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Miscellaneous

* Asterisks denote mandatory information

Name of Announcer *	CITY DEVELOPMENTS LIMITED
Company Registration No.	196300316Z
Announcement submitted on behalf of	CITY DEVELOPMENTS LIMITED
Announcement is submitted with respect to *	CITY DEVELOPMENTS LIMITED
Announcement is submitted by *	Enid Ling Peek Fong
Designation *	Company Secretary
Date & Time of Broadcast	16-Feb-2011 19:29:32
Announcement No.	00144

>> Announcement Details

The details of the announcement start here ...

Announcement Title * : Announcement by Subsidiary Company, Grand Plaza Hotel Corporation on Full Year Results Ended 31 December 2010

Description: Please see the attached announcement released by Grand Plaza Hotel Corporation on 16 February 2011.

Attachments

GPHC-Results.pdf
Total size = **2415K**
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102162011001315

SECURITIES AND EXCHANGE COMMISSION

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Company Information

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

Document Information

Document ID	102162011001315
Document Type	17-A (FORM 11-A:AANU)
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Remarks	W/FS

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 2010

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

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

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

6. (SEC Use Only)
   Industry Classification Code:

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

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

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

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

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Stock	**87,318,270** (Inclusive of 24,915,677 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 28 January 2011 is PhP37.50 and the total voting stock held by non-affiliates of the Company is 8,443,778. Therefore, the aggregate market value of the voting stock held by non-affiliates of the Company is PhP316,641,675.

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

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

Yes [ ] No [ ]

DOCUMENTS INCORPORATED BY REFERENCE

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

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

PART I – BUSINESS & GENERAL INFORMATION

ITEM 1. BUSINESS

General

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

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

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

For the fiscal year ended 31 December 2010, the Company reported a net profit after tax of about PhP173.5 million as against PhP138.3 million in 2009 and PhP182.8 million in 2008.

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

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

Competitive Position

The main competitors of The Heritage Hotel Manila are Manila Diamond Hotel, Pan Pacific, Traders Hotel and Dusit Thani Hotel.

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

NAME	MPI	ARI	RGI
Heritage Hotel	1.03	0.84	0.86
Diamond Hotel	1.09	0.88	0.96
Dusit Thani	1.39	1.28	1.78
Pan Pacific	1.00	1.23	1.39
Traders Hotel	1.04	0.78	0.81

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

Raw Materials and Services

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

Dependence on Single Customer

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

Related Party Transactions

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

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

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

Policy on Related Party Transactions

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

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

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

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

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

No disclosure is needed for any transaction where:

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

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

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

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

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

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

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

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

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

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

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

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

Patents, Trademarks, Etc.

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

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

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

Government Approval and Regulation

The hotel applies for Department of Tourism ("DOT") accreditation annually. The accreditation is based on a certain standard set by the DOT for deluxe class hotels. The DOT inspects the hotel to determine whether the hotel meets the criteria of the DOT. The DOT accredited the hotel and the Company for the year 2010.

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 408 employees during the year 2010. Out of the 408 employees, 266 are regular employees and 142 are casual employees.

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

	REGULAR	CASUAL	TOTAL
Hotel Operating Staff (All operating dept)	191	111	302

Management/Admin/Security (A&G Dept)	32	26	58
Sales & Marketing	15		15
Repairs & Maintenance	28	5	33
Total	266	142	408

Barring any unforeseen circumstance, for the year 2011, the Company will maintain more or less the same number of employees as in year 2010.

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

ITEM 2. PROPERTIES

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

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

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

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

ITEM 3. LEGAL PROCEEDINGS

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

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

With the filing of the surety bond, a Temporary Restraining Order came into effect enjoining the Bureau of Internal Revenue ("BIR") from, among other things, implementing (a) the Warrant of Distraint and/or Levy constructively served by the BIR on 11 August 2008 pursuant to which the BIR sought to (i) distrain the "goods, chattels or effects, and other personal property whatever character of [the Registrant]" and (ii) "levy upon the real property and interest in/or rights to real property of [the Registrant]", and "sell and/or forfeit in favour of the Republic of Philippines so much of such personal/real property as may be necessary to satisfy in full the sum/sums due … ; and to cover such expenses as may be incurred in making this distraint/levy;" and (b) the Warrants of Garnishment issued by the BIR against the Company's bank accounts in the

Philippines on 14 August 2008. Prior to the effectivity of the Temporary Restraining Order, and as a consequence of the Warrants of Garnishment, the Company was not able to operate the garnished bank accounts

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

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

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

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

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

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

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

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

On 29 January 2010, the Company's counsel received a copy of the Solicitor General's Memorandum for the Commissioner of Internal Revenue dated 22 January 2010 and filed with the CTA on 25 January 2010.

On 1 March 2010, the Company's counsel received a copy of the CTA Resolution promulgated on 23 February 2010, stating that the case (i.e., the Petition for Review) is now submitted for decision.

On 6th January 2011, Grand Plaza received from its counsel (i.e., Zambrano & Gruba Law Offices), a copy of the resolution of Grand Plaza's Motion to Lift Warrant of Garnishment and To Discharge Surety Bond praying (i) for the lifting of the Warrant of Garnishment issued by the Bureau of Internal Revenue ("BIR") to Australia and New Zealand Bank ("ANZ Bank") dated 8 August 2008 and (ii) to discharge Grand Plaza from posting a surety bond ("CTA Resolution"). In the CTA Resolution, which was promulgated on 4 January 2011, the CTA (i) found Grand Plaza's Motion to Lift Warrant of Garnishment to be well-taken considering that Grand Plaza has complied with the filing of a surety bond and (ii) ordered the Commissioner of Internal Revenue to lift the Warrant of Garnishment issued to ANZ Bank. However, the CTA denied Grand Plaza's Motion to Discharge Surety Bond on the ground that both the suspension of the collection of tax as well as the lifting of the Warrant of Garnishment were granted on the condition that Grand Plaza posts a continuing surety bond in the amount equivalent to 1.5 times the alleged deficiency tax.

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

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

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

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

In the 18 May 2010 annual stockholders' meeting, the following were elected as directors of the Company:

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

Michele Dee Santos

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

PART II – OPERATIONAL AND FINANCIAL INFORMATION

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

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

The following are the high and low share prices of the Company for the year 2010 and 2009:

Amount in Peso:

	HIGH	LOW	HIGH	LOW
	Year 2010	Year 2010	Year 2009	Year 2009
First Quarter	No movement	No movement	No movement	No movement
Second Quarter	No movement	No movement	37.50	37.50
Third Quarter	No movement	No movement	No movement	No movement
Fourth Quarter	No movement	No movement	No movement	No movement

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

Holders of Securities

The Company has only one class of shares, i.e., common shares. The total outstanding common shares as of 31 December 2010 is 87,318,270 inclusive of 24,915,677 treasury shares.

As of 31 December 2010, the number of shareholders of the Company is 507.

The list of the top 20 shareholders is as follows:

	NAME OF SHAREHOLDER	**NO. OF SHARES**	**% OF SHAREHOLDING (INCLUSIVE OF TREASURY SHARES)**
01	The Philippine Fund Ltd.	33,336,297	38.18%
02	Grand Plaza Hotel Corp- Treasury Stocks	24,915,677	28.53%
03	Zatrio Pte Ltd	20,622,518	23.62%

04	PCD Nominee Filipino	7,625,922	8.73%
05	PCD Nominee Non-Filipino	250,897	0.29%
06	Alexander Sy Wong	40,138	0.05%
07	Yam Kit Seng	7,000	<0.01%
08	Phoon Lin Mui	7,000	<0.01%
09	Yam Kum Cheong	7,000	<0.01%
10	Yam Poh Choo	7,000	<0.01%
11	Lucas M. Nunag	4,800	<0.01%
12	Natividad Kwan	4,148	<0.01%
13	Le Ying Tan-Lao	3195	<0.01%
14	Yam Kit Sung	2,999	<0.01%
15	Peter Kan	2,443	<0.01%
16	Romeo L. Salonga	2,400	<0.01%
17	Christopher Lim	2,239	<0.01%
18	Robert Uy	2,000	<0.01%
19	James Jao & / Or Henry Jao	1,494	<0.01%
20	Zoriada C. Josue	1,000	<0.01%
	Total	86,846,167	99.46%

Dividends

On 22 November 2010, the Board of Directors declared cash dividends of PhP1 per share for all shareholders of record as of 7 December 2010.

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:

	2010	2009	2008
Current ratio	**1.51**	1.87	1.57
Net book value per share (include treasury shares)	**PhP12.34**	PhP12.54	PhP12.49
Earnings per share	**PhP2.75**	PhP2.13	PhP2.70
Profit before tax margin ratio	**36.21%**	31.39%	38.22%
EBITDA	**PhP274.4 million**	PhP232.1 million	PhP300.2 million

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

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

Earning per share is derived by dividing the net profit after tax by the total shares outstanding. This indicator measures the earning of the Company on a per share basis. The earnings per share increased in year 2010 due to higher profitability.

Profit before tax margin ratio is computed by dividing the profit before tax against the total revenue. This ratio measures whether the Company is able to contain its expenses in relation to the revenue. The Company has recorded a higher ratio due to higher profit.

EBITDA represents earnings before income tax, interest, depreciation and amortization. This indicator is in effect a measure of the cash flow of the Company. The Company shows an improvement of PhP42 million or 18% due to higher earnings.

Results of Operations:

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

YEAR	REVENUE – PHP'000	NIAT – PHP'000
2010	679,849	173,552
2009	631,743	138,317
2008	732,760	182,877

2010 Results of Operations

The Philippines economy including the hospitality industry has a good year 2010. The hospitality industry in the first half of year 2010 was very buoyant due to the national election. With more spending during the election period, the hotels were doing well for both rooms and food and beverage (F&B) businesses.

Revenue:
Room revenue improved by PhP31.9 million or 9.7% versus last year same period. Occupancy increased from 55% in year 2009 to 63% in year 2010. The Revpar also increased by 9.7% to PhP2,201.

F&B revenue fell slightly by PhP234,000 or less than 1% mainly due to lower contribution from the casino operation. Pagcor casinos are affected with the opening of the new Resort World.

Other operating department revenue improved significantly by PhP6.4 million or 151% due to higher telephone and internet revenue.

Others showed an improvement of PhP10 million or 9.5% due to higher rental from tenant.

Cost of sales:
Total cost of sales increased by PhP3.2 million mainly due to higher cost of sales for telephone department. The increase in cost of sales in telephone department is consistent with the higher telephone revenue which increased by 300% versus the same period of last year.

