

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

- 1 For the quarterly period ended **March 31, 2020**
2. Commission identification number _____ 3. BIR Tax Identification No. **000-460-602-000**

GRAND PLAZA HOTEL CORPORATION

4. Exact name of issuer as specified in its charter

PHILIPPINES

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

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

10F, The Heritage Hotel Manila, Roxas Blvd. cor. EDSA, Pasay City 1300

7. Address of issuer's principal office

Tel. No. (632) 854-8838

Fax No. (632) 854-8825

8. Issuer's telephone number, including area code

N.A.

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

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

Title of each Class

Number of shares of common
Stock outstanding and amount
Of debt outstanding

COMMON SHARES

87,318,270*

*includes 33,600,901 treasury shares

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

Yes [X] No []

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

PHILIPPINE STOCK EXCHANGE, INC.

COMMON

12. Indicate by check mark whether the registrant:

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

Yes [X] No []

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

Yes [X] No []

PART I – FINANCIAL INFORMATION

Item 1 Financial Statements

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

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

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

PART II – OTHER INFORMATION

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

SIGNATURES

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

Issuer: **YAM KIT SUNG**

Signature and Title: **General Manager & Chief Financial Officer**

Date _____

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements Required Under SRC Rule 68.1

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

Notes to Financial Statements

Summary of significant accounting policies

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

The same accounting policies and methods of computation are followed in the interim financial statements for the year 2019 as compared with the most recent annual financial statements.

Seasonality or Cyclicalities of Interim Operations

All segments of the business are in its normal trading pattern.

Material Items

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

Estimates

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

Issuances of Debts and Equity

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

Dividends

There were no dividends declared in the current interim period.

Segment Revenue and Results

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

The Company organized its business into 3 main segments:

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

The segment revenues and results are as follows:

	YTD 1 st Quarter Revenue – Peso ‘000	YTD 1 st Department Profit – Peso ‘000
Room	66,014	51,378
Food and Beverage	23,326	7,652
Other Operated Departments and rental	3,087	2,494

Subsequent Events

None

Composition of Company

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

Contingent assets or liabilities

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

Contingencies

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

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

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

	31 March 2020	31 March 2019
Current liquidity ratios	2.19	2.23
Solvency (Debt to equity)	0.46	0.28
Assets to equity ratios	1.46	1.28
Profitability ratios Profit/(Loss) before tax margin ratio	0.56%	(6.8%)
EBITDA (Earnings before interest, tax, depreciation and amortization) - Peso	12,154,337	6,772,141

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

Current liquidity 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 decreased by 0.04 during the period of review compared to the same period of last year due to increase in current liabilities by PhP46.76 million (27%) but offset by higher cash and cash equivalent of PhP85.13 million (33%). Current liabilities is higher PhP30 million (83%) mainly due to higher accounts payable. Due to the lock down of Metro Manila in March 2020, the Company is not able to pay most of its suppliers.

Debt to equity ratio measures a company financial leverage. It is derived by dividing total liabilities over equity. There is an increase in this ratio by 0.18 (64%) over the same period of last year and this is due to higher liabilities as a result of higher lease liabilities and lower equity.

Assets/Equity ratio measures the proportion of equity used to finance assets of the company and it is derived by dividing total assets to equity. There is an increase in this ratio by 0.18 (14%) over last year as a result of higher assets and offset by lower equity. Assets increased mainly due to recognition of Right-of-use asset of PhP178.5 million in connection with the adoption of new accounting standard for operating lease effective 2019 and higher Cash and Cash Equivalents balance of PhP342.9 million.

Profit before tax margin ratio is computed by dividing the profit before tax against the total revenue. This ratio measures whether the Company is able to contain its expenses in relation to the revenue. This ratio showed an income for this quarter versus same period

last year. Though revenue is lower than last year, the Company through better cost containment has a profit versus a loss in prior year.

EBITDA represents earnings before interest, tax, depreciation and amortization. This indicator measures the operating cash flow of a company. For the quarter under review, EBITDA increased by PhP5.3 million compared to the same period of last year due to higher operating income.

