P219,500,745	P276,796,695

18. Earnings Per Share

Basic and diluted earnings per share is computed as follows:

	Note	**2021**	2020	2019
Weighted average number of common shares: Balance at beginning and end of year	*24*	**P53,717,369**	P53,717,369	P53,717,369

	Note	**2021**	2020	2019
Net income for the year		**P33,669,054**	P12,065,708	P2,369,489
Divided by weighted average number of outstanding shares	*24*	**53,717,369**	53,717,369	53,717,369
		P0.63	P0.22	P0.04

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

19. Refundable Deposits

This account consists of:

	Note	**2021**	2020
PAGCOR	*5, 25*	**P25,349,438**	P25,349,438
Others		**1,784,614**	2,537,783
		27,134,052	27,887,221
Less: Current portion		**26,666,052**	27,419,221
		P468,000	P468,000

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

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

20. Leases

Company as Lessor

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

The lease agreements with the third parties required the latter to give the Company lease deposits which amounted to a total of P27,134,052 and P27,887,221 as at December 31, 2021 and 2020, respectively, and are shown as “Refundable deposits” in the statements of financial position (see Note 19). Rent income amounted to P600,000, P2,649,737 and P2,483,556 in 2021, 2020 and 2019 respectively, and is included in “Others” under Revenue in the statements of profit or loss.

On February 15, 2012, the BOD of PAGCOR decided not to renew the contract of lease which ended on July 10, 2013. Refundable deposit from PAGCOR amounting to P25,349,438 is not yet returned to the latter due to the pending reconciliation of account between both parties. The Company and PAGCOR have not yet reached an agreement as to the net amount of settlement due to each party (see Note 5).

In 2021 and 2020, the Company has sub-leased portion of an office space consisting of 30 square meters, 25 square meters and 65 square meters, respectively, located at the Hotel. HLC, RRC and Elite (Note 14).

Contractual cashflows are as follows:

	2021	2020
Due within one year	**P600,000**	P600,000

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

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

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

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

On August 11, 2014, the Company and HLC agreed to amend the original contract to increase the yearly rent from P10,678,560 to P17,797,608 and to renew the original lease for a further term of twenty-five (25) years.

	2021	2020
Beginning balance	**P181,186,824**	P175,260,032
Interest expense during the year	**13,894,621**	14,202,680
Payments made	**(27,319,328)**	(8,275,888)
Ending balance	**P167,762,117**	P181,186,824

Payments made include as follows:

	2021	2020
Interest payment	**P21,581,936**	P7,101,340
Principal payment	**5,737,392**	1,174,548
	P27,319,328	P8,275,888

Lease liability included in the statements of financial position is as follows:

	2021	2020
Current	**P4,237,441**	P13,424,707
Non-current	**163,524,676**	167,762,117
	P167,762,117	P181,186,824

Contractual cashflows are as follows:

Lease Liability under PFRS 16	2021	2020
Due within one year	**P17,797,608**	P26,696,412
After one year but not more than five years	**71,190,432**	71,190,432
More than five years	**231,368,904**	249,166,512
	P320,356,944	P347,053,356

21. Retirement Cost

The Company has an unfunded, noncontributory, defined benefit retirement plan covering substantially all of its employees, except for its BOD and expatriates (See Note 14). It provides a retirement benefit equal to eighty-six (86%) of monthly salary per year of services payable to an employee who retires at age of 60 with at least 5 years in service. Annual cost is determined using the projected unit credit method. The Company's latest valuation date is December 31, 2021.

The recognized liability representing the present value of the defined benefit obligation presented as "Retirement benefits liability" in the Company's statements of financial position amounted to P33,482,499 and P33,908,459 as at December 31, 2021 and 2020, respectively.

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

	2021	2020
Balance at January 1	**P33,908,459**	P28,962,682
Included in Profit or Loss		
Current service cost	**1,955,698**	1,699,590
Interest cost	**1,186,796**	1,477,097
	3,142,494	3,176,687
Included in Other Comprehensive Income (OCI)		
Remeasurement loss (gain):		
Actuarial loss (gain) arising from:		
Financial assumptions	**(3,731,496)**	3,893,709
Experience adjustment	**3,344,734**	332,954
	(386,762)	4,226,663
Others		
Benefits paid	**(3,181,692)**	(2,457,573)
Balance at December 31	**P33,482,499**	P33,908,459

The amounts of retirement benefits cost which are included in "Payroll and employee benefits" under Cost of Sales and Services in the statements of profit or loss for the years ended December 31 are as follows:

	2021	2020	2019
Current service cost	**P1,955,698**	P1,699,590	P1,312,342
Interest cost	**1,186,796**	1,477,097	1,684,702
Retirement benefits cost	**P3,142,494**	P3,176,687	P2,997,044

The actuarial gain (loss), before deferred income taxes, recognized under "Other comprehensive income" in the statements of comprehensive income and statements of changes in equity are as follows:

	2021	2020	2019
Cumulative actuarial gain at the beginning of the year	**P11,474,607**	P15,701,270	P21,077,889
Actuarial gain (loss) arising from:			
Financial assumptions	**3,731,496**	(3,893,709)	(5,405,668)
Experience adjustment	**(3,344,734)**	(332,954)	29,049
Cumulative actuarial gain at the end of the year	**P11,861,369**	P11,474,607	P15,701,270

The net accumulated actuarial gain, net of deferred tax amounted to P8,896,027 P8,032,225 and P10,990,889 as at December 31, 2021, 2020 and 2019, respectively, as presented in the statements of changes in equity.

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

	2021	2020	2019
Discount rate	**5%**	4%	5%
Future salary increases	**2%**	2%	2%

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

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

2021	**Increase**	**Decrease**
Discount rate (1% movement)	**(P2,315,154)**	**P2,600,631**
Future salary increase rate (1% movement)	**2,448,544**	**(2,221,888)**

2020	Increase	Decrease
Discount rate (1% movement)	(P2,522,351)	P2,864,237
Future salary increase rate (1% movement)	2,683,656	(2,411,175)

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

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

The weighted-average duration of the defined benefit obligation is ten (10) years as at December 31, 2021 and 2020.