Gross Profit:
Gross profit is derived after deducting cost of sales from revenue. There is an improvement in gross profit by 7.8% as compared with year 2009. This is due to significantly higher revenue contribution.

Selling Expenses:

Selling expenses increased by PhP6 million (3%) as compared to the same period of last year. The increase in selling expenses is consistent with the improvement in total revenue. Bulk of the increment is in property operation, maintenance, energy and conservation.

Administrative Expenses:
This expense fell by PhP4 million (2%) relative to last year. This is mainly due to effort to reduce head counts and control of expenses. Depreciation and insurance expenses were also lower than same period of last year.

Other Income/(Expenses):
Total other income/(expenses) increased by PhP4.6 million (79%) as a result of higher other income and lesser foreign exchange loss.

Net Income before tax:
This is the income before tax but after deduction of all expenses. There is an increase of PhP48 million in year 2010 as compared to last year. The favorable variance is due to higher revenue.

Provision for income tax:
Total provision for income tax for year 2010 is PhP72 million (2009: PhP59 million). This increase in provision is consistent with the higher profit.

Net Income:
As a result of the significantly higher revenue, the profit after tax of the Company showed an increase of PhP35 million.

2009 Results of Operations

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2008 Results of Operations

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

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

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

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

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

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

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

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

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

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

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

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

Provision for income tax:

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

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

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
2010	1,467,596	390,594
2009	1,435,656	340,902
2008	1,419,676	329,046

2010 Financial Conditions

Total assets for the year 2010 increased by PhP31 million or 2% as compared to the last period of review. While total liabilities increased by PhP49 million or 14% as compared to end of last year 2009.

Assets:

- Cash and cash equivalents: There is a significant increase in this balance by PhP51 million or 38% compared to prior year. The main reasons are due to lower capital expenditures during the year and higher revenue and profitability.

- Receivables – Net: This balance increased by PhP15 million (5%) due to higher turnover.

- Due from related parties: This balance fell by PhP2 million as the related parties have settled their obligations to the Corporation before year end.

- Inventories: Inventories increased by PhP2.9 million (28%) compared to the same period of last year. The increase in inventory is mainly in food and general supplies.

- Prepayments and other current assets: There is an increase of 7% in this balance. This is mainly due to the prepaid insurance premium which will be amortized over the years.

- Deferred tax assets: Deferred tax assets comprised of accrual of retirement expenses, foreign exchange difference gain, deferred rental income and provision for impairment losses on receivables. There is an increase of PhP2.29 million (36%) relative to the same period of last year. This is attributed to the higher accrual of retirement expenses by PhP1.5 million.

- Property and equipment – net: There is a decrease in this balance by PhP39 million which is due to the depreciation charge for the year.

Liabilities and Equity:

- Due to related parties: There is a significant reduction in this balance by PhP12 million (60%) versus last year same period as the Corporation has settled its obligations with other related parties during the year.

- Other current liabilities: This balance increased by PhP63 million due to higher volume of business for this year and also higher VAT payable. In addition for year 2010, there is a dividend payable of PhP54.6 million which will be paid in January 2011.

- Refundable deposits: Refundable deposits fell by PhP6 million as compared to the same period of last year because of refunding a tenant their deposit during the year.

- Accrued retirement liability: There is an increase in PhP3 million for the year and this is due to the provision made for retirement benefit for year 2010.

- Treasury shares: Treasury shares increased by PhP129 million as during the year, the Corporation has completed a share buyback exercise at PhP50 per share and 1 share for every 25 shares.

2009 Financial Conditions

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

Assets:

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

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

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

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

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

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

Liabilities and Equity:

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

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

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

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

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

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

2008 Financial Conditions

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

Assets:

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

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

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

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

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

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

Liabilities and Equity:

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

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

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

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

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

Risks

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

ITEM 7. FINANCIAL STATEMENTS

Please see attachments.

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

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

PART III – CONTROL AND COMPENSATION INFORMATION

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

NAME	OFFICE	CITIZENSHIP	FAMILY RELATION (*)	AGE
Wong Hong Ren	Chairman & President	Singaporean	No relation	59
Bryan Cockrell	Director	American	No relation	63
Eddie C. T. Lau	Director	Chinese	No relation	55
Michele Dee Santos	Director	Filipino	No relation	43
Angelito Imperio	Independent Director	Filipino	No relation	71
Mia Gentugaya	Independent Director	Filipino	No relation	59
Eddie Yeo Ban Heng	Director / Vice-President / Assistant Compliance Officer / General Manager of The Heritage Hotel Manila	Malaysian	No relation	63
Yam Kit Sung	General Manager of the	Singaporean	No relation	40

	Company / Chief Finance Officer / Compliance Officer / Chief Audit Executive			
Lawrence Wee	Assistant General Manager of The Heritage Hotel Manila	Singaporean	No relation	56
Alex Cheong	Executive Chef	Malaysian	No relation	36
Maria Christina J. Macasaet-Acaban	Corporate Secretary	Filipino	No relation	37
Alain Charles J. Veloso	Assistant Corporate Secretary	Filipino	No relation	30
Arlene De Guzman	Treasurer	Filipino	No relation	50

(*) 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.

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

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

Business Experience:

WONG HONG REN
CHAIRMAN & PRESIDENT

Mr. Wong Hong Ren was first elected Director and Chairman of the Board of Directors in May 1996. Since 1988 he has held the position of Group Investment Manager of Hong Leong Management Services Pte. Ltd.. Before joining the Hong Leong Group in 1988, he was the Director and General Manager of Investment and Property of Haw Par Brothers International

Ltd. and First Capital Corporation where he was actively involved in the management of the companies' funds in international equities.

BRYAN K. COCKRELL
DIRECTOR

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

ANGELITO C. IMPERIO
INDEPENDENT DIRECTOR

Atty. Imperio has been a Director of the Company continuously since August 1992 and during that span of time, he served as independent Director from 2001 to 2004, and again from 2008 up to the present. He completed his legal education at the University of the Philippines (LL.B.) and was admitted to the bar in 1966. He was a senior partner of the law firm SyCip Salazar Hernandez & Gatmaitan until his retirement in October 2004. He is acting as of counsel to the same law firm until August 2010.

MIA G. GENTUGAYA
INDEPENDENT DIRECTOR

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

MICHELE DEE-SANTOS
DIRECTOR

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

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

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

EDDIE C.T. LAU
DIRECTOR

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

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

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

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, Grand Plaza Hotel Group, Calumboyan Holdings Group, Seacem Group and the President of a listed company - Southeast Asia Cement Holdings Inc. Other than the foregoing, Ms. de Guzman is not an officer or director of other public companies, listed companies, or companies that are grantees of secondary licenses from the SEC.

MARIA CHRISTINA J. MACASAET-ACABAN
CORPORATE SECRETARY

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

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

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

ALAIN CHARLES J. VELOSO
ASSISTANT CORPORATE SECRETARY

Mr. Veloso is an associate of the law firm Quisumbing Torres. Mr. Veloso's practices corporate and commercial law, with focus on foreign investments, securities, mergers and acquisitions, energy and natural resources, infrastructure, and outsourcing. He joined Quisumbing Torres in 2006 after graduating class valedictorian and *cum laude* from the University of the Philippines College of Law in 2006. He was also a recipient of the Dean's Medal for Academic Excellence, a member of the Order of the Purple Feather, a Chief Justice Fred Ruiz Castro Academic Scholar, an ACCRA – Violeta C. Drilon Merit Scholar, and a Member of the Pi Gamma Mu Honors Society and the Phi Kappa Phi Honors Society. Mr. Veloso was admitted to the Philippine Bar in 2007 and ranked 10^{th} in the 2006 Philippine Bar exams. Prior to obtaining his law degree, Mr. Veloso obtained his B.S. Accountancy from the University of the Philippines - Tacloban College in 2001, graduating *cum laude*. Mr. Veloso passed the Philippine licensure exam for Certified Public Accountants in 2001.

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

Attendance Record

Meeting Attendance of the Company's Board of Directors in 2010:

Date of Board of Directors' meetings	Name of Directors						
	Wong Hong Ren	Bryan Cockrell	Angelito Imperio	Mia Gentugaya	Michele Dee-Santos	Eddie Lau	Eddie Yeo
8 February 2010	Present	Present	Present	Present	Absent	Present	Present
5 March 2010 (Joint Meeting with Nomination Committee)	Present	Present	Absent	Absent	Present	Present	Present
30 April 2010	Present	Present	Present	Present	Present	Present	Present
18 May 2010 (10:30 a.m.)	Present	Present	Present	Present	Present	Present	Present
18 May 2010[1] (11:30 a.m.)	Absent	Present	Present	Present	Present	Absent	Present
18 May 2010[2] (1:00 p.m.)	Absent	Present	Present	Present	Present	Absent	Present
26 July 2010	Present	Present	Present	Present	Present	Present	Present
28 October 2010	Present	Absent	Absent	Present	Absent	Present	Present
22 November 2010	Present	Present	Present	Present	Present	Present	Present
Total	7 out of 9	8 out of 9	7 out of 9	8 out of 9	7 out of 9	7 out of 9	9 out of 9
Percentage of Attendance	78%	89%	78%	89%	78%	78%	100%

Meeting Attendance of the Company's Audit Committee in 2010

Date of the Audit Committee meetings	Name of Directors		
	Bryan Cockrell	Mia Gentugaya	Michele Dee-Santos
8 February 2010	Present	Present	Absent

[1] Annual Stockholders' Meeting
[2] Organizational Meeting of the Board of Directors

30 April 2010	Present	Present	Present
26 July 2010	Present	Present	Present
26 October 2010	Present	Present	Present
Total	4 out of 4	4 out of 4	3 out of 4
Percentage of Attendance	100%	100%	75%

Meeting Attendance of the Company's Nomination Committee in 2010

Date of the Nomination's Committee meetings	Name of Directors				
	Wong Hong Ren	Eddie Lau	Bryan Cockrell	Michele Dee-Santos	Mia Gentugaya
5 March 2010 (Joint Meeting with the Board of Directors)	Present	Present	Present	Present	Absent
25 March 2010	Present	Present	Absent	Present	Absent
Total	2 out of 2	2 out of 2	2 out of 2	2 out of 2	2 out of 2
Percentage of Attendance	100%	100%	100%	100%	100%