Balance Sheets Analysis:

Total assets increased by about PhP157.8 million (14%) as compared to the same period of last year and increased by PhP6.7 million (1%) as compared to end of last fiscal year. Compared to the same period of last year, the increase is mainly due to additional recognition of Right-of-use asset by PhP102.2 million and increase in cash and cash equivalents by PhP85.13 million (33%).

Cash and short term notes:

This balance includes short-term fixed deposits with banks. This balance increased marginally by PhP85.13 million (33%) relative to same period of last year while compared to the end of last year, there is an increase of PhP28.4 million (9%). The higher cash balance is due to a stronger performance in the month of March and less capital expenditure.

Accounts receivable – trade:

There is an increase in this balance by PhP1.9 million (6%) versus same period of last year while there is a drop of PhP11.8 million (25%) relative to end of last fiscal year. The improvement over end of last fiscal year is due to faster collection after year end.

Advances to associated/related companies:

The Company, in its normal course of business, has entered into transactions with its related parties, principally consisting of cash advances.

The Company leases its hotel site from an associated company. The Company has also entered into a management agreement with Elite Hotel Management Services Pte. Ltd., a related company, for the latter to operate the Hotel.

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

As compared with the same period of last year, there is an increase in the balance by PhP0.2 million (12%) as the related companies have not settled its obligation to the Company while relative to end of last fiscal year, there is an increase by PhP2.3 million.

Prepaid expenses:

Compared to the end of last fiscal year, this balance decreased by PhP2.5 million (36%) due to amortization.

Other current assets:

Compared to the same period last year, there is an increment of PhP2.7million (5%). As compared to end of last fiscal year, there is no significant change in this balance.

Property and Equipment:

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

As compared to the same period of last year, there is a fall by PhP38.6 million (8%). The decrease in balance is due to depreciation charges for the period amounting to PhP8.5 million.

Right-of-use assets:

Effective 1 January 2019, the Company has adopted the new accounting standard to recognize operating lease. Due to this new standard, the Company has to recognize a Right-of-use asset amounting to PhP178.5 million.

Due to associated/related company:

As compared to end of last year, this balance fell by PhP6.3 million (17%) as the Company has settled some of its obligations with related companies in 1st quarter 2020.

Hotel lease liability (current and non-current):

As explained under Right-of-use asset, the adoption of the new accounting standard also required the Company to recognize a current and non-current lease liability.

Income Statement Analysis For the 3 Months Ended 31 March 2020

Revenue:

Total revenue decreased by PhP2.6 million (3%) versus same period last year. Room division show improvement over prior year by about PhP2.1 million (3%) but offset by lower Food and Beverage Revenue and Other Operated Departments by PhP4.8 million (16%).

Rooms division recorded an improvement in revenue from PhP63.8 million to PhP66 million or PhP2.1 million (3%) over the same period of last year. This improvement was driven by higher Average Room Rate from PhP2,698 to PhP3,091 and Revpar increased by PhP36 (2.3%) compared to same period last year. The improvement in room revenue comes from corporate group segment. Though Covid 19 has caused Metro Manila to be

locked down in March, the Hotel was able to secure 2 long staying corporate groups and achieved a higher revenue in March 2020 versus 2019.

F&B business fell from PhP27.4 million to PhP23.3 million or 15% over the same period of last year. Food covers dropped by 2,123 (5%) relative to last year. The main reason is that due to Covid 19, the hotel has a significant drop in banquet revenue by 40% relative to last year.

Cost of Sales:

Cost of sales for F&B registered decrease of PhP2.2 million (24%) as compared to last year which is consistent with lower revenue.

Gross Profit:

Gross profit is derived after deducting cost of sales from gross revenue. Gross profit as compared to last year is marginally higher by PhP0.15 million.

Operating Expenses:

Operating expenses include among others, payroll and related expenses, utilities, depreciation charges, rental and other fixed expenses. There is a drop in these expenses by PhP4.1 million (6%) compared to last year. The main drop in expenses this year versus last year is payroll and related expenses, depreciation of hotel lease asset and general expenses.