The maturity analysis of the benefit payments is as follows:

	2021				
	Carrying Amount	**Contractual Cash Flows**	**1 - 5 Years**	**6 - 10 Years**	**More than 10 Years**
Retirement benefits liability	**P33,482,499**	**P86,617,039**	**P15,941,958**	**P29,337,246**	**P41,337,835**

	2020				
	Carrying Amount	Contractual Cash Flows	1 - 5 Years	6 - 10 Years	More than 10 Years
Retirement benefits liability	P33,908,459	P81,301,582	P10,103,918	P26,096,142	P45,101,522

The Company is not required to pre-fund the future defined benefits payable under the Retirement Fund before they become due. However, in the event a benefit claim arises, the Company will be liable to pay its employees.

22. Income Tax

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

	2021	2020	2019
Current tax expense	**P1,162,457**	P2,099,250	P2,824,498
Deferred tax expense (benefit):			
Reduction in tax rate	**6,050,661**	-	-
Origination and reversal of temporary differences	**6,217,314**	(5,394,511)	(5,981,186)
	P13,430,432	(P3,295,261)	(P3,156,688)

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

	2021	2020	2019
Income (loss) before income tax	**P47,099,486**	P8,770,447	(P787,199)
Income tax expense (benefit) at statutory tax rate	**P11,774,872**	P2,631,134	(P236,160)
Additions to (reductions in) income tax resulting from the tax effects of:			
Unrecognized deferred tax assets on NOLCO and MCIT	**(4,349,133)**	(5,324,676)	(2,446,443)
Remeasurement of previously recorded DTA	**6,470,685**	(1,567,825)	-
Income subjected to final tax	**(80,723)**	(80,993)	(46,382)
Equity in net income of an associate	**(396,757)**	(459,334)	(427,703)
Non deductible expense	**11,488**	1,506,433	-
	P13,430,432	(P3,295,261)	(P3,156,688)

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

2021	**Net Balance at January 1**	**Recognized in Profit or Loss**	**Recognized in OCI**	**Net Balance December 31**	**Deferred Tax Assets**	**Deferred Tax Liabilities**
Retirement benefits liability	**P13,614,922**	**(P2,003,106)**	**P -**	**P11,611,816**	**P11,611,816**	**P -**
Allowance for impairment loss on property and equipment	**10,426,880**	**(1,737,813)**	**-**	**P8,689,067**	**P8,689,067**	**-**
Allowance for impairment loss on receivables	**5,014,908**	**(1,439,934)**	**-**	**3,574,974**	**3,574,974**	**-**
Excess of ROU asset over lease liabilty	**3,918,463**	**(1,385,502)**	**-**	**2,532,961**	**2,532,961**	**-**
Unrealized foreign exchange gain	**3,328,791**	**(5,701,620)**	**-**	**(2,372,829)**	**(2,372,829)**	**-**
Remeasurement gain on retirement benefit liability	**(3,442,382)**	**-**	**477,040**	**(2,965,342)**	**-**	**(2,965,342)**
Net tax assets and liabilities	**P32,861,582**	**(P12,267,975)**	**P477,040**	**P21,070,647**	**P24,035,989**	**(P2,965,342)**

2020	Net Balance at January 1	Recognized in Profit or Loss	Recognized in OCI	Net Balance December 31	Deferred Tax Assets	Deferred Tax Liabilities
Retirement benefits liability	P13,399,187	P215,735	P -	P13,614,922	P13,614,922	P -
Allowance for impairment loss on property and equipment	10,426,880	-	-	10,426,880	10,426,880	-
Allowance for impairment loss on receivables	4,806,770	208,138	-	5,014,908	5,014,908	-
Excess of ROU asset over lease liabilty	-	3,918,463	-	3,918,463	3,918,463	-
Unrealized foreign exchange gain	2,276,616	1,052,175	-	3,328,791	3,328,791	-
Remeasurement gain on retirement benefit liability	(4,710,381)	-	1,267,999	(3,442,382)	-	(3,442,382)
Net tax assets and liabilities	P26,199,072	P5,394,511	P1,267,999	P32,861,582	P36,303,964	(P3,442,382)

The Company's temporary differences, the deferred tax assets of which have not been recognized, consist of:

	2021	2020
MCIT	**P6,086,205**	P6,997,219
NOLCO	**-**	27,384,900
	P6,086,205	P34,382,119

Realization of future tax benefit related to deferred tax assets is dependent on the Company's ability to generate future taxable income during the periods in which these are expected to be recovered. The Company has considered these factors in reaching a conclusion not to recognize deferred tax asset since it is not probable that future taxable profit will be available against which the Company can utilize the benefits therefrom.

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

Year Incurred	Amount	Expired/ Applied	Balance	Expiry Date
2018	P27,384,900	P27,384,900	P -	December 31, 2021
2017	31,526,440	31,526,440	-	December 31, 2020
	P58,911,340	P58,911,340	P -	

The Company applied P22,046,363 NOLCO against its taxable income in 2021.

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

Year Incurred	Amount	Expired	Unexpired	Expiry Date
2021	P1,162,457	P -	P1,162,457	December 31, 2024
2020	2,099,250	-	2,099,250	December 31, 2023
2019	2,824,498	-	2,824,498	December 31, 2022
2018	2,073,471	2,073,471	-	December 31, 2021
	P8,159,676	P2,073,471	P6,086,205	

On March 26, 2021, the President of the Philippines has approved the Corporate Recovery and Tax Incentives for Enterprises or the CREATE Act, with nine (9) provisions vetoed by the President. Below are the salient features of the Act that are relevant to the Company:

a) Corporate Income Tax rate is reduced from thirty percent (30%) to twenty percent (20%) for domestic corporations with net taxable income not exceeding five million pesos (P5,000,000) and with total assets not exceeding one hundred million pesos (P100,000,000). All other domestic corporations and resident foreign corporations will be subject to twenty-five percent (25%) income tax. Said reductions are effective starting July 1, 2020.

b) MCIT rate is reduced from two percent (2%) to one percent (1%) effective July 1, 2020 to June 30, 2023.