ITEM 10. EXECUTIVE COMPENSATION

EXECUTIVE AND DIRECTORS COMPENSATION

NAME	POSITION	YEAR	SALARY	BONUS	OTHERS/ DIRECTOR FEES
Wong Hong Ren	Chairman & President	2010			
Eddie Yeo Ban Heng	General Manager of Hotel	2010			
Yam Kit Sung	General Manager of the Company	2010			
Lawrence Wee	Resident Manager of Hotel	2010			
Alex Cheong	Executive Chef	2010			
Total		2010	18,000,501	619,994	0
Directors		2010			2,110,970
All officers & Directors as a group		2010	18,000,501	619,994	2,110,970

The estimated total compensation for officers and directors in year 2011 is as follows:

Salary – PhP18 million
Bonus – PhP1 million
Other Fees – PhP2.5 million

FOR THE LAST 2 FINANCIAL YEARS – 2009 and 2008

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

NAME	POSITION	YEAR	SALARY	BONUS	OTHERS/ DIRECTOR FEES
WONG HONG REN	CHAIRMAN & PRESIDENT	2008			
EDDIE YEO BAN HENG	GENERAL MANAGER OF HOTEL	2008			
YAM KIT SUNG	GENERAL MANAGER	2008			
STANLEY KON	RESIDENT MANAGER OF HOTEL	2008			
SUNNY GOH	EXECUTIVE CHEF	2008			
TOTAL		2008	17,423,181	5,647,458	254,960
DIRECTORS		2008			2,330,882
ALL OFFICERS & DIRECTORS AS A GROUP		2008	17,423,181	5,647,458	2,585,842

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

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

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

Security Ownership of Management

The following table shows the shareholding beneficially held by the officers of the Company as at 31 December 2010.

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

The following entities are directly or indirectly the beneficial owners of more than 5% of the Company's voting shares (common) as of 31 December 2010

S/N	NAME OF SHAREHOLDER	CITIZENSHIP	NO. OF SHARES	% OF SHAREHOLDING (EXCLUSIVE OF TREASURY SHARES)
1	The Philippine Fund Limited	Bermuda	33,336,297[3]	53.42%

[3] The Philippine Fund Limited is owned by:

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

2	Zatrio Pte. Ltd.	Singapore	20,622,518	33.05%
3	RCBC Trust & Investment	Filipino	6,788,830	7.77%

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

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

ITEM 13. CORPORATE GOVERNANCE

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

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

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

Implementation of the Revised Code of Corporate Governance

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

For the year 2010, the Company, its directors, officers and employees substantially complied, and has taken reasonable action towards complying, with the leading practices and principles on good corporate governance as embodied in the Company's Manual on Corporate Governance, and in the Revised Code of Corporate Governance.

Participation in the Annual Corporate Governance Scorecard for Listed Companies

---

8/F Bangkok Bank Building 28 Des Voeux Road, Central Hong Kong	Ordinary	20%

The Company annually participates in the SEC's and the Institute of Corporate Directors' ("ICD") Annual Corporate Governance Scorecard for Listed Companies ("Scorecard") to measure the performance of the Board of Directors and Management of the Company in accordance with the corporate governance best practices provided for in the Scorecard. The Company's overall average score in the Scorecard for 2007, 2008 and 2009 were 51%, 68%, and 86%, respectively. The Company submitted its Scorecard for the year 2010 with the ICD on 15 November 2010. The Company endeavors to further improve its corporate governance scores.

Compliance with the Corporate Governance Guidelines for Companies Listed on the Philippine Stock Exchange

The Company substantially complied with the Corporate Governance Guidelines for Companies Listed on the Philippine Stock Exchange ("Guidelines"). The Company's compliance report for 2010, in accordance with the Guidelines, will be made available at the Company's website.

Deviations from recommended practices in the Guidelines will not subject the Company to penalties. Below is a summary of the Company's deviations from some of these recommended practices:

a. The Guidelines recommend that listed companies have at least three (3) or thirty percent (30%) of its directors as independent directors. The Company currently has two (2) independent directors, consistent with the requirements of the Revised Code of Corporate Governance.

b. The Guidelines recommend that the Chairman and CEO positions be held separately by individuals who are not related to each other. The Company's Chairman is also the Company's CEO / President.

c. The Guidelines recommend that listed companies have a unit at the management level, headed by a Risk Management Officer ("RMO"). The Company does not have a Risk Management Officer at the management level.

d. The Guidelines recommend that listed companies have at least thirty percent (30%) public float to increase liquidity in the market. The proportion of the Company's outstanding shares that are considered public float is less than thirty percent (30%).

e. The Guidelines recommend disclosure in the annual report of principal risks to minority shareholders associated with the identity of the company's controlling shareholders; the degree of ownership concentration; cross-holdings among company affiliates; and any imbalances between the controlling shareholders' voting power and overall equity position in the company. The Company's Annual Report does not include such a discussion.

Audit Committee Report for 2010

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

a. During the meeting of the Audit Committee on 8 February 2011, KPMG Manabat Sanagustin & Co., the Company's External Auditor, presented the results of its examinations of the Company's financial statements. Upon review and discussion with Management and KPMG Manabat Sanagustin & Co., the Audit Committee, during that meeting, approved and indorsed to the Board of Directors the Company's financial statements as at and for the year ended 31 December 2010. During its meeting on 8 February 2011, the Board of Directors approved the Company's financial statements as at and for the year ended 31 December 2010.

b. In the meetings of the Audit Committee held on 30 April 2010, 26 July 2010, and 26 October 2010 the Audit Committee reviewed the Company's quarterly and half-year financial statements before their submission for the approval of the Board of Directors.

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

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

During the period 11 to 22nd January 2011, the Group Internal Auditors conducted an internal audit review of the Company for the year 2010. The formal audit report will be released later in February 2011. However, based on initial discussion with the Group Internal Auditors, there were no significant issues raised.

Corporate Social Responsibility ("CSR") Report for 2010

Creating a positive impact in the lives of its key stakeholders in order to build and sustain the momentum towards a sustainable future is at the heart of The Heritage Hotel Manila's business operations.

Driven by the revitalized investors' confidence in the changing of the guards at the highest echelons of the Philippine government's executive office, the Heritage Hotel further spreads optimism and acts as a catalyst for making a difference in the quality of life of its stakeholders and in a broader perspective, a brighter future for the Philippines.

Development Opportunities for Employees

Exposure Abroad

Providing its staff with professional exposure at sister 5-Star Deluxe properties abroad, the Heritage Hotel continually hones the craft & specialization of its workforce and promotes inter-cultural exchanges and understanding.

For 3 years in succession, the Heritage Hotel chefs have spearheaded the two-week Filipino Food Promo in commemoration of Philippine independence at Café Sirih, Millennium Hotel Sirih Jakarta, sister-Hotel within the umbrella of the Millennium Hotels and Resorts chain. The Heritage Hotel kitchen team unraveled the rich flavors of the 7,107 Philippine islands during the food fest.

Winning Moves

The Heritage Hotel encourages, mentors and coaches its staff to participate in internal and external competitions for service excellence and development of skills & expertise.

The cream of the crop among frontliners and operations personnel are commended on a monthly basis as Model employee and supervisor for their extraordinary contributions in providing seamless and extraordinary experiences for the Hotel guests.

The monthly recognition of the outstanding employee and supervisor raises the bar of the standard of excellence for all the Heritage Hotel staff to emulate. Each awardee goes through a stringent process of selection during the deliberation among the Hotel's heads of departments and executive committee.

The chosen model employee and supervisor of the month are given a boost of confidence as each one renders an inspirational speech in the presence of the Hotel executives and staff during the monthly Tea Party. Each monthly winner attains a certificate of merit, cash prize and a chance to vie for the prestigious Model employee and supervisor of the year. Subsequently, the annual staff awardees become the official representatives of the Hotel to the celebrated Mabuhay Awards, the program of the Association of the Human Resources Managers (AHRM) in the hospitality industry, giving recognition to outstanding rank & file employees, supervisors and managers from its member establishments.

In the kitchen arena, the Heritage Hotel chefs joined and clinched two medals in the prestigious First Philippine Culinary Cup and, a competitive event component of the WOFEX 2010 (World Food Expo), the biggest food and beverage exhibition in the country held at the SMX Convention Center. The culinary competition was officiated by world renowned panel of chefs from Singapore, Hong Kong, Malaysia, Thailand and supported Les Toques Blanches Philippines, Pastry Alliance of the Philippines and co-organized by Premier Events.

Training for Enhanced Job Performance

In light of equipping its staff with the know-how to meet and exceed departmental deliverables for service excellence, the Heritage Hotel trained its middle managers to enhance their leadership skills and development, adeptness for effective supervision and team management. The Hotel also educated the mix of rank and file and supervisors for computer literacy and proficiency.

The Human Resources Division rolled out a series of seminar-workshops on leading, organizing & supervising; planning & controlling; staffing & training; activating the workforce; managing problem performance; improving department productivity and personnel management & development. On the other hand, the Information Technology department conducted basic modules on computer software programs and the Opera system.

Sound Body, Sound Mind

To balance the fast-paced work environment and the demands for peak performance to deliver optimum service to discerning guests, the Heritage Hotel nurtures the health and well-being of its employees. On its second year, the Human Resources Division implemented the Health and Wellness program dubbed as "Yes We Care!" for employees and their dependents to gain access to medical consultations and assistance from a pediatrician, ophthalmologist, primary care, OB GYNE, dermatologist and other specialists. In addition, the health fair allotted facilities for vaccination and seminars on wellness. During the summer, the Hotel organizes an annual Inter-department sports fest for basketball and badminton. This activity aims to incorporate an active standard of living among the staff, foster camaraderie and teamwork among various departments. As a further commitment to cultivating a healthy lifestyle and providing an avenue for stress management, the Hotel has transformed its Vinluan Room to an Activity Center wherein employees enjoy a variety of sports activities such as darts, table tennis and board games.

Disaster Preparedness

To ensure the safety and security of Hotel guests, personnel and property, the Heritage Hotel continued to demonstrate its 100% preparedness to respond appropriately to emergencies during its Annual Simulation and Fire Drill Exercise. The Hotel's crisis management team with the participation of the Pasay City Fire Station enacted the step-by-step pro-active response to emergency situations. Furthermore, the demonstration highlighted the effectiveness of the Hotel's newly upgraded fire alarm and detection system. In preparation for the fire drill and any eventualities, the Engineering and Human Resources Division orchestrated a series of coordination meetings and First Aid Training & Basic Life Support Workshops.