Net Operating Income:

This is derived after deducting operating expenses from gross operating profit. The Company reported an increase net operating income of PhP1.7 million versus loss of PhP2.5 million in last year. This is a result of lower operating expenses.

Non-operating income:

This indicator showed a significant increase from a loss of PHP0.056 million to an income of PhP2.6 million. The significant variance is due to an exchange gain of PhP0.2 million in this quarter versus an exchange loss of PhP1.7 million in 2019.

The Philippines peso has weakened against the US dollar so when the Company translates its US dollar fixed deposits to Philippines peso, it recognized a gain.

Profit after tax:

The Company registered a profit after tax of PhP0.49 million as against last year loss of PhP4.5 million (111%).

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

- Any known trends, demands, commitments, events or uncertainties that will have a material impact on the Company's liquidity.

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

Management is not aware of any event that may trigger direct or contingent financial obligations that is material to the Company, including any default or acceleration of an obligation. Management is not aware of any material off-balance sheet transaction, arrangement, obligation (including contingent obligations), and other relationships of the Company with unconsolidated entities or other persons that were created during the first 3 months of 2020.

PART II – OTHER INFORMATION

Tax matter:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

On 4 July 2018, the CTA rendered its Decision.

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

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

Amended Decision

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

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

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

MR filed by CIR

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

- (1) The "other matters" clause of Section 7 of Republic Act No. 9282 does not include assessment cases.
- (2) A challenge to the collection procedure under "other matters" cannot reach back and examine an undisputed assessment.
- (3) Even assuming that the present case falls under the scope of "other matters", the Petition was filed out of time.

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

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

On 02 December 2019, the CTA En Banc issued a Notice of Resolution that since both CIR and the Corporation decided not to have the case mediated by Philippine Mediation Center – Court of Tax Appeals, the mediation proceedings are terminated and the case is submitted for decision by the CTA En Banc.

As at 17 April 2020, there is no decision from the CTA.

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

Financial Risk Exposure:

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

1. The qualitative and quantitative impact of any changes in the financial risk exposures of GPHC, particularly on currency, interest, credit, market and liquidity

- risks, that would materially affect its financial condition and results of operation, and a description of any enhancement in the Company's risk management policies to address the same.
2. A description of the financial instruments of the Company and the classification and measurements applied for each. If material in amount, provide detailed explanation or complex securities particularly on derivatives and their impact on the financial condition of the Company.
 3. The amount and description of the Company's investments in foreign securities.
 4. The significant judgments made in classifying a particular financial instrument in the fair value hierarchy.
 5. An explanation of how risk is incorporated and considered in the valuation of assets or liabilities.
 6. A comparison of the fair values as of date of the recent interim financial report and as date of the preceding interim period, and the amount of gain or loss recognized for each of the said periods.
 7. The criteria used to determine whether the market for a financial instrument is active or inactive, as defined under Philippine Accounting Standard 39 – Financial Instruments.

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

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

The Audit Committee directly interfaces with the internal audit function, which undertakes reviews of risk management controls and procedures and ensures the

integrity of internal control activities which affect the financial management system of the Company. The results of procedures performed by Internal Audit are reported to the Audit Committee.

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

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

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

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.

Market Risk

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

parameters, while optimizing the return.

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

Room Rates

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

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

Interest Rate Risk

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

Foreign Currency Risk

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

The Company functional currency is Philippines peso. As at 31 March 2020, it holds bulk of its cash and cash equivalent in Philippines peso. The United States dollars are used to settle foreign obligations.

The Company does not have any third party loans so it has no interest rate risk. The Company in the ordinary course of business extends credit to its customers. Exposure to credit risk is monitored on an ongoing basis, credit review being performed for clients requesting for credit limit. The total exposure to trade receivables as at 31 March 2020 is Peso34.8 million.

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk by forecasting projected cash flows and maintaining a balance between continuity of funding and flexibility. As at 31 March 2020, the Company has Peso486 million current assets and Peso222 million current liabilities so the current assets are able to cover its current liabilities.