On April 8, 2021, the BIR issued the following implementing revenue regulations (RR) that are effective immediately upon publication:

- BIR RR No. 2-2021, *Amending Certain Provisions of RR No. 2-98, As Amended, to Implement the Amendments Introduced by Republic Act (RA) No. 11534, or the CREATE to the National Internal Revenue Code (NIRC) of 1997, as Amended, Relative to the Final Tax on Certain Passive Income.*

- BIR RR No. 3-2021, *Rules and Regulations Implementing Section 3 RA No. 11534, Otherwise Known as CREATE, Amending Section 20 of the NIRC of 1997, As Amended.*

- BIR RR No. 4-2021, *Implementing the Provisions on VAT and Percentage Tax Under Republic Act (RA) No. 11534, Otherwise Known as the CREATE, Which Further Amended the NIRC of 1997, as Amended, as Implemented by RR No. 16-2005 (Consolidated VAT Regulations of 2005), As Amended.*

- BIR RR No. 5-2021, *Implementing the New Income Tax Rates on the Regular Income of Corporations, on Certain Passive Incomes, Including Additional Allowable Deductions from Gross Income of Persons Engaged in Business or Practice of Profession Pursuant to RA No. 11534 or the CREATE, Which Further Amended the NIRC of 1997.*

Further, the BIR has issued its RR No. 5-2021 to promulgate the implementation of the new income tax rates on the regular income of corporations, on certain passive incomes and additional allowable deductions of persons engaged in business or practice of profession as provided for in CREATE Act. The corporate income tax of the Company was lowered from thirty percent (30%) to twenty five percent (25%) for domestic corporations, on which the Company qualified, effective July 1, 2020.

The CREATE Act had been considered as substantively enacted as law as at March 31, 2021. Under paragraph 46 of PAS 12, *Income taxes,* it states that "an entity's current tax liabilities/assets for the current and prior periods shall be measured at the amount expected to be paid to/recovered from the taxation authorities, using the tax rates and laws that have been enacted or substantively enacted by the end of the reporting period".

The Company had applied and used the effective rate of the approved income tax rate under the CREATE Act in its computation of income taxes due and payable to the BIR as at December 31, 2021 using the 25% tax rate on normal income tax pursuant to RR No. 5-2021, considering that the CREATE Act had been substantively enacted as law as at March 31, 2021 and its retroactive application from July 1, 2020. This resulted to an adjustment recognized in 2021 for prior period deferred tax remeasurement amounting to an additional expense of P6,050,661 and benefit of P573,731 recognized in profit or loss and other comprehensive income, respectively.

23. Retained Earnings

Retained earnings are restricted from being declared and issued as dividend in relation to the treasury shares amounting to P1,680,020,370.

24. Share Capital

a. Capital Stock

	2021	2020
Authorized - 115,000,000 shares at 10 par value shares:		
Issued	**87,318,270**	87,318,270
Less treasury stock	**33,600,901**	33,600,901
Total issued and outstanding	**53,717,369**	53,717,369

b. Treasury Stock

As at December 31, 2021 and 2020, the Company's treasury stock consists of 33,600,901 shares of stock.

25. Financial Risk and Capital Management Objectives and Policies

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

- Credit Risk
- Liquidity Risk
- Market Risk

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

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

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

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

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

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

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

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

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

The carrying amount of financial assets as of December 31, 2021 and 2020 represents the maximum credit exposure. The maximum exposure to credit risk at the reporting dates is as follows:

	Note	**2021**	2020
Cash and cash equivalents*	*4*	**P381,954,140**	P279,887,761
Receivables - net**	*5, 14*	**106,341,240**	127,155,228
Lease deposit	*11*	**78,000,000**	78,000,000
Loan receivable	*14*	**15,500,000**	15,500,000
Due from related parties	*14*	**2,376,917**	7,054,105
		P584,172,297	P507,597,094

**Excluding cash on hand of P4,291,238 and P4,214,082 in 2021 and 2020, respectively.*
***Excluding deposits to suppliers of P28,247 in 2021 and 2020.*

Details of trade receivables as at December 31, 2021 and 2020 by type of customer are as follows:

	Note	**2021**	2020
Embassy and government		**P76,145,597**	82,672,555
Airlines		**702,424**	2,740,356
Credit cards		**450,812**	902,233
Corporations		**215,529**	827,829
Travel agencies		**97,883**	13,036,612
Others		**864,991**	3,421,568
	5	**78,477,236**	103,601,153
Less allowance for impairment losses on trade receivables - charge customers		**14,299,899**	16,716,364
		P64,177,337	P86,884,789

The aging of trade receivables as at December 31, 2021 and 2020 is as follows:

	2021		2020	
	Gross Amount	**Impairment**	Gross Amount	Impairment
Current	**P16,331,739**	**P -**	P31,462,939	P -
Over 30 days	**21,202,728**	**-**	20,041,907	-
Over 60 days	**22,608,144**	**-**	22,331,493	-
Over 90 days	**18,334,625**	**14,299,899**	28,764,814	16,716,314
	P78,477,236	**P14,299,899**	P103,601,153	P16,716,314

As at December 31, 2021 and 2020, receivables from PAGCOR amounted to P8,078,665. Included in over 90 days are still collectable based on management's assessment of collection history, thus, no allowance for impairment was provided. In addition, any amount outstanding from PAGCOR can be offset against the deposit received from it as discussed in Note 20.

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

	As at December 31, 2021			
	Grade A	**Grade B**	**Grade C**	**Total**
Cash in banks and cash equivalents	**P381,954,140**	**P -**	**P -**	**P381,954,140**
Receivables	**6,974,370**	**651,000**	**113,044,016**	**120,669,386**
Loan receivable	**-**	**15,500,000**	**-**	**15,500,000**
Lease deposit	**78,000,000**	**-**	**-**	**78,000,000**
	P466,928,510	**P16,151,000**	**P113,044,016**	**P596,123,526**

	As at December 31, 2020			
	Grade A	Grade B	Grade C	Total
Cash in banks and cash equivalents	P279,887,761	P -	P -	P279,887,761
Receivables	902,233	14,695,728	128,301,878	143,899,839
Loan receivable	-	15,500,000	-	15,500,000
Lease deposit	78,000,000	-	-	78,000,000
	P358,789,994	P30,195,728	P128,301,878	P517,287,600

Cash in banks and cash equivalents are considered of good quality as these pertain to deposits in reputable banks. Lease deposit is also considered of good quality since this is transacted with counterparty that is capable of paying the lease deposit once due. Grade A receivables pertain to those receivables from customers that always pay on time or even before the maturity date. Grade B includes receivables that are collected on their due dates provided that they were reminded or followed up by the Company. Those receivables which are collected consistently beyond their due dates and require persistent effort from the Company are included under Grade C.