Reduction of Environmental Footprints

In view of raising awareness on adopting measures to reduce humanity's carbon footprints that would help curb global warming and climate change, the Heritage Hotel Manila has participated in international information drives for environmental advocacy.

For the third year in a row, The Heritage Hotel Manila's management team and staff took part in the switching off the lights program for the Earth Hour. Darkness shrouded the Hotel's façade, front office; Lobby Lounge, Riviera Café and rooms as the Hotel team and guests volunteered to shed the spotlight on the urgent call for the international community to mobilize action against global warming and climate change. As a sign of "Bayanihan" spirit with the global community, the Heritage Hotel's Earth Hour drive was accounted amongst various establishments across the Philippines as part of the country's record-breaking feat of 15 Million volunteers in 1,076 participating towns and cities for the 60-minute lights switch off campaign. Likewise, the Heritage Hotel showed its solidarity with the worldwide celebration of Earth Day in the course of its participation in the 5K and 10K run together with around 5,000 participants in the 1st National Geographic Earth Run at the SM Mall of Asia (MOA) grounds to raise awareness on the need to mitigate the effects of global warming and raise funds for the benefit of Design Against the Elements (DAtE), a global architectural design contest that aims to provide a solution to the problems presented by climate change as experienced in the Philippines during the unprecedented flooding in 80% of Metro Manila brought by super typhoon Ketsana (Ondoy).

Community Involvement

Fund-raising Campaigns

Woven in the fabric of the Heritage Hotel's activities are its initiatives to address the root cause of poverty through its fund-raising campaigns that aimed to benefit the well-being and education of neglected sectors in the society particularly the orphans, abandoned and street children.

The Heritage Hotel has set-up a fund drive through its wishing well as it celebrated two significant occasions on the calendar: the auspicious Chinese New Year and festive Yuletide season. Respectively, the beneficiaries were Our Lady of Sorrows Foundation, a non-government organization reaching out to poor and underprivileged children in the Pasay city community and Asilo de San Vicente de Paul (ASVP), one of the oldest orphanages in the Philippines, in operations for 125 years and focused on the uplifting the state of poor and needy children and the youth through provisions for basic needs, education, social support and spiritual development.

Reading Advocacy

On the other hand, the Heritage Hotel has a soft spot for shaping a better future for the youth through the development of positive learning habits. The Heritage Hotel integrated its reading advocacy program for children during Easter and Holiday festivities, to expose the young ones to the joys of reading as an essential tool for gaining knowledge and mental development.

Bridging International Relations

The Heritage Hotel Manila served as a preferred venue of Southeast Asian diplomatic corps for promoting the peace process throughout the region and building strong trade and economic ties among its neighboring countries.

Corporate Social Responsibility (CSR) has been an integral part of the Company's vision and mission. Founded on this commitment, we take into consideration the interests of society on key stakeholders such as our investors, customers, employees, contractors and suppliers as well as the community.

We believe in conducting our business responsibly, mindful of the impact our operations have on society so as to build an enduring and sustainable organization. We continually seek ways to ensure a better quality of life for the community and environment where we live, work and play.

Our Commitment to Stakeholders:
As a responsible corporation, it is our goal to be transparent and accountable to our stakeholders who have an interest in our operations.

Our Customers:
To offer quality and innovative products, unsurpassed service and value for money.

Our Investors:
To maintain profitability and achieve optimum returns on their investments.

Our Employees:
To maximize their potential and care for their personal well-being and career development.

Our Contractors and Suppliers:
To select based on quality of work and their ability to complement our commitment to environment, health and safety.

The Community:
To serve the community we operate in so as to create a better place for all, especially caring for the less fortunate, enhancing youth development, promoting the arts and conserving the environment.

The Corporation does not have an employee stock option plan. However, the employees are given annual merit based cash bonus based on the Corporation financial performance and also the individual staff's performance.

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 2010 to December 2010:

Date of SEC Form 17-C	Summary of the matter disclosed
26 January 2010	Certification on the Corporation's compliance with its Manual on Corporate Governance.

26 January 2010	Certification on the attendance record of the Corporation's Board of Directors' meetings held from 1 January 2008 to 31 December 2008
8 February 2010	Appointment of Ms. Leonor Tabeta as Acting Director of Finance of The Heritage Hotel Manila and member of The Heritage Hotel Management Executive Committee, to fill the vacancy created by the resignation of Ms. Marilyn H. Sy. Board of Directors' approval of the amendment of the Articles of Incorporation and By-Laws of the Corporation to include "The Heritage Hotel Manila" as its business name.
18 May 2010	Board of Directors' approval of the proposal for the purchase by the Corporation of part of its shares from its stockholders of record as of 18 June 2010.
18 May 2010	Election of the members of the Board of Directors, re-appointment of the Corporation's External Auditor by the stockholders, and stockholders ratification of the board of directors' approval of the amendment of the Articles of Incorporation and By-Laws of the Corporation to include "The Heritage Hotel Manila" as its business name.
18 May 2010	Election of the Corporation's officers by the newly-elected members of the Board of Directors.
18 May 2010	Re-appointment of Mr. Eddie Yeo as Assistant Compliance Officer.
28 May 2010	Timetable of the Corporation's offer to purchase ("Buyback Offer") a portion of its outstanding shares from its stockholders as of 18 June 2010; Appointment of AB Capital Securities, Inc., as the transacting broker for the Buyback Offer; Copies of the documents that will be distributed in connection with the Buyback Offer.
2 July 2010	Report on the result of the Corporation's Buyback Offer, i.e., list of stockholders who tendered shares under the Buyback Offer and the number of shares tendered by each stockholder.
12 July 2010	Report on the completion of the Corporation's Buyback Offer, i.e., the number of shares that were purchased by the Corporation from the stockholders who tendered their

	shares as of 2 July 2010.
8 September 2010	Disclosure of the SEC's approval of the amendment of the Corporation's Articles of Incorporation and By-Laws to include "The Heritage Hotel Manila" as its business name.
22 November 2010	Declaration of cash dividend of PhP1 per share for all shareholders of record as of 7 December 2010.

SIGNATURES

Pursuant to the requirements of Section 17 of the Securities Regulation Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of ______PASAY CITY______ on ______FEB 1 6 2011______, 20__

By:

Wong Hong Ren
Chairman & President

Yam Kit Sung
General Manager/
Vice President Finance

Maria Christina Macasaet-Acaban
Corporate Secretary

SUBSCRIBED AND SWORN to before me this _____ day of FEB 1 6 2011 2011__ affiant(s) exhibiting to me their Community Tax Certificates/Passports, as follows:

Names	CTC/Passport No.	Date of Issue	Place of Issue
Wong Hong Ren	E1802233F	30 April 2010	Singapore
Yam Kit Sung	S7023301J	16 September 2002	Singapore

Notary Public

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Page No. 14
Book No. 1
Series of 2011.

GRAND PLAZA HOTEL CORPORATION

8 February 2011

Statement of Management's Responsibility For Financial Statements

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

The management of **GRAND PLAZA HOTEL CORPORATION** is responsible for all information and representations contained in the financial statements as of and for the years ended December 31, 2010, 2009 and 2008. The financial statements have been prepared in conformity with generally accepted accounting principles in the Philippines and reflect amounts that are based on the best estimates and informed judgment of management with an appropriate consideration to materiality.

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

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

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

Wong Hong Ren
Chairman and President

Yam Kit Sung
General Manager & Chief Financial Officer

Subscribed and sworn to before me a notary public for and in the City of PASAY CITY this ______ day of FEB 1 6 2011 2011, the signatories exhibiting to me their Community Tax Certificates/Passports details of which are as follows:

Name	Community Tax Certificate/ Passport Number	Date	Place of Issue
Wong Hong Ren	E1802233F	30 April 2010	Singapore
Yam Kit Sung	S7023301J	16 September 2002	Singapore

ATTY. ROGELIO U. MARAVILLES
NOTARY PUBLIC
UNTIL DECEMBER 31, 2012
PTR NO. 9825602
ROLL NO. 23259
Notary Public

Doc. No. 86
Page No. 18
Book No. 1
Series of 2010.

Eddie Yeo Ban Heng
Director & Vice President

Subscribed and sworn to before me a notary public for and in the City of PASAY CITY this ______ day of FEB 1 6 2011 ______ 2011, the signatories exhibiting to me their Community Tax Certificates/Passports details of which are as follows:

Name	Community Tax Certificate/ Passport Number	Date	Place of Issue
Eddie Yeo Ban Heng	A15462877	06 Sept. 2006	SINGAPORE

Notary Public

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GRAND PLAZA HOTEL CORPORATION

FINANCIAL STATEMENTS
December 31, 2010, 2009 and 2008

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

REPORT OF INDEPENDENT AUDITORS

Board of Directors and Stockholders
Grand Plaza Hotel Corporation

Report on the Financial Statements

We have audited the accompanying financial statements of Grand Plaza Hotel Corporation, which comprise the statements of financial position as at December 31, 2010 and 2009, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the years in the three-year period ended December 31, 2010, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Philippine Financial Reporting Standards, 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.

Auditors' Responsibility

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

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

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

KPMG

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Grand Plaza Hotel Corporation as at December 31, 2010 and 2009, and its financial performance and its cash flows for each of the years in the three-year period ended December 31, 2010 in accordance with Philippine Financial Reporting Standards.

Report on the Supplementary Information Required Under Revenue Regulations 15-2010 of the Bureau of Internal Revenue

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on taxes and licenses 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 information has been subjected to the auditing procedures applied in our audit 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 whole.

Manabat Sanagustin & Co.

