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SECURITIES AND EXCHANGE COMMISSION

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Company Information

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

Document Information

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S.E.C. Registration Number

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

(Company's Full Name)

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

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

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

Y A M   K I T   S U N G

Contact Person

8 5 4 8 8 3 8

Company Telephone Number

1 2 | 3 1

Month *Day*

Fiscal Year

S E C 17 Q

FORM TYPE

0 5 | 1 5

Month *Day*

Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1 For the quarterly period ended **June 30, 2015**

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 2015 as compared with the most recent annual financial statements.

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

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

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

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

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

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

The Company organized its business into 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, carparking, laundry and rental of space.

The segment revenues and results are as follows:

	YTD 2nd Quarter Revenue – Peso ‘000	YTD 2nd Quarter Department Profit – Peso ‘000
Room	155,564	122,760
Food and Beverage	67,285	23,786
Other Operated Departments and rental	6,520	4,308

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:

	30 June 2015	30 June 2014
Current liquidity ratios	**1.53**	1.65
Solvency (Debt to equity)	**0.39**	0.35
Assets to equity ratios	**1.39**	1.35
Interest rate coverage ratio	**NA (No interest bearing liabilities.)**	NA (No interest bearing liabilities.)
Profitability ratios Profit before tax margin ratio	**3.8%**	3.2%
EBITDA (Earnings before interest, tax, depreciation and amortization) - Peso	**23,400,368**	24,077,459

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 0.12 during the period of review compared to the same period of last year due to lower assets from lower fixed assets and increased in liabilities.

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 for the quarter due to 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 due to higher assets.

Profit before tax margin ratio is computed by dividing the profit before tax against the total revenue. This ratio measures whether the Company is able to contain its expenses in relation to the revenue. This ratio is more or less the same as last 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 dropped by PhP0.6 million.

Balance Sheets Analysis:

Total assets decreased by about PhP17.6 million or 1% as compared to the same period of last year and decreased by PhP24 million or 1.7% as compared to end of last fiscal year. As compared to the end of last fiscal year, total assets decreased due to lower cash balances by PhP10 million and lower fixed assets by PhP16 million.

Cash and short term notes:
This balance includes short-term fixed deposits with banks. This balance decreased by PhP9.3million (3.9%) relative to end of last fiscal year. Relative to the same period of last year, there is an increase of PhP9.7 million. The decrease as compared to end of last year is due to the refund of a security deposit of PhP19 million to a potential tenant in May 2015.

Deferred tax assets:
There is an increase of PhP4.0 million (51%) compared to the same period of last year due to higher provision for retirement benefits and bad debts.

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 end of last fiscal year, there is an increase of about PhP2.6 million (23%) as the companies have repaid some of their balances outstanding during the year. However, as compared to the same period of last year, this balance dropped by PhP11.8 million (65%) as the related companies have settled their outstanding balances.

Inventories:
Inventories have increased by PhP1.5 million (11%) as compared to end of last fiscal year. The increment is mainly from food and management is reviewing and working to reduce the par stock level given the slowdown in F&B revenue.

Prepaid expenses:
This balance mainly represents prepayment for insurance. This balance decreased by PhP5.2 million (60%) compared to the same period of last year.

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.

The decrease in balance is due to depreciation charges for the year.

Accounts payable:
There is a drop of PhP16 million (6%) relative to end of last fiscal year while there is no significant variance relative to same period of last year. The reduction is consistent with the lower revenue.

Accrued liabilities:
This balance decreased by PhP12.5 million (19%) versus same period of last year decrease in accrual for directors' fee, electricity and offset by higher accrual for payroll related expenses. As compared to end of last fiscal year, the increment is PhP3.1 million (4.2%) as a result of higher accrual for payroll related expenses but offset by lower accrual for professional fees.

Refundable Deposit:
This account represents refundable deposits to tenants. There is a drop of PhP18.5 million (33%) versus end of last fiscal year as the variance is due to a refund of security deposit to a potential tenant after forfeiting about PhP4.4 million.

Income Tax Payable:
Income tax payable has a variance of PhP6.7 million against same period last year as last year profit before tax has an expense of PhP9 million which is not tax deductible.

Reserves:
Reserves increased by PhP5.5 million compared to same period of last year due to the provision made during the year.

Income Statement Analysis For the 6 Months Ended 30 June 2015

Revenue:
Total revenue decreased by PhP16.5 million (6%) versus same period last year. The main reason for the fall is due to lower other revenue.

Rooms division recorded an improvement in occupancy from 60% in first half-year of last year to 63% in this year or 3 percentage points. The main reason is due to more corporate groups and airline crew business in the hotel. However, Average Room Rate has fell from PhP3,159 to PhP3,012. The combined effect is a drop in Revenue Per Available Room (Revpar) by 2%. The newly opened hotels in the Bay area such as Solaire, Hyatt, Nobu and Crown Hotels are starting to offer lower rates to bring in group businesses which affect the industry room rates.

Food and Beverage (F&B) business recorded an improvement of PhP1.4 million or 2% as compared to the same period of last year. Total covers dropped by 13,015 (11%) This unfavorable