Estimating ECL

The table below presents the Company's exposure to credit risk and shows the credit quality of the financial assets as at December 31, 2021 and 2020. Assets that are credit-impaired are separately presented.

December 31, 2021	**Gross Amount**	**ECL**	**Carrying Amount**
Cash in banks and cash equivalents	**P381,954,140**	**P -**	**P381,954,140**
Receivables	**120,669,386**	**(14,299,899)**	**106,369,487**
Loan receivable	**15,500,000**	**-**	**15,500,000**
Lease deposit	**78,000,000**	**-**	**78,000,000**
	P596,123,526	**(P14,299,899)**	**P581,823,627**

December 31, 2020	Gross Amount	ECL	Carrying Amount
Cash in banks and cash equivalents	P279,887,761	P -	P279,887,761
Receivables	143,899,839	(16,716,364)	127,183,475
Loan receivable	15,500,000	-	15,500,000
Lease deposit	78,000,000	-	78,000,000
	P517,287,600	(P16,716,364)	P500,571,236

Impairment on cash has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Company considers that its cash has low credit risk based on the external credit ratings of the counter parties.

The Company computes impairment loss on trade and other receivables based on past collection experiences, current circumstances and the impact of future economic conditions, if any, available at the reporting period. Loss rates are based on actual credit loss experience. Any adjustments to the loss rates for forecasts of future economic conditions are not expected to be material. The Company applies the simplified approach in providing for ECL prescribed by PFRS 9, which permits the use of the lifetime expected loss provision and applies a provision matrix.

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

	Note	**Amount**
Balance at January 1, 2020		P16,022,569
Provision in 2020	*17*	693,795
Balance at December 31, 2020	*5*	16,716,364
Reversal and write-off in 2021		(2,416,465)
Balance at December 31, 2021	*5*	**P14,299,899**

Liquidity Risk

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

The Company's total current liabilities as at December 31, 2021 and 2020 amounted to P170,218,322 and P156,889,249, respectively, which are less than its total current assets of P553,119,343 and P466,729,866, respectively. Thus, the Company has sufficient funds to pay for its current liabilities and has minimal liquidity risk. Maturity analysis of lease liabilitiy is disclosed in Note 20.

Market Risk

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

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

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

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

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

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

As at December 31, 2021 and 2020, assets denominated in US$ include cash in banks amounting to P7,623,853 (US$151,087) and P3,203,382 (US$66,659) respectively; short-term investment amounting to P202,961,228 (US$4,022,061) and P193,355,647 (US$4,026,565), respectively.

In translating foreign currency-denominated monetary assets into Php amounts, the exchange rates used were P50.46 and P48.02 to US$1 as at December 31, 2021 and 2020, respectively.

The following table demonstrates the sensitivity to a reasonably possible change in the Php to US$ exchange rates, with all other variables held constant, of the Company's income before tax. There is no other impact on the Company's equity other that those already affecting profit or loss.

	Increase (Decrease) in US$ Exchange Rate	Effect on Income before Income Tax	Effect on Equity
2021			
	5%	**10,709,054**	**8,031,791**
	(5%)	**(10,709,054)**	**(8,031,791)**
2020			
	5%	10,169,398	7,118,576
	(5%)	(10,169,398)	(7,118,576)

The increase in US$ rate means stronger US$ against Php while the decrease in US$ means stronger Php against the US$.

Fair Values

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

	2021		2020	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Cash and cash equivalents	**P386,245,378**	**P386,245,378**	P284,101,843	P284,101,843
Receivables - net**	**106,341,240**	**106,341,240**	127,155,228	127,155,228
Lease deposit	**78,000,000**	**78,000,000**	78,000,000	78,000,000
Loan receivable	**15,500,000**	**15,500,000**	15,500,000	15,500,000
Accounts payable and accrued expenses	**61,595,142**	**61,595,142**	56,918,972	56,918,972
Lease liabilities***	**167,762,117**	**167,762,117**	181,186,824	181,186,824
Due to related parties	**46,285,248**	**46,285,248**	42,134,727	42,134,727
Refundable deposits	**27,134,052**	**27,134,052**	27,887,221	27,887,221
Other current liabilities*	**9,506,181**	**9,506,181**	7,900,429	7,900,429

**Excluding payables to government and Output VAT Payable of P21,928,258 and P9,091,193 in 2021 and 2020, respectively.*
***Excluding deposits to suppliers of P28,247 in 2021 and 2020.*
****Including current and noncurrent portion.*

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 value of cash and cash equivalents approximates its fair value due to the short-term nature of this asset.

Receivables - net /Loan Receivable/Accounts Payable and Accrued Expenses/Due to Related Parties/Refundable Deposits/Other Current Liabilities Except for Output VAT Liability and Other Statutory Payables/Lease liability - Current Portion

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

Lease Deposit

The lease deposit is interest-bearing and its carrying value approximates its fair value as the impact of discounting using the applicable discount rates based on current market rates of identical or similar quoted instruments is immaterial.

Lease Liability - Noncurrent Portion

The carrying amount of lease liability - noncurrent portion approximates fair value at year-end. The management believes that the effect of discounting and future cash flows for these instruments using the prevailing market rates is not significant.

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

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

As at December 31, 2021 and 2020 the Company is compliant with the minimum public float requirement by the PSE.

The Company has 115,000,000 shares registered with the SEC on August 9, 1989, the effective date of registration statement. The registered shares with the SEC remain the same as at December 31, 2021 and 2020. The original issue/offer price was P10.00 per share. There were no additional shares registered with the SEC as at December 31, 2021 and 2020.

Based on the Philippine Stock Exchange's website, the Company's traded price per share was P14.38 and P10.96 as at December 31, 2021 and 2020, respectively. The total number of shareholders was 16,093 and 15,485 as at December 31, 2021 and 2020, respectively.