The Company does not invest in any other financial instruments. Any surplus funds are placed in short-term fixed deposits with local bank like Metropolitan Bank and Trust Co. and foreign bank like DBS Singapore and United Overseas Bank Singapore

The Company also does not invest in foreign securities.

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

	31 March 2020	31 March 2020	31 December 2019	31 December 2019
	Carrying amount	Fair value	Carrying amount	Fair value
Cash and cash equivalents	342,894,822	342,894,822	314,446,524	314,446,524
Receivables net	33,998,441	33,998,441	46,392,267	46,392,267
Due from/(to) related party net	(21,292,996)	(21,292,996)	(30,177,082)	(30,177,082)
Loan receivable	15,500,000	15,500,000	15,500,000	15,500,000
Lease deposit	78,000,000	78,000,000	78,000,000	78,000,000
Accounts payable & accrued expenses	142,582,048	142,582,048	136,747,041	136,747,041

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

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

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

GRAND PLAZA HOTEL CORPORATION**Balance Sheets****March 31, 2020***(with comparative figures for the year ended December 31, 2019)***(In Philippine Pesos)**

ASSETS	Unaudited March 31, 2020	Unaudited March 31, 2019	Audited Dec. 31, 2019
Current Assets			
Cash on hand and in bank			
Cash and investments in short term notes	342,894,822	257,763,001	314,446,524
Accrued interest receivable	949,943	1,072,148	1,075,389
Accounts receivable - trade	34,813,952	32,832,811	46,679,875
Accounts receivable - others	2,591,137	2,307,758	2,810,462
Provision for bad debts	(3,406,648)	(2,838,275)	(3,098,069)
Deferred tax assets/(liabilities)	26,174,632	22,637,439	26,594,140
Input tax			
Advances to associated/related companies	2,420,176	2,157,607	75,625
Advances to immediate holding company	6,154,358	4,972,433	5,917,563
Inventories	7,563,921	8,603,018	7,507,087
Prepaid expenses	4,416,348	3,694,986	6,945,608
Creditable withholding tax			726,708
Other current assets	61,374,564	58,588,899	62,852,067
Advances to/from THHM			
<i>Total Current Assets</i>	<i>485,947,206</i>	<i>391,791,825</i>	<i>472,532,979</i>
Property and Equipment	433,209,034	471,841,346	440,250,275
Right-of-use Assets	178,571,220	76,319,826	178,571,220
Organization and Pre-operating Expenses		-	-
Investment in Stock of Associated Company	50,255,883	50,214,095	49,880,712
Deposit on Lease Contract	78,000,000	78,000,000	78,000,000
Loans Receivable	15,500,000	15,500,000	15,500,000
Other Assets			
Miscellaneous investments and deposits	8,582,719	8,582,719	8,582,719
Others	1,010,000	1,030,309	1,010,000
<i>Total Other Assets</i>	<i>9,592,719</i>	<i>9,613,028</i>	<i>9,592,719</i>
Total Assets	1,251,076,062	1,093,280,119	1,244,327,904

GRAND PLAZA HOTEL CORPORATION

Balance Sheets

March 31, 2020

(with comparative figures for the year ended December 31, 2019)

(In Philippine Pesos)