February 8, 2011
Makati City, Metro Manila

GRAND PLAZA HOTEL CORPORATION
STATEMENTS OF FINANCIAL POSITION

		December 31	
	Note	**2010**	2009
ASSETS			
Current Assets			
Cash and cash equivalents	*4, 25*	**P183,280,486**	P132,146,933
Receivables - net	*5, 14, 25*	**283,108,037**	267,491,850
Loan receivable	*9, 14, 25*	**15,500,000**	15,500,000
Due from related parties	*14, 25*	**2,209,240**	5,045,714
Inventories	*6*	**13,351,592**	10,403,562
Prepayments and other current assets	*7*	**15,800,484**	14,689,756
Total Current Assets		**513,249,839**	445,277,815
Noncurrent Assets			
Deferred tax assets - net	*21*	**8,652,374**	6,360,601
Investment in an associate	*8, 14*	**47,092,974**	46,801,413
Property and equipment - net	*10*	**720,721,562**	759,337,256
Other noncurrent assets	*11, 14, 19, 25*	**177,879,574**	177,879,574
Total Noncurrent Assets		**954,346,484**	990,378,844
		P1,467,596,323	P1,435,656,659
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and accrued expenses	*12, 25*	**P60,679,415**	P59,824,530
Income tax payable		**16,136,215**	15,842,146
Due to related parties	*14, 19, 25*	**7,917,095**	19,940,234
Other current liabilities	*13, 25*	**256,514,681**	193,053,036
Total Current Liabilities		**341,247,406**	288,659,946
Noncurrent Liabilities			
Refundable deposits	*19*	**22,031,611**	28,132,002
Accrued retirement liability	*20*	**27,315,427**	24,110,930
Total Noncurrent Liabilities		**49,347,038**	52,242,932
Total Liabilities		**390,594,444**	340,902,878
Equity			
Capital stock		**873,182,700**	873,182,700
Additional paid-in capital		**14,657,517**	14,657,517
Retained earnings:			
Appropriated	*22*	**1,245,759,170**	1,116,857,170
Unappropriated	*24*	**189,161,662**	206,913,564
Treasury stock	*23*	**(1,245,759,170)**	(1,116,857,170)
Total Equity		**1,077,001,879**	1,094,753,781
		P1,467,596,323	P1,435,656,659

See Notes to the Financial Statements.

GRAND PLAZA HOTEL CORPORATION
STATEMENTS OF COMPREHENSIVE INCOME

		Years Ended December 31		
	Note	2010	2009	2008
REVENUES				
Rooms		**P361,588,294**	P329,614,729	P381,341,736
Food and beverage		**192,168,744**	192,402,411	236,045,080
Other operating departments		**10,661,422**	4,247,054	5,169,302
Others	*19*	**115,430,745**	105,479,093	110,204,712
		679,849,205	631,743,287	732,760,830
COST OF SALES	*15*			
Food and beverage		**56,930,297**	56,926,411	66,953,642
Other operating departments		**4,435,307**	1,202,042	963,721
		61,365,604	58,128,453	67,917,363
GROSS PROFIT		**618,483,601**	573,614,834	664,843,467
SELLING EXPENSES	*16*	**195,813,491**	189,870,220	212,480,589
ADMINISTRATIVE EXPENSES	*17*	**187,005,045**	191,281,131	194,155,320
		382,818,536	381,151,351	406,635,909
NET OPERATING INCOME		**235,665,065**	192,463,483	258,207,558
OTHER INCOME (EXPENSES)				
Interest income	*9, 14*	**9,600,032**	7,817,319	8,252,267
Foreign exchange gain (loss)		**(1,977,790)**	(2,169,120)	13,907,914
Equity in net income of an associate	*8*	**291,561**	126,937	825,831
Others		**2,571,609**	74,975	(465,438)
		10,485,412	5,850,111	22,520,574
INCOME BEFORE INCOME TAX		**246,150,477**	198,313,594	280,728,132
INCOME TAX EXPENSE	*21*	**72,597,787**	59,996,319	97,850,779
NET INCOME / TOTAL COMPREHENSIVE INCOME		**P173,552,690**	P138,317,275	P182,877,353
Basic and Diluted Earnings Per Share	*18*	**P2.74**	P2.10	P2.66

See Notes to the Financial Statements.

GRAND PLAZA HOTEL CORPORATION
STATEMENTS OF CHANGES IN EQUITY

		Years Ended December 31		
	Note	**2010**	2009	2008
CAPITAL STOCK				
Common stock - P10 par value				
Authorized - 115,000,000 shares				
Issued - 87,318,270 shares		**P873,182,700**	P873,182,700	P873,182,700
ADDITIONAL PAID-IN CAPITAL		**14,657,517**	14,657,517	14,657,517
RETAINED EARNINGS				
Appropriation for acquisition of treasury stock				
Balance at beginning of year		**1,116,857,170**	982,663,220	842,785,920
Additions during the year	*22*	**128,902,000**	134,193,950	139,877,300
Balance at end of year		**1,245,759,170**	1,116,857,170	982,663,220
Unappropriated				
Balance at beginning of year		**206,913,564**	202,790,239	159,790,186
Net income for the year		**173,552,690**	138,317,275	182,877,353
Appropriation during the year	*22*	**(128,902,000)**	(134,193,950)	(139,877,300)
Dividends declared during the year	*24*	**(62,402,592)**	-	-
Balance at end of year		**189,161,662**	206,913,564	202,790,239
		1,434,920,832	1,323,770,734	1,185,453,459
TREASURY STOCK, at cost - 24,915,677 shares, 22,337,637 shares, and 19,653,758 shares in 2010, 2009 and 2008, respectively	*23*			
Balance at beginning of year		**(1,116,857,170)**	(982,663,220)	(842,785,920)
Acquisition of treasury stock during the year	*22*	**(128,902,000)**	(134,193,950)	(139,877,300)
Balance at end of year		**(1,245,759,170)**	(1,116,857,170)	(982,663,220)
		P1,077,001,879	P1,094,753,781	P1,090,630,456

See Notes to the Financial Statements.

GRAND PLAZA HOTEL CORPORATION
STATEMENTS OF CASH FLOWS

		Years Ended December 31		
	Note	**2010**	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		**P246,150,477**	P198,313,594	P280,728,132
Adjustments for:				
Depreciation and amortization	*10, 17*	**38,805,451**	39,704,531	39,750,917
Interest income		**(9,600,032)**	(7,817,319)	(8,252,267)
Provision for retirement expense	*20*	**3,399,601**	2,811,702	3,128,769
Unrealized foreign exchange gain		**(544,918)**	(3,258,003)	(3,688,558)
Equity in net income of an associate	*8*	**(291,561)**	(126,937)	(825,831)
Provision for (recovery of) of impairment losses on receivables	*25*	**(215,948)**	184,406	237,172
Dividend income		**(100,200)**	(74,150)	(75,371)
Gain on disposal of property and equipment		**-**	(825)	(278,073)
Operating income before working capital changes		**277,602,870**	229,736,999	310,724,890
Decrease (increase) in:				
Receivables		**(20,820,013)**	(13,107,917)	(12,661,396)
Inventories		**(2,948,030)**	215,145	(2,008,901)
Prepayments and other current assets		**(14,301,441)**	(3,916,881)	(17,935,914)
Other assets		**-**	10,678,565	-
Increase (decrease) in:				
Accounts payable and accrued expenses		**854,885**	(11,795,046)	7,695,190
Due to related parties		**(12,023,139)**	8,688,856	4,291,731
Refundable deposits		**(6,100,391)**	2,476,935	(2,737,064)
Other current liabilities		**8,771,633**	14,890,843	(11,076,184)
Cash generated from operations		**231,036,374**	237,867,499	276,292,352
Income taxes paid		**(51,404,808)**	(50,504,469)	(87,344,910)
Interest received		**5,019,806**	3,144,371	7,694,413
Retirement benefits paid		**(195,104)**	(2,449,837)	(67,338)
Net cash provided by operating activities		**184,456,268**	188,057,564	196,574,517
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to property and equipment	*10*	**(189,757)**	(7,077,656)	(40,089,597)
Proceeds from disposal of property and equipment		**-**	825	279,629
Dividend received		**100,200**	74,150	75,371
Net cash used in investing activities		**(89,557)**	(7,002,681)	(39,734,597)

Forward

	Note	2010	2009	2008
		Years Ended December 31		
CASH FLOWS FROM FINANCING ACTIVITIES				
Decrease (increase) in due from related parties		**P2,836,474**	(P4,661,566)	P4,789,799
Acquisition of treasury stock	*23*	**(128,902,000)**	(134,193,950)	(139,877,300)
Dividends paid	*24*	**(7,712,550)**	-	-
Net cash used in financing activities		**(133,778,076)**	(138,855,516)	(135,087,501)
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**544,918**	3,258,003	3,688,558
NET INCREASE IN CASH AND CASH EQUIVALENTS		**51,133,553**	45,457,370	25,440,977
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	*4*	**132,146,933**	86,689,563	61,248,586
CASH AND CASH EQUIVALENTS AT END OF YEAR	*4*	**P183,280,486**	P132,146,933	P86,689,563

See Notes to the Financial Statements.

1. Reporting Entity

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

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

2. Basis of Preparation

Statement of Compliance
The financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs).

The accompanying financial statements were authorized and approved for issue by the Board of Directors (BOD) on February 8, 2011.

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

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

Use of Estimates and Judgments
The preparation of financial statements in conformity 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 and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

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

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

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

As of December 31, 2010 and 2009, allowance for impairment losses on receivables amounted to P352,275 and P568,223, respectively (see Note 5). As of December 31, 2010 and 2009, the carrying amount of receivables amounted to P283,108,037 and P267,491,850 (see Note 5).

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

Inventories, at lower of cost and net realizable value, amounted to P13,351,592 and P10,403,562 as of December 31, 2010 and 2009, respectively (see Note 6).

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

As of December 31, 2010 and 2009, the carrying amount of property and equipment amounted to P720,721,562 and P759,337,256, respectively (see Note 10).

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

As of December 31, 2010 and 2009, the Company's deferred tax assets - net amounted to P8,652,374 and P6,360,601, respectively (see Note 21).

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

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

As of December 31, 2010 and 2009, the Company's accrued retirement liability amounted to P27,315,427 and P24,110,930, respectively. Retirement expense amounted to P3,399,601, P2,811,702 and P3,128,769 in 2010, 2009 and 2008, respectively (see Note 20).

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

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

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

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

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

- significant negative industry or economic trends.

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

3. Summary of Significant Accounting Policies

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

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

Amendments and Improvements to Standards Adopted in 2010
Effective January 1, 2010, the Company adopted the following amendments and improvements to standards:

- *Improvements to PFRSs 2009,* contain 15 amendments to 12 standards. The improvements are generally effective for annual periods beginning on or after January 1, 2010. The following are the relevant improvements or amendments to PFRSs, none of which has a significant effect on the financial statements of the Company.

  - PAS 7 *Statement of Cash Flows.* The amendments clarify that only expenditures that result in the recognition of an asset can be classified as a cash flow from investing activities.

  - PAS 17 *Leases.* The International Accounting Standards Board deleted guidance stating that a lease of land with an indefinite economic life normally is classified as an operating lease, unless at the end of the lease term title is expected to pass to the lessee. The amendments clarify that when a lease includes both the land and building elements, an entity should determine the classification of each element based on paragraphs 7 - 13 of PAS 17, taking account of the fact that land normally has an indefinite economic life.