26. Other Matter - BIR 2008 Tax Case

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

The Deficiency Tax Case seeks to have the CTA review the Collection Letter that the Company received from the BIR on 12 December 2013. As far as the Company is aware, the Collection Letter was issued by the BIR in connection with a Formal Letter of Demand for alleged deficiency income tax, value added tax, expanded withholding tax, withholding tax on compensation and documentary stamp tax for the year 2008, in the aggregate amount of P508,101,387 consisting of P262,576,825 for basic tax, and interest of P245,524,562 from 20 January 2009 to 30 September 2013.

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

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

On 6 November 2015, the Company filed its Formal Offer of Documentary Evidence. In two Resolutions dated 04 January 2016 and 11 March 2016 respectively, the CTA admitted in evidence the Company's documentary exhibits.

On 15 April 2016, the Company filed its Memorandum with the CTA.

Meanwhile, on 8 June 2016, management of the Company was informed by Metropolitan Bank & Trust Company ("Metrobank") via email, that the BIR has issued a Warrant of Garnishment with Warrant No. 125-2015-011 dated 2 June 2016 against the Company in connection with the Deficiency Tax Case. Pursuant to the Warrant, the BIR seeks to garnish the Company's deposits with Metrobank, in the amount of P499,050, as may be necessary to satisfy the alleged tax deficiency of the Company.

In addition, on 10 June 2016, management of the Company was also informed by the Lank Bank of the Philippines ("Land Bank"), that the BIR has issued a Warrant of Garnishment with Warrant No. 125-2015-011 against the Company in connection with the Deficiency Tax Case. To date, the Company has not received the original Warrant from the BIR. Pursuant to the Warrant, the BIR seeks to garnish the Company's deposits with the Land Bank, in the amount of P71,719 as may be necessary to satisfy the alleged tax deficiency of the Company.

In a Manifestation dated 01 September 2016, the CIR informed the CTA that it will adopt its arguments in its Answer as its Memorandum.

Thus, on 6 September 2016, the Company's tax counsel received a Resolution from the CTA stating that the case has been submitted for decision.

On 7 March 2017, the Company filed an Urgent Motion to Allow Payment of Taxes with the CTA. This is with respect to the Warrant of Garnishment with Land Bank. The Company uses this bank account for its tax payments.

On 24 August 2017, the Company withdrew its "Urgent Motion to Allow Payment of Taxes" with CTA and instead requested the CTA to submit the case for decision. On 31 August 2017, CTA granted the withdrawal of the Motion and submitted the case for decision.

On 4 July 2018, the CTA rendered its Decision.

In the Decision, the CTA held that it does not have jurisdiction to entertain the Petition. It explained that the CTA only has jurisdiction to review decisions of the CIR involving disputed assessments, and not those assessments which have become final and executory. The CTA held that due to the Company's failure to file a protest within the reglementary period, the assessment became final, executory, and demandable. In light of the foregoing, the CTA held that it had no jurisdiction to entertain the Petition.

The Company filed a Motion for Reconsideration ("MR") on 19 July 2018. In its MR, the Company argued that: (i) the CTA has jurisdiction to review collection proceedings initiated by the CIR pursuant to its powers under Section 7(A)(1) of the National Internal Revenue Code; and (ii) the tax deficiency assessment of the CIR is void for failure to indicate a due date for payment and thus, the absence of a protest does not render the assessment final and executory because no rights can emanate from a void assessment.

Amended Decision
On 30 October 2018, the Company received the CTA's Amended Decision granting the Company's MR. Thus, the CTA annulled and set aside the CIR's assessment against the Company for deficiency income tax, withholding tax on compensation, expanded withholding tax, documentary stamp taxes, and value-added tax, in the total amount of P508,101,387 for taxable year 2008.

In its Amended Decision, the CTA held that it had jurisdiction to review collection proceedings by the CIR pursuant to its powers under Section 7(a)(1) of the Tax Code, and in particular, "other matters" arising under the National Internal Revenue Code. The CTA held that while there is no disputed assessment, it can assume jurisdiction over the Petition under "other matters".

After a careful scrutiny of the Formal Letter of Demand and Final Assessment Notice, the CTA held that the same was not valid for failure to indicate a definite due date for payment by the taxpayer, which negates the CIR's demand for payment.

MR Filed by CIR
On 20 November 2018, the MR filed by the CIR seeks to pray for a reconsideration of the Amended Decision and to uphold the Decision dated 4 June 2018 on the following grounds:

(1) The "other matters" clause of Section 7 of Republic Act No. 9282 does not include assessment cases.

(2) A challenge to the collection procedure under "other matters" cannot reach back and examine an undisputed assessment.

(3) Even assuming that the present case falls under the scope of "other matters", the Petition was filed out of time.

The Corporation filed its Comment to the CIR's MR on 12 December 2018 and prayed that the same be denied for lack of merit.

On 14 March 2019, the CTA issued a decision denying the CIR Motion for Reconsideration as the Court finds no cogent reasons to reverse or modify the Amended Decision.

On 21 March 2019, the CIR filed an appeal to the CTA En Banc to set aside the Amended Decision. On 19 June 2019, the Corporation received a notice from the CTA En Banc to file its comments to the Petition of CIR. The Corporation filed its comment on 20 June 2019.

On 2 December 2019, the CTA En Banc issued a Notice of Resolution that since both CIR and the Corporation decided not to have the case mediated by the Philippine Mediation Center - Court of Tax Appeals, the mediation proceedings are terminated and the case is submitted for decision by the CTA En Banc.

On 29 September 2020, CTA En Banc issued a Decision affirming the CTA Division's Decision cancelling the deficiency tax assessment in the amount of P508,101,387.12.

On 28 October 2020, the Company received a copy of the MR filed by the CIR with the CTA En Banc. The MR sought to move for the reconsideration of the Decision promulgated by the CTA En Banc on 29 September 2020. The MR filed by the BIR has already been denied by the CTA En Banc in a Resolution dated 19 January 2021.

On 23 March 2021, Management of the Corporation was advised by the Corporation's tax counsel that it had received a copy of the Petition for Review dated 8 March 2021 filed by the CIR with the Philippine Supreme Court which seeks to set aside the CTA En Banc Decision dated 29 September 2020 (Decision) and CTA En Banc Resolution.