LIABILITIES AND STOCKHOLDERS' EQUITY	Unaudited March 31, 2020	Unaudited March 31, 2019	Audited Dec. 31, 2019
Current Liabilities			
Accounts payable	66,883,019	36,434,787	59,826,478
Accrued liabilities	75,699,029	62,624,174	76,920,563
Rental payable	4,760,860	4,760,860	-
Due to associated/related companies	29,867,530	20,229,588	36,170,270
Advances from immediate holding company - net			
Advances from intermediate holding company			
Refundable deposit	32,173,623	27,971,331	28,423,761
Deferred rental - Pagcor & JIMEI			
Due to City e-Solutions <i>(formerly CDL Hotels Int'l Ltd)</i>			
Due to Byron			
Dividend Payable			
Hotel Lease Liability	3,669,584	13,555,544	3,594,928
Income tax payable	(11,849,686)	(9,136,398)	(9,047,419)
Other current liabilities	20,821,123	17,312,942	18,940,216
Reserves	107,019	1,620,665	107,019
Total Current Liabilities	222,132,102	175,373,492	214,935,816
Long - Term Liabilities			
Deferred rental - Pagcor	-	-	-
Hotel Lease Liability	170,719,232	63,318,840	171,665,104
Total Long - Term Liabilities	170,719,232	63,318,840	171,665,104
Stockholders' Equity			
Authorized - 115,000,000 shares in March 31, 2009 and December 31, 2008 at P10.00 par value per share			
Paid - in Capital	873,182,699	873,182,699	873,182,699
Premium on capital stock	11,965,904	11,965,904	11,965,904
Paid-in capital in excess of par - Warrants	2,691,614	2,691,614	2,691,614
Treasury stock	(1,680,020,370)	(1,680,020,370)	(1,680,020,370)
Retained earnings - beginning	1,638,916,249	1,636,546,759	1,636,546,759
Net income for the period	497,744	(4,533,341)	2,369,489
Dividend declared			
Working Capital Contribution			
Reserves / net Actuarial Loss	10,990,889	14,754,522	10,990,889
Total Stockholders' Equity	858,224,728	854,587,787	857,726,984
Total Liabilities and Stockholders' Equity	1,251,076,062	1,093,280,119	1,244,327,904

GRAND PLAZA HOTEL CORPORATION
Income Statements
For the quarters ended March 31, 2020 and 2019
(In Philippine Pesos)

	Unaudited March 31, 2020	Unaudited March 31, 2019
Revenue		
Rooms	66,013,812	63,816,882
Food & Beverage	23,325,825	27,488,435
Other Operated Depts.	822,001	1,227,754
Rental Income/Others	2,265,030	2,544,273
	<u>92,426,667</u>	<u>95,077,344</u>
Total Revenue		
	<u>92,426,667</u>	<u>95,077,344</u>
Cost of Sales		
Food & Beverage	6,948,441	9,191,595
Other Operated Depts.	273,338	695,487
	<u>7,221,779</u>	<u>9,887,082</u>
Total Cost of Sales		
	<u>7,221,779</u>	<u>9,887,082</u>
Gross Profit	85,204,888	85,190,262
Operating Expenses	<u>87,357,838</u>	<u>91,691,837</u>
Net Operating Income	<u>(2,152,950)</u>	<u>(6,501,575)</u>
Non-operating Income		
Interest Income	2,080,841	1,577,341
Dividend Income	-	-
Gain/(Loss) on Disposal of Fixed Assets	-	-
Exchange Gain/(Loss)	219,122	(1,792,651)
Share in Net Income/(Loss) of Associated Co.	375,171	159,060
Other Income	-	-
	<u>2,675,134</u>	<u>(56,251)</u>
Total Non-Operating Income		
	<u>2,675,134</u>	<u>(56,251)</u>
Net Income/(Loss) Before Tax	522,184	(6,557,826)
Provision for Income Tax	<u>24,440</u>	<u>(2,024,485)</u>
Net Income/(Loss) After Tax	<u><u>497,744</u></u>	<u><u>(4,533,341)</u></u>
Basic earnings per share	<u><i>Not meaningful</i></u>	<u><i>(0)</i></u>
Dilluted earnings per share	<u><i>Not meaningful</i></u>	<u><i>(0)</i></u>

Notes:

In March 30, 2020 and 2019 total shares outstanding is 53,717,369 net of 33,600,901 treasury shares

GRAND PLAZA HOTEL CORPORATION
Statements of Changes in Equity
For the quarters ended March 31, 2020 and 2019
(In Philippine Pesos)