The adoption of the above amendments or improvements to standards did not have a material effect on the Company's financial statements.

New or Revised Standard, Amendments to Standards and Interpretations Not Yet Adopted
A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after January 1, 2010, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Company, except for PFRS 9 *Financial Instruments*, which becomes mandatory for the Company's 2013 financial statements and could change the classification and measurement of financial assets. The Company does not plan to adopt this standard early and the extent of the impact has not yet been determined.

The Company will adopt the following new or revised standards, amendments to standards and interpretations in the repective dates:

To be Adopted on January 1, 2011

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

- *Improvements to PFRSs 2010* contain 11 amendments to six standards and to one interpretation. The amendments are generally effective for annual periods beginning on or after January 1, 2011. The following are the relevant improvements or amendments to PFRSs which the Company did not early adopt. None of these is expected to have a significant effect on the financial statements of the Company.

    - PFRS 7 *Financial Instruments: Disclosures*. The amendments add an explicit statement that qualitative disclosure should be made in the context of the quantitative disclosures to better enable users to evaluate an entity's exposure to risks arising from financial instruments. In addition, the IASB amended and removed existing disclosure requirements. The amendments are effective for annual periods beginning on or after January 1, 2011. Early application is permitted and is required to be disclosed.

    - PAS 1 *Presentation of Financial Statements*. The amendments clarify that disaggregation of changes in each component of equity arising from transactions recognized in other comprehensive income is also required to be presented, but may be presented either in the statement of changes in equity or in the notes. The amendments are effective for annual periods beginning on or after January 1, 2011. Early application is permitted.

To be Adopted on January 1, 2012

- *Disclosures - Transfers of Financial Assets (Amendments to PFRS 7)*, require additional disclosures about transfers of financial assets. The amendments require disclosure of information that enables users of financial statements to understand the relationship between transferred financial assets that are not derecognized in their entirety and the associated liabilities; and to evaluate the nature of, and risks associated with, the entity's continuing involvement in derecognized financial assets. Entities are required to apply the amendments for annual periods beginning on or after July 1, 2011. Earlier application is permitted. Entities are not required to provide the disclosures for any period that begins prior to July 1, 2011.

To be Adopted on January 1, 2013

- PFRS 9 *Financial Instruments* (2009) was issued as the first phase of the PAS 39 replacement project. The chapters of the standard released in 2009 only related to the classification and measurement of financial assets. PFRS 9 (2009) retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and contractual cash flow characteristics of the financial asset. In October 2010, a new version of PFRS 9 *Financial Instruments* (2010) was issued which now includes all the requirements of PFRS 9 (2009) without amendment. The new version of PFRS 9 also incorporates requirements with respect to the classification and measurement of financial liabilities and the derecognition of financial assets and financial liabilities. The guidance in PAS 39 on impairment of financial assets and hedge accounting continues to apply. The new standard is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted. PFRS 9 (2010) supersedes PFRS 9 (2009). However, for annual periods beginning before January 1, 2013, an entity may elect to apply PFRS 9 (2009) rather than PFRS 9 (2010).

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

<u>Financial Instruments</u>

Non-derivative Financial Instruments

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

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

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

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

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

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

Loans and Receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments and maturities that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not designated as AFS financial assets or at FVPL.

Subsequent to initial measurement, loans and receivables are carried at amortized cost using the effective interest rate method, less any impairment in value. Any interest earned on loans and receivables shall be recognized in profit or loss on an accrual basis. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are integral part of the effective interest rate. The periodic amortization is also recognized in profit or loss. Gains or losses are recognized in profit or loss when the loans and receivable are derecognized or impaired, as well as through the amortization process.

Included in this category are the Company's cash and cash equivalents, receivables, loan receivable, due from related parties and other assets (see Notes 4, 9, 11 and 14).

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

Other Financial Liabilities
This category pertains to financial liabilities that are not designated or classified as at FVPL upon inception of the liability. These include liabilities arising from operations and borrowings. The financial liabilities are recognized initially at fair value and are subsequently carried at amortized cost, taking into account the impact of applying the effective interest method of amortization for any premium or discount and any directly attributable transaction costs that are considered an integral part of the effective interest rate of the liability.

Included in this category are the Company's accounts payable and accrued expenses, due to related parties, refundable deposits, and other current liabilities except for output VAT payable, withholding taxes payable and deferred rental (see Notes 12, 13, 14 and 19).

Share Capital
Common shares are 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.

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 as additional paid-in capital.

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

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

Investment in an associate, Harbour Land Corporation (HLC), which is 40%-owned by the Company and in which the Company has significant influence is accounted for under the equity method of accounting. Investments in associate is recognized initially at cost. The cost of the investment includes transaction costs. The financial statements include the Company's share of the profit or loss and other comprehensive income, after adjustments to align the accounting policies with those of the Group, from the date that significant influence ceases.

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

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

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

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

The estimated useful lives are as follows:

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

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

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

Impairment of Assets

Financial Assets

The Company assesses at reporting date whether a financial asset or group of financial assets is impaired.

If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through use of an allowance account. The amount of loss shall be recognized in profit or loss.

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

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 profit or loss, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date. Objective evidence that financial assets are impaired can include default or delinquency by a borrower, restructuring of a loan or advance by the Company on terms that the Company would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group.

The determination of impairment losses for financial assets is inherently subjective because it requires material estimates, including the amount and timing of expected recoverable future cash flows. These estimates may change significantly from time to time, depending on available information.

When a subsequent event causes the amount of impairment loss to decrease, the impairment loss is reversed through profit or loss.

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

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

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

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

Revenue and Expense Recognition
Revenue is recognized when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. The following specific recognition criteria must also be met before revenue is recognized:

Room Revenue: Revenue is recognized upon actual room occupancy.

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

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

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

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

Costs and expenses are recognized when incurred.

Income Tax

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

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

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

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

Earnings Per Share

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

Related Parties

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

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

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

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

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

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

4. Cash and Cash Equivalents

This account consists of:

	Note	**2010**	2009
Cash on hand and in banks		**P19,276,712**	P29,045,326
Short-term investments		**164,003,774**	103,101,607
	25	**P183,280,486**	P132,146,933

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

5. Receivables

This account consists of:

	Note	2010	2009
Trade			
Receivables from Philippine Amusement and Gaming Corporation (PAGCOR)		**P204,668,272**	P192,674,873
Charge customers	*25*	**32,859,465**	39,108,760
Others		**17,643,638**	15,451,972
		255,171,375	247,235,605
Interest	*14*	**22,578,545**	17,889,784
Advances to contractors		**4,518,197**	140,427
Advances to employees		**310,327**	215,798
Other receivables		**881,868**	2,578,459
		283,460,312	268,060,073
Less allowance for impairment losses on trade receivables	*25*	**352,275**	568,223
		P283,108,037	P267,491,850

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

Receivables from PAGCOR include billings for output value added tax (VAT) of P186.29 million and P174.3 million as of December 31, 2010 and 2009, respectively. The collection of this amount is still pending as PAGCOR is seeking clarification from the Bureau of Internal Revenue (BIR) whether PAGCOR is subject to 10% VAT considering its status as a government corporation. The corresponding 10% output VAT payable from the billings to PAGCOR is likewise not remitted to the BIR pending the clarification from the BIR (see Note 13).

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

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

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

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

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

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

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

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

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

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

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

On January 29, 2010, the Company's counsel received a copy of the Solicitor General's Memorandum for the Commissioner of Internal Revenue dated January 22, 2010 and filed with the CTA on January 25, 2010.

On March 1, 2010, the Company's counsel received a copy of the CTA Resolution promulgated on February 23, 2010, stating that the case (i.e., the Petition for Review) is now submitted for decision.

On December 13, 2010, Company filed a "Motion to lift warrant of garnishment and to discharge surety bond" praying for the lifting of the warrant of garnishment issued by the BIR to Australia and New Zealand (ANZ Bank) dated August 8, 2008 and discharging the Company from posting a surety bond.

On January 4, 2011, pursuant to the Resolution of the First Division dated August 21, 2008, the respondent Commissioner of Internal Revenue ordered to lift the warrant of garnishment. On the other hand, the Company's "Motion to discharge surety bond" was denied for lack of merit considering that both the suspension of collection of tax as well as the lifting of the Warrant of Garnishment dated August 8, 2008 were granted on the condition that the Company shall post a continuing surety bond in an amount equivalent to 1.5 times the alleged deficiency tax.

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

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

6. Inventories

This account consists of:

	2010	2009
Food	**P2,600,673**	P1,879,329
General supplies	**5,391,495**	3,534,084
Beverage and tobacco	**875,244**	992,921
Engineering supplies	**845,643**	842,753
Others	**3,638,537**	3,154,475
	P13,351,592	P10,403,562

There was no write down of inventories to NRV in both 2010 and 2009.

7. Prepayments and Other Current Assets

This account consists of:

	2010	2009
Input value-added tax	**P9,039,941**	P10,086,551
Prepaid expenses	**6,450,424**	4,312,835
Others	**310,119**	290,370
	P15,800,484	P14,689,756

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

8. Investment in an Associate

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

This account consists of:

	2010	2009
Acquisition cost	**P48,200,000**	P48,200,000
Accumulated share in net losses:		
Balance at beginning of year	**(1,398,587)**	(1,525,524)
Equity in net income of associate during the year	**291,561**	126,937
Balance at end of year	**(1,107,026)**	(1,398,587)
	P47,092,974	P46,801,413

A summary of the financial information of HLC follows:

	2010	2009
Total assets	**P153,096,410**	P151,186,116
Total liabilities	**89,363,975**	88,182,582
Total equity, net of subscription receivable of P54 million	**63,732,435**	63,003,534
Revenue	**10,678,560**	10,678,560
Net income	**728,901**	317,342

9. Loan Receivable

This pertains to the loan granted to Rogo Realty Corporation (RRC), a company under common control, which is collateralized by RRC's investment in shares of stock of HLC with a carrying value P72.3 million as of December 31, 2010 and is payable on demand with interest rate of 5% per annum (see Note 14).

Interest income in 2010, 2009 and 2008 amounted to P775,000 for each year.