The Petition for review seeks to (i) reverse and set aside the CTA En Banc Decision dated 29 September 2020 and Resolution dated 19 January 2021 and (ii) render decision ordering the Corporation to pay the total amount of P37,394,321.84, P142,281,715.20, and P326,352,191.20 representing withholding tax on compensation, value-added tax, and income tax assessment respectively, or an aggregate amount of P506,028,228.24 for taxable year 2008 as well as 25% and 50% surcharge, 20% deficiency and delinquency interest and 12% interest.

The Supreme Court has yet to act on the CIR's Petition. The Company is still waiting for further instructions from the Supreme Court on this matter.

27. Impact of COVID-19

On March 8, 2020, under Proclamation 922, the Office of the President has declared a state of public health emergency and subsequently on March 16, 2020, under Proclamation 929, a state of calamity throughout the Philippines due to the spread of the COVID-19. To manage the spread of the disease, the entire Luzon including Metro Manila has been placed under an Enhanced Community Quarantine (ECQ), effective March 17, 2020. The quarantine has caused restrictions in the mobility of people outside their homes, hence, limiting business activities and commercial operations. The quarantine status of Metro Manila went through extensions and modifications.

On September 14, 2021, Metro Manila was placed under General Community Quarantine (GCQ) with Alert Level 4 effective on the second half of the month of September 2021. This is based on the updated guidelines on the COVID-19 alert level system with granular lockdowns released by Inter-Agency Task Force for the Management of Emerging Infectious Disease. Alert Level 4 was further extended until October 15, 2021. Alert level status of Metro Manila was lowered to Alert Level 3 from October 16, 2021 to October 31, 2021 following the government's approval of the IATF's recommendations. On November 5, 2021, Metro Manila was placed under Alert Level 2 until November 21, 2021. This was subsequently heightened to Alert Level 3 until January 31, 2022, and reverted to Alert Level 2 starting February 1 to 15, 2022.

The Company is one of the hotels accredited to become a quarantine facility by Department of Health (DOH) during this pandemic. Contract with Overseas Workers Welfare Administration (OWWA) which started in May 2020 was extended until June 2022 to cater repatriated and returning Overseas Filipino Workers. The Company also secured a contract with Philippines Offshore Gaming Operators (POGO) and Business Process Outsourcing (BPO) companies to serve as a temporary shelter during lockdown. However, there was also a slow down on collection of its receivables and payment of its obligations.

For the years 2021 and 2020, the concentration of revenue was from the contracts with Overseas Workers Welfare Administration (OWWA), Philippines Offshore Gaming Operators (POGO) and Business Process Outsourcing (BPO). In addition to this, the Company had a contract with maritime companies to serve as quarantine facility for returning seafarers. The Company is now planning their actions to transition from a quarantine facility back to its pre-pandemic normal operations which is catering guests for business and leisure purposes.

On November 9, 2021, the Company was also able to secure its Certificate of Inspection issued by the Bureau of Quarantine (BOQ) under the DOH. This ceritifies that the Company has been inspected, and is compliant with the prescribed public health and safety standards, thereby allowing it to operate as a multiple-use hotel. The Certificate for Multiple-use Hotel was then issued to the Company on December 13, 2021, officially permitting the Company to operate for leisure or staycation.

Management has implemented all measures to mitigate the risks on their business operations. Hence, the financial statements have been prepared on a going concern basis of accounting as of reporting date.

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

In addition to the disclosures mandated under PFRSs, and such other standards and/or conventions as may be adopted, companies are required by the BIR to provide in the notes to the financial statements, certain supplementary information for the taxable year. The amounts relating to such information may not necessarily be the same with those amounts disclosed in the financial statements which were prepared in accordance with PFRSs. The following is the tax information/disclosures required for the taxable year ended December 31, 2021:

Based on RR No. 15-2010

A. Value Added Tax (VAT)

1. Output VAT	**P40,156,597**
Account title used:	
Basis of the Output VAT:	
Vatable sales	**P149,517,160**
Sales to Government	**185,121,152**
Zero rated sales	**-**
Exempt sales	**352,229**
	P334,990,541
2. Input VAT	
Beginning of the year	**P7,343,692**
Input tax deferred on capital goods from previous period	**833,020**
Current year's domestic purchases:	
a. Goods for resale/manufacture or further processing	**3,905,992**
b. Services lodged under other accounts	**16,280,679**
Claims for tax credit/refund and other adjustments	
a. Claims for tax credit/refund	**-**
b. Input tax on sale to Government	**(1,359,391)**
Less: Applied input VAT during the year	**19,101,588**
Balance at the end of the year	**P7,902,404**

B. Withholding Taxes

Tax on compensation and benefits	**P9,725,772**
Creditable withholding taxes	**6,311,014**
	P16,036,786

C. All Other Taxes (Local and National)

Other taxes paid during the year recognized under Administrative Expenses	
Real estate taxes	**P9,265,751**
License and permit fees	**3,373,542**
	P12,639,293

D. Deficiency Tax Assessments and Tax Cases

As at December 31, 2021, the Company has pending deficiency tax assessments amounting to P508,101,387 for the tax period 2008 which is pending review by the Supreme Court.

COVER SHEET
For
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

1 6 6 8 7 8

COMPANY NAME

GRAND PLAZA HOTEL CORPORATION

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

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

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

COMPANY INFORMATION

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

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

CONTACT PERSON INFORMATION

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

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

CONTACT PERSON's ADDRESS

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

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

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

KPMG

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6787 Ayala Avenue, Makati City
Philippines 1209
Telephone +63 (2) 8885 7000
Fax +63 (2) 8894 1985
Internet www.home.kpmg/ph
Email ph-inquiry@kpmg.com

REPORT OF INDEPENDENT AUDITORS

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

We have audited, in accordance with Philippine Standards on Auditing, the financial statements of Grand Plaza Hotel Corporation (the Company) as at December 31, 2021 and 2020 and for each of the three years in the period ended December 31, 2021, included in this Form 17-A, and have issued our report thereon dated March 29, 2022.

Our audits were made for the purpose of forming an opinion on the basic financial statements of the Company taken as a whole. The supplementary information included in the following accompanying additional components is the responsibility of the Company's management. Such additional components include:

- Schedule of Reconciliation of Retained Earnings Available for Dividend Declaration
- Map of the Conglomerate
- Supplementary Schedules of Annex 68-J.