	<u>Unaudited March 31, 2020</u>	<u>Unaudited March 31, 2019</u>
Balance - beginning	857,726,984	859,121,128
Net income for the period	497,744	(4,533,341)
Dividends	-	-
Retirement of shares	-	-
Buyback of shares	-	-
	<hr/>	<hr/>
Balance - end	<u><u>858,224,728</u></u>	<u><u>854,587,787</u></u>

GRAND PLAZA HOTEL CORPORATION
Cash Flow Statements
For the quarters ended March 31, 2020 and 2019
(In Philippine Pesos)

	<u>Unaudited</u> <u>March 31, 2020</u>	<u>Unaudited</u> <u>March 31, 2019</u>	<u>Audited</u> <u>Dec. 31, 2019</u>
Cash flows from operating activities			
Net income	497,744	(4,533,341)	2,369,489
Adjustments to reconcile net income to net cash provided by operating activities			
Other Comprehensive Income(loss)	-	-	(3,763,633)
Depreciation and amortization	10,729,102	12,085,745	34,190,897
Equity in net income of associated company	(375,171)	(159,060)	(1,425,677)
Provision for bad debts	3,406,648	2,838,275	3,098,069
Changes in operating assets and liabilities			
(Increase) decrease in			
Accrued interest receivable	125,446	(182,144)	(185,384)
Accounts receivable - trade	8,767,854	2,212,729	(5,201,608)
Accounts receivable - others	219,325	(215,363)	(718,067)
Deferred income tax	419,508	(2,024,485)	(5,981,186)
Input tax	-	-	-
Advances to associated/related companies	(2,344,552)	(1,177,803)	904,179
Advances to immediate holding company	(236,795)	(282,346)	(1,227,476)
Inventories	(56,834)	626,637	1,722,568
Prepaid expenses	2,529,259	(1,179,156)	(4,429,778)
Creditable withholding tax	726,708	726,708	(0)
Other current assets	1,477,504	1,299,522	(2,963,646)
Advances to/from THHM	-	-	-
Increase (decrease) in			
Accounts payable	7,056,542	(235,848)	22,672,268
Accrued liabilities	(1,221,534)	(440,485)	13,855,904
Notes payable	-	-	-
Rental payable	4,760,860	-	(4,760,860)
Due to associated companies	(6,302,739)	(6,455,306)	9,485,376
Advances from immediate holding company - net	-	-	-
Advances from intermediate holding company	-	-	-
Refundable deposit	3,749,862	693,983	1,146,412
Deferred rental - Pagcor	-	-	-
Dividend Payable	-	-	-
Hotel Lease Liability	74,656	13,555,544	3,594,928
Income tax payable	(2,802,267)	(1,801,311)	(1,712,332)
Other current liabilities	1,880,907	(552,148)	1,075,126
Reserves	0	302,913	(1,210,733)
	<u>33,082,032</u>	<u>15,103,259</u>	<u>60,534,835</u>
Cash flows from investing activities			
Acquisition of property and equipment - net	(1,553,544)	(0)	5,669,928
Right-of-use Assets - net	(2,134,317)	(80,135,817)	(170,033,951)
Dividend (declared)/received	-	-	1,600,000
(Receipts)/Refund of deposit on lease contract	-	-	-
(Receipts)/Payments relating to other assets	-	(20,309)	-
Retirement of treasury stocks	-	-	-
Buyback of shares - net	-	-	-
	<u>(3,687,862)</u>	<u>(80,156,126)</u>	<u>(162,764,023)</u>
Cash flows from financing activities			
Interest Paid on Lease Liability			(14,486,420)
Increase/(Decrease) in Hotel Lease Liability	(945,872)	63,318,840	171,665,104
	<u>(945,872)</u>	<u>63,318,840</u>	<u>157,178,684</u>
Net increase in cash and short-term notes	28,448,298	(1,734,027)	54,949,496
Cash and short-term notes, Beginning	<u>314,446,524</u>	<u>259,497,028</u>	<u>259,497,028</u>
Cash and short-term notes, Ending	<u><u>342,894,822</u></u>	<u><u>257,763,001</u></u>	<u><u>314,446,525</u></u>
	0	(0)	0