10. Property and Equipment

The movements in this account are as follows:

	Building and Building Improvements	Furniture, Fixtures and Equipment	Transportation Equipment	Leasehold Improvements	Total
Gross carrying amount:					
Balance, January 1, 2009	P972,268,264	P372,431,299	P4,158,198	P385,157	P1,349,242,918
Additions	6,212,456	865,200	-	-	7,077,656
Disposals	-	(17,634,465)	-	-	(17,634,465)
Balance, December 31, 2009	978,480,720	355,662,034	4,158,198	385,157	1,338,686,109
Additions	-	189,757	-	-	189,757
Balance, December 31, 2010	978,480,720	355,851,791	4,158,198	385,157	1,338,875,866
Accumulated depreciation and amortization:					
Balance, January 1, 2009	302,337,688	251,782,238	2,773,704	385,157	557,278,787
Depreciation and amortization during the year	21,267,638	17,757,072	679,821	-	39,704,531
Disposals	-	(17,634,465)	-	-	(17,634,465)
Balance, December 31, 2009	323,605,326	251,904,845	3,453,525	385,157	579,348,853
Depreciation and amortization during the year	21,268,394	16,982,235	554,822	-	38,805,451
Balance, December 31, 2010	344,873,720	268,887,080	4,008,347	385,157	618,154,304
Carrying amount:					
December 31, 2009	P654,875,394	P103,757,189	P704,673	P -	P759,337,256
December 31, 2010	P633,607,000	P 86,964,711	P149,851	P -	P720,721,562

As of December 31, 2010 and 2009, there are no indications of impairment on the carrying amount of property and equipment.

11. Other Noncurrent Assets

This account consists of:

	Note	2010	2009
Restricted cash	*5, 25*	**P93,783,783**	P93,783,783
Lease deposit	*14, 19, 25*	**78,000,000**	78,000,000
Miscellaneous investments and deposits		**5,085,791**	5,085,791
Others		**1,010,000**	1,010,000
		P177,879,574	P177,879,574

Restricted cash represents the portion of Company's short-term investments that was pledged to secure the bond in connection with the value added tax (VAT) case of the Company (see Note 5).

12. Accounts Payable and Accrued Expenses

This account consists of:

	2010	2009
Trade payables	**P37,074,514**	P30,097,258
Accrued payroll	**12,552,419**	14,236,009
Accrued utilities	**7,818,208**	10,248,881
Accrued other liabilities	**2,735,149**	4,743,257
Others	**499,125**	499,125
	P60,679,415	P59,824,530

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

13. Other Current Liabilities

This account consists of:

	2010	2009
Output VAT payable	**P183,758,039**	P174,341,868
Dividend payable	**54,690,042**	-
Withholding taxes payable	**2,406,340**	2,887,725
Deferred rental	**1,718,564**	1,718,564
Others	**13,941,696**	14,104,879
	P256,514,681	P193,053,036

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

14. Related Party Transactions

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

	Nature	2010	2009
Due from related parties:			
HLC	Advances	**P1,100,011**	P4,633,155
CDL Hotels (Phils.)	Advances	**638,524**	-
RRC	Advances	**470,705**	356,446
The Philippine Fund Limited (TPFL)	Advances	**-**	56,113
		P2,209,240	P5,045,714

	Nature	*Note*	2010	2009
Due to related parties:				
CDL Hotels (Phils.) Corporation (CDL)	Management and incentive fees		**P5,544,221**	P2,724,998
HLC	Rent payable	*19*	**1,966,630**	62,287
Millenium & Copthorne Int'l Ltd. (M & C)	Advances		**406,244**	17,152,949
			P7,917,095	P19,940,234

Other balances with related parties are as follows:

Related Party	Nature	*Note*	2010	2009
RRC	Interest	*9*	**P14,764,781**	P13,989,784
HLC	Interest	*19*	**7,800,000**	3,900,000
		5	**22,564,781**	17,889,784
RRC	Loan	*9*	**15,500,000**	15,500,000
HLC	Lease deposit	*11, 19*	**78,000,000**	78,000,000

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

The interest receivable from HLC represents the uncollected interest on the lease deposit of the Company to HLC at 5% a year (see Note 19). The related interest income amounted to P3.9 million for each of the years in 2010, 2009 and 2008.

The interest receivable from RRC represents the uncollected interest on the loan granted by the Company to RRC at 5% a year (see Note 9). The related interest income amounted to P0.78 million for each of the years in 2010, 2009 and 2008.

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

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

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

Transactions with Key Management Personnel

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

	2010	2009	2008
Directors of Hotel operations	**P3,808,576**	P3,745,830	P3,859,733
Executive officers	**17,413,730**	15,234,958	17,296,987
	P21,222,306	P18,980,788	P21,156,720

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

15. Cost of Sales

This account consists of:

	Note	2010	2009	2008
Inventories at beginning of year	*6*	**P10,403,562**	P10,618,707	P8,609,806
Purchases		**64,313,634**	57,913,308	69,926,264
Available for sale		**74,717,195**	68,532,015	78,536,070
Inventories at end of year	*6*	**(13,351,592)**	(10,403,562)	(10,618,707)
		P61,365,604	P58,128,453	P67,917,363

16. Selling Expenses

This account consists of:

	Note	2010	2009	2008
Salaries, wages and employee benefits:	*20*			
Food and beverage		**P35,619,283**	P39,676,413	P45,778,159
Rooms		**26,645,057**	26,690,934	26,826,902
Other operated departments		**1,044,916**	1,247,333	1,400,407
		63,309,256	67,614,680	74,005,468
Property operation, maintenance, energy and conservation		**92,190,815**	86,208,910	103,279,038
Guest supplies		**11,420,538**	11,268,774	9,534,800
Transport charges		**4,654,703**	4,632,554	5,085,423
Laundry and dry cleaning		**4,438,767**	4,186,458	4,651,194
Kitchen fuel		**3,577,828**	2,677,098	2,968,056
Printing and stationery		**3,043,172**	2,959,011	2,283,388
Commission		**2,060,096**	1,160,566	1,011,201
Music and entertainment		**1,961,580**	1,008,609	1,602,242
Permits and licenses		**1,716,397**	1,573,959	1,563,221
Cleaning supplies		**1,549,945**	1,409,280	1,449,740
Miscellaneous		**5,890,394**	5,170,321	5,046,818
		P195,813,491	P189,870,220	P212,480,589

17. Administrative Expenses

This account consists of:

	Note	2010	2009	2008
Hotel Overhead Departments				
Salaries, wages and employee benefits:	*20*			
Administrative and general		**P32,874,580**	P32,737,701	P38,897,712
Engineering		**8,341,681**	8,688,457	8,745,080
Sales and marketing		**6,114,497**	7,428,978	6,770,057
Human resources		**2,057,031**	2,190,724	2,252,221
		49,387,789	51,045,860	56,665,070
Management and incentive fees	*14*	**33,707,516**	30,509,299	37,988,564
Credit card commission		**5,003,463**	4,530,887	5,330,643
Legal and professional fees		**1,466,029**	759,248	1,016,682
Entertainment		**1,195,529**	1,474,453	1,826,988
Awards and social activities		**714,334**	639,909	530,104
Miscellaneous		**6,637,464**	7,475,899	3,746,783
		98,112,124	96,435,555	107,104,834

Forward

	Note	2010	2009	2008
Corporate Office				
Depreciation and amortization	10	**P38,805,451**	P39,704,531	P39,750,917
Insurance		**11,151,686**	13,092,592	14,589,252
Leased land rental	19	**10,678,560**	10,678,560	10,678,560
Property tax		**9,265,681**	9,265,681	4,265,681
Professional fees		**3,616,875**	4,185,824	6,228,037
Taxes and licenses		**2,433,303**	6,563,740	1,950,158
Directors' fees		**2,110,970**	2,566,565	2,330,882
Miscellaneous		**10,830,395**	8,788,083	7,256,999
		88,892,921	94,845,576	87,050,486
		P187,005,045	P191,281,131	P194,155,320

18. Earnings Per Share

Basic and diluted earnings per share are computed as follows:

	2010	2009	2008
Weighted average number of common shares			
Balance at beginning of year	**64,980,633**	67,664,512	70,462,058
Weighted average number of shares acquired during the year	**(1,611,275)**	(1,677,424)	(1,748,466)
	63,369,358	65,987,088	68,713,592

	2010	2009	2008
Net income for the year	**P173,552,690**	P138,317,275	P182,877,353
Divided by weighted average outstanding shares	**63,369,358**	65,987,088	68,713,592
	P2.74	P2.10	P2.66

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

19. Leases

Lease Receivables

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

	2010	2009
Due within one year	**P104,054,366**	P92,797,070
After one year but not more than five years	**208,108,732**	185,594,140
	P312,163,098	P278,391,210

The lease agreements with the third parties required the latter to give the Company lease deposits amounting to a total of P20,586,639 and P26,199,617 in 2010 and 2009, respectively, shown as part of "Refundable Deposits" in the statements of financial position. Rent income amounted to P110,550,431, P99,073,335 and P104,673,424 in 2010, 2009 and 2008, respectively.

Lease Obligations

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

a. Annual rental on the land of P10,678,560 (shown as part of Leased land rental under "Administrative expenses" account in 2010, 2009 and 2008);

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

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

Future minimum rental obligations on the land are as follows:

	2010	2009	2008
Due within one year	**P10,678,560**	P10,678,560	P10,678,560
After one year but not more than five years	**32,035,680**	42,714,240	42,714,240
More than five years	**-**	-	10,678,560
	P42,714,240	P53,392,800	P64,071,360

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

20. Retirement Cost

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

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

	2010	2009
Present value of defined benefit obligation	**P22,388,419**	P21,277,161
Unrecognized actuarial gains	**4,927,008**	2,833,769
Liability recognized in the statements of financial position	**P27,315,427**	P24,110,930

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

	2010	2009
Present value of obligation at beginning of year	**P21,277,161**	P16,969,517
Current service cost	**1,694,667**	1,647,488
Interest cost	**1,755,366**	1,527,257
Benefits paid	**-**	(2,449,837)
Actuarial losses (gains)	**(2,338,775)**	3,582,736
Present value of obligation at end of year	**P22,388,419**	P21,277,161

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

	2010	2009	2008
Current service cost	**P1,694,667**	P1,647,488	P1,822,942
Interest cost	**1,755,366**	1,527,257	1,404,296
Amortization of actuarial gain	**(50,432)**	(363,043)	(98,469)
Retirement expense	**P3,399,601**	P2,811,702	P3,128,769