Firm Regulatory Registration & Accreditation:
PRC-BOA Registration No. 0003, valid until November 21, 2023
SEC Accreditation No. 0003-SEC, Group A, valid for five (5) years covering the audit of 2020 to 2024 financial statements (2019 financial statements are covered by SEC Accreditation No. 0004-FR-5)
IC Accreditation No. 0003-IC, Group A, valid for five (5) years covering the audit of 2020 to 2024 financial statements (2019 financial statements are covered by IC Circular Letter (CL) No. 2019-39, Transition clause)
BSP Accreditation No. 0003-BSP, Group A, valid for five (5) years covering the audit of 2020 to 2024 financial statements (2019 financial statements are covered by BSP Monetary Board Resolution No. 2161, Transition clause)

This supplementary information is presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and is not a required part of the basic financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

R.G. MANABAT & CO.

ALICIA S. COLUMBRES
Partner
CPA License No. 069679
SEC Accreditation No. 1590-AR-1, Group A, valid until August 7, 2022
Tax Identification No. 120-964-156
BIR Accreditation No. 08-001987-027-2020
Issued July 20, 2020; valid until July 19, 2023
PTR No. MKT 8854058
Issued January 3, 2022 at Makati City

March 29, 2022
Makati City, Metro Manila

KPMG

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Internet www.home.kpmg/ph
Email ph-inquiry@kpmg.com

INDEPENDENT AUDITOR'S REPORT ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

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

We have audited, in accordance with Philippine Standards on Auditing, the financial statements of Grand Plaza Hotel Corporation (the Company) as at December 31, 2021 and 2019 and for each of the three years in the period ended December 31, 2021, and have issued our report thereon dated March 29, 2022.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Company's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies.

This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic financial statements prepared in accordance with PFRSs. The components of these financial soundness indicators have been traced to the Company's financial statements as at December 31, 2021 and 2020 and for each of the three years in the period ended December 31, 2021 and no material exceptions were noted.

R.G. MANABAT & CO.

ALICIA S. COLUMBRES
Partner
CPA License No. 069679
SEC Accreditation No. 1590-AR-1, Group A, valid until August 7, 2022
Tax Identification No. 120-964-156
BIR Accreditation No. 08-001987-027-2020
Issued July 20, 2020; valid until July 19, 2023
PTR No. MKT 8854058
Issued January 3, 2022 at Makati City

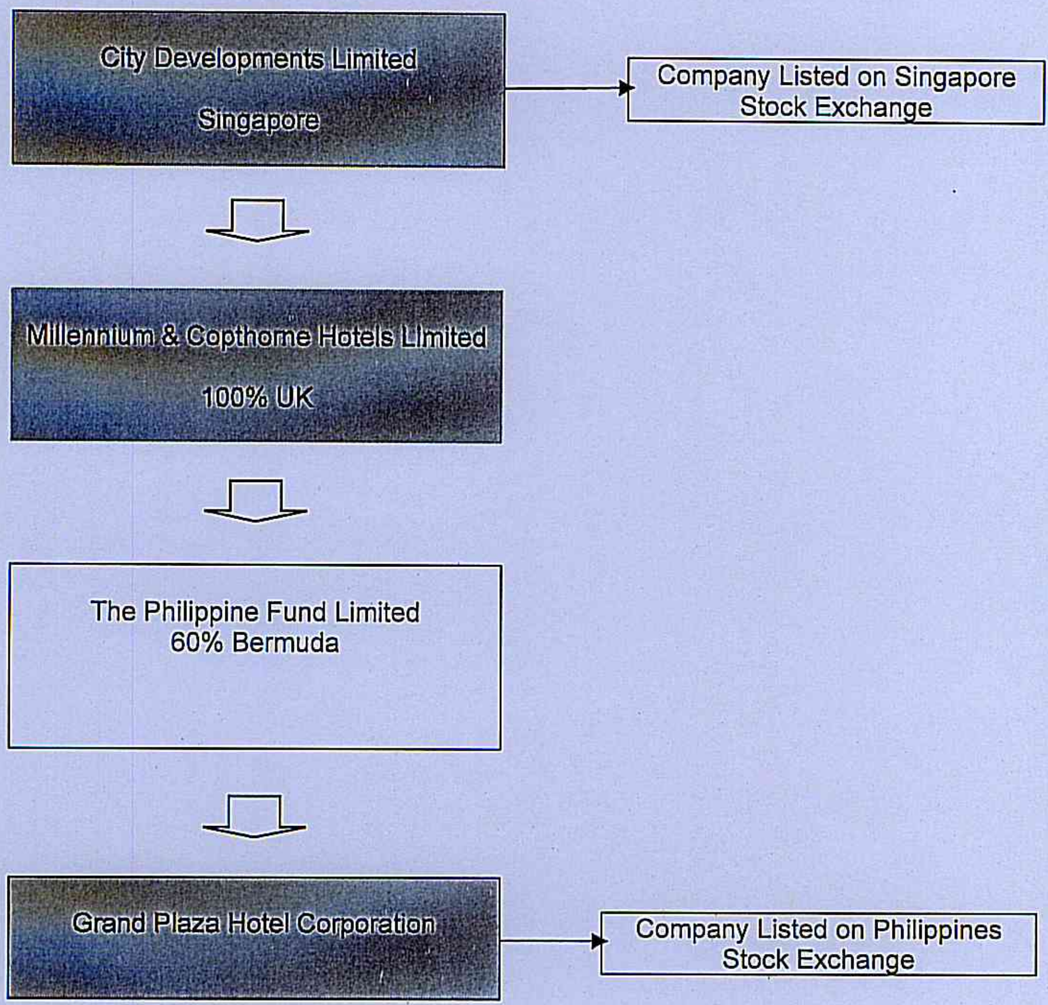
March 29, 2022
Makati City, Metro Manila

GRAND PLAZA HOTEL CORPORATION
SCHEDULE OF RECONCILATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
FOR THE YEAR ENDED DECEMBER 31, 2021