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

	2010	2009	2008
Discount rate	**8%**	9%	8%
Future salary increases	**7%**	7%	7%

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

	2010	2009	2008	2007	2006
Present value of defined benefit obligation	**P22,388,419**	P21,277,161	P16,969,517	P17,553,702	P16,456,780
Deficit in the plan	**P22,388,419**	P21,277,161	P16,969,517	P17,553,702	P16,456,780
Experience adjustments on plan liabilities	**(P1,665,030)**	P1,563,774	(P1,187,329)	(P5,067,912)	P489,009

21. Income Tax

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

	2010	2009	2008
Current tax expense	**P74,308,278**	P59,897,028	P92,530,617
Deferred tax expense (benefit)	**(1,710,491)**	99,291	5,320,162
	P72,597,787	P59,996,319	P97,850,779

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

	2010	2009	2008
Income before income tax	**P246,150,477**	P198,313,594	P280,728,132
Income tax expense at statutory tax rate	**P73,845,143**	P59,494,078	P98,254,846
Additions to (reductions in) income tax resulting from the tax effects of:			
Income subjected to final tax	**(1,477,485)**	(959,736)	(1,191,675)
Non deductible expense	**317,597**	1,500,058	-
Equity in net income of an associate	**(87,468)**	(38,081)	(289,041)
Effect of change in tax rate	**-**	-	1,076,649
	P72,597,787	P59,996,319	P97,850,779

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

	2010	2009
Accrual of retirement expense	**P8,194,628**	P6,651,996
Foreign exchange difference gain	**(163,475)**	(977,401)
Deferred rental income	**515,539**	515,539
Provision for impairment losses on receivables	**105,682**	170,467
	P8,652,374	P6,360,601

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

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

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

22. Appropriation of Retained Earnings

The Company has appropriated the amount of P128,902,000, P134,193,950 and P139,877,300 in 2010, 2009 and 2008, respectively, to finance the acquisition of treasury stock during those years.

23. Treasury Stock

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

Date of meeting	No. of shares purchased	Stockholders on record as of	Ratio of purchase	Cost per share	Amount
May 15,2010	2,578,040	June 5, 2010	1:25	P50	P128,902,000
May 15, 2009	2,683,879	June 5, 2009	1:25	50	134,193,950
May 15, 2008	2,797,546	June 5, 2008	1:25	50	139,877,300

As of December 31, 2010 and 2009, 24,915,677 shares and 22,337,637 shares, respectively, were held in treasury.

24. Dividend Declaration

On November 22, 2010, the Board of Directors of the Company declared cash dividends equivalent to P62,402,592 out of the unrestricted retained earnings as of December 31, 2009 payable on or before January 5, 2011 to the stockholders of record as of December 7, 2010.

25. Financial Risk and Capital Management

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

- Credit Risk
- Liquidity Risk
- Market Risk

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

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

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

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

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

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

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

The carrying amount of financial assets as of December 31, 2010 and 2009 represents the maximum credit exposure. The maximum exposure to credit risk at the reporting dates is as follows

	Note	**2010**	2009
Cash and cash equivalents	*4*	**P183,280,486**	P132,146,933
Receivables - net	*5, 14*	**283,108,037**	267,491,850
Loan receivable	*9, 14*	**15,500,000**	15,500,000
Due from related parties	*14*	**2,209,240**	5,045,714
Other noncurrent assets	*11*	**177,879,574**	177,879,574
		P661,977,337	P598,064,071

Details of trade receivables from charge customers as of December 31, 2010 and 2009 by type of customer is as follows:

	Note	2010	2009
PAGCOR		**P10,256,777**	P15,043,904
Corporations		**9,525,839**	11,242,080
Travel agencies		**3,885,320**	4,725,728
Credit cards		**2,207,772**	2,126,210
Airlines		**1,998,081**	1,679,943
Others		**4,985,676**	4,290,895
	5	**32,859,465**	39,108,760
Less allowance for impairment losses on trade receivables	*5*	**352,275**	568,223
		P32,507,190	P38,540,537

The Company's most significant customer, PAGCOR, accounts for 31.21% and 38.47% of the trade receivables from charge customers as of December 31, 2010 and 2009, respectively. Revenues from PAGCOR represent approximately amounted to P96,760,172, P92,797,071 and P92,797,071 in 2010, 2009 and 2008, respectively, of the Company's total revenues.

The aging of trade receivables as of December 31, 2010 and 2009 is as follows:

	2010		2009	
	Gross Amount	**Impairment**	Gross Amount	Impairment
Current	**P19,302,326**	**P -**	P24,138,987	P -
Over 30 days	**10,782,491**	**-**	11,818,298	-
Over 60 days	**2,276,533**	**-**	1,786,973	-
Over 90 days	**498,115**	**352,275**	1,364,502	568,223
	P32,859,465	**P252,275**	P39,108,760	P568,223

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

	Amount
Balance at January 1, 2009	P383,817
Impairment losses on receivables	184,406
Balance at December 31, 2009	568,223
Reversal in 2010	(215,948)
Balance at December 31, 2010	P352,275

The allowance for impairment losses on trade receivables as of December 31, 2010 and 2009 of P352,275 and P568,223, respectively, relates to outstanding accounts of customers that are more than 90 days past due.

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

	As of December 31, 2010			
	Grade A	**Grade B**	**Grade C**	**Total**
Cash and cash equivalents	**P183,280,486**	**P -**	**P -**	**P183,280,486**
Receivables - net	**64,882,626**	**13,557,139**	**204,668,272**	**283,108,037**
Loan receivable	**-**	**15,500,000**	**-**	**15,500,000**
Due from related parties	**-**	**2,209,240**	**-**	**2,209,240**
Other noncurrent assets	**84,095,791**	**-**	**93,783,783**	**177,879,574**
	P332,258,903	**P31,266,379**	**P298,452,055**	**P661,977,337**

	As of December 31, 2009			
	Grade A	Grade B	Grade C	Total
Cash and cash equivalents	P132,146,933	P -	P -	P132,146,933
Receivables - net	59,847	14,969,773	192,674,873	267,491,850
Loan receivable	-	15,500,000	-	15,500,000
Due from related parties	-	5,045,714	-	5,045,714
Other noncurrent assets	84,095,791	-	93,783,783	177,879,574
	P276,089,928	P35,515,487	P286,458,656	P598,064,071

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

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

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk by forecasting projected cash flows and maintaining a balance between continuity of funding and flexibility. 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 of December 31, 2010 and 2009 amounted to P341,247,406 and P288,659,946, respectively, which are less than its total current assets of P513,249,839 and P445,277,815, respectively. Thus, the Company has sufficient funds to pay for its current liabilities and has minimal liquidity risk.

Market Risk

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

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

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

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

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

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

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:

	2010		2009	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Cash and cash equivalents	**P183,280,486**	**P183,280,486**	P132,146,933	P132,146,933
Receivables - net	**283,108,037**	**283,108,037**	267,491,850	267,491,850
Loan receivable	**15,500,000**	**15,500,000**	15,500,000	15,500,000
Due from related parties	**2,209,240**	**2,209,240**	5,045,714	5,045,714
Other noncurrent assets	**177,879,574**	**177,879,574**	177,879,574	177,879,574
Accounts payable and accrued expenses	**60,679,415**	**60,679,415**	59,824,530	59,824,530
Due to related parties	**7,917,095**	**7,917,095**	19,940,234	19,940,234
Other current liabilities	**68,631,738**	**68,631,738**	14,104,879	14,104,879

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 fair value of cash approximates its carrying amount due to the short-term nature of these assets.

Receivables/Due from Related Parties/Loan Receivable/Accounts Payable and Accrued Expenses/Due to Related Parties/Other Current Liabilities except for output VAT liability, withholding taxes payables and deferred rental
Current receivables are reported at their net realizable values, at total amounts less allowances for estimated uncollectible accounts. Current liabilities are stated at amounts reasonably expected to be paid within the next twelve months or within the Company's operating cycle. Due to/from related parties and loan receivable are payable on demand.

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

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

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

The Company is not subject to externally imposed capital requirements.

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

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

26. Contingencies

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

27. Reclassification

Portion of the Company's short-term investments under "Cash and cash equivalents" account in the 2009 financial statements has been reclassified to restricted cash under "Other noncurrent assets" account to conform to the 2010 financial statements presentation.

28. Supplementary Information Required by Bureau of Internal Revenue's Revenue Regulations (RR) No. 15-2010

On November 25, 2010, the Bureau of Internal Revenue issued Revenue Regulations (RR) No. 15-2010 which prescribes additional procedural and/or documentary requirements in connection with the preparation and submission of financial statements accompanying the tax returns. Under the said RR, companies are required to disclose, in addition to the disclosures mandated under PFRSs and such other standards and/or conventions that may heretofore be adopted, in the Notes to the Financial Statements, information on taxes, duties and license fees paid or accrued during the taxable year. Following is the required information under RR No. 15-2010 for the year ended December 31, 2010:

A. Value Added Tax (VAT)

1. Output VAT	**P56,164,304**
Basis of Output Vat	
Vatable sales	**P459,189,189**
Sales to government	**8,846,678**
Zero rated sales	**211,813,338**
	P679,849,205

The zero rated sales consist of the Company's rental revenue from PAGCOR recognized under "Others" account.

2. Input VAT	
Beginning of the year	**P1,657,024**
Current year's domestic purchases:	
a. Goods for resale/manufacture or further processing	**8,515,558**
b. Services lodged under other accounts	**21,962,927**
Claims for tax credit/refund and other adjustments	**2,427,312**
Balance at the end of the year	**P34,562,821**

B. Withholding Taxes

Tax on compensation and benefits	**P21,690,407**
Creditable withholding taxes	**11,188,267**
Final withholding taxes	**165,733**
	P33,044,407

C. All Other Taxes

Other taxes paid during the year recognized under "Taxes and licenses" account in Profit or Loss	
Real estate tax	**P831,445**
Buyback shares sales tax	**644,510**
Licenses	**219,520**
Permits	**25,000**
National	**500**
Others	**1,059,922**
	P2,780,897

D. Tax Assessments

Period Covered	Amount
2001	**P765,104**
2002	**228,943,589**
	P229,708,693

E. Tax Cases

As of December 31, 2010, the Company has the following tax cases:

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

b. 2002 - PAGCOR VAT case filed against the Company.

COVER SHEET

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S.E.C. Registration Number

GRAND PLAZA HOTEL CORPORATION

(Company's Full Name)

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

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

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

12	31	AAFS			
Month	*Day*	FORM TYPE		*Month*	*Day*
				Annual Meeting	

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

507			
Total No. of Stockholders	Domestic		Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks = pls. use black ink for scanning purposes.