Retained Earnings, beginning	P1,650,981,955
Adjustments:	
(see adjustments in previous year's Reconciliation)	(1,704,684,845)
Deficit, as adjusted, beginning	(53,702,890)
Net Loss based on the face of AFS	33,669,055
Less: Non-actual/unrealized income net of tax	
Equity in net income of associate/joint venture	(1,587,026)
Unrealized foreign exchange gain - net (except those attributable to Cash and Cash Equivalents)	-
Unrealized actuarial gain	-
Fair value adjustment (M2M gains)	-
Fair value adjustment of Investment Property resulting to gain Adjustment due to deviation from PFRS/GAAP-gain	-
Fair value adjustment of Investment Property resulting to gain Adjustment due to deviation from PFRS/GAAP-gain	-
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	-
Deferred income tax benefit for the year	-
Add: Non-actual losses	
Depreciation on revaluation increment (after tax)	-
Adjustment due to deviation from PFRS/GAAP - loss	-
Loss on fair value adjustment of investment property (after tax)	-
Net Loss Actual/Realized	32,082,029
Deficit, as adjusted, ending	(P21,620,81)

The Group Structure

The Philippine Fund Limited Group Structure



As at 31 December 2021

Grand Plaza Hotel Corporation

Schedule showing Financial Soundness Indicators

Key Performance Indicators	Formula *(Amounts in millions)*	2021	2020
Current ratio	Total Current Assets 553 Divide by: Total Current Liabilities 170 Current ratio 3.25	**3.25**	2.97
Acid test ratio	Total Current Assets 553 Less: Inventories (5) Other current assets (38) Quick assets 510 Divide by: Total Current Liabilities 170 Acid test ratio 3.00	**3.00**	2.76
Debt to Equity Ratio	Total Liabilities 368 Stockholder's Equity 901	**0.41**	0.41
Asset to Equity Ratio	Total Assets 1,269 Stockholder's Equity 901	**1.41**	1.41
Profit before tax margin ratio	Profit (Loss) Before Tax 47.10 Total Revenue 334.99	**14.06%**	2.66%
EBITDA (Earnings before interest, tax, depreciation & amortization)	Profit (Loss) Before Tax 47.10 Add: Depreciation Expenses 42.97 Interest Expense 13.89 Less: Foreign Exchange Gain 9.33 Interest Income 5.20 Equity in Net Income of Associate 1.59 EBITDA 87.84	**P87.84 million**	P70.28 million
Return on Equity	Net Income 47.10 Total Equity 901.0	**5.23%**	1.01%
Return on Assets	Net Income 47.10 Average Total Assets 1,269	**3.71%**	0.7%

GRAND PLAZA HOTEL CORPORATION
SCHEDULES TO FINANCIAL STATEMENTS

Schedule A. Financial Assets

Name of Issuing entity and asssociation of each issue	Number of shares or principal amounts of bonds	Amount shown in balance sheet	Valued based on market quotation at end of reporting period	Income received and accrued
CASH ON HAND AND IN BANKS	-	183,284,150	183,284,150	322,893
SHORT TERM INVESTMENTS*	-	202,961,228	202,961,228	201,353
RECEIVABLES - NET	-	106,369,487	106,369,487	-
LOAN RECEIVABLE	-	15,500,000	15,500,000	775,000
LEASE DEPOSIT	-	78,000,000	78,000,000	3,900,000

*Part of Cash and cash equivalents

Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than related parties)

Name and Designation of debtor	Balance December 31, 2020	Additions	Amounts Collected	Amounts written off	Current	Not Current	Balance-December 2021
HARBOUR LAND CORPORATION	6,846,228	4,272,720	9,168,948	-	1,950,000	-	1,950,000
ELITE HOTEL MANAGEMENT SERVICES PTE LTD	700	103,300	-	-	104,000		104,000
ROGO REALTY CORPORATION	207,177	1,181,734	1,065,994	-	322,917	-	322,917
TOTAL	**7,054,105**	**5,557,754**	**10,234,942**	**-**	**2,376,917**	**-**	**2,376,917**

Schedule C. Amounts Receivable from Related Parties which are eliminated during the consolidation of financial statements

Name and Designation of debtor	Balance December 31, 2020	Additions	Amounts Collected	Amounts written off	Current	Not Current	Balance December 2021
		Nothing to report					
TOTAL	-	-	-	-	-	-	-

GRAND PLAZA HOTEL CORPORATION
SCHEDULES TO FINANCIAL STATEMENTS

Schedule D. Intangible Assets - Other Assets

Description	Balance December 31, 2020	Additions at Cost	Charged to cost and expense	Charged to other accounts	Other Changes
Nothing to report					
TOTAL	-	-	-	-	-

* Allowance for impairment of input tax

Schedule E. Long Term Debt

Title of Issue and type of obligation	Amount authorized by indenture	Amount shown under caption " Current portion of long-term debt" in related balance sheet	Amount shown under caption "Long-Term Debt" in related balance sheet
Nothing to report			- -
TOTAL	-	-	-

Balance December 31, 2021
-

GRAND PLAZA HOTEL CORPORATION
SCHEDULES TO FINANCIAL STATEMENTS

Schedule F. Indebtedness to Related Parties (Long-Term Loans from Related Companies)

Name of related party	Balance December 31, 2020	Balance December 31, 2021
Nothing to report		
TOTAL	-	-

Schedule G. Guarantees of Securities of Other Isssuers

Name of Issuing entity of Securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by person for which statement is filed	Nature of Guarantee
Nothing to report				

GRAND PLAZA HOTEL CORPORATION
SCHEDULES TO FINANCIAL STATEMENTS

Schedule H. Capital Stock

Title of Issue	Number of shares authorized	No. of shares issued and outstanding	No. of shares reserved for options, warrants convertion and other rights	Number of shares held by related parties	Directors, officers and employees	Name
Common	115,000,000	53,717,369	-	-	-	-
					1	Kwek Eik Sheng
					1	Bryan Cockrell
					1	Ricardo PC Castro, Jr.
					1	Mia G. Gentugaya
					1	Simeon Ken R.Ferrer
					1	Wong Kok Ho
					2,999	Yam Kit Sung
					1,000	Arlene De Guzman
				29,128,932		The Philippine Fund Ltd.
				17,727,149		Zatrio PTE LTD
						**6,857,283 - owned by Public
TOTAL	115,000,000	53,717,369	-	46,856,081	4,005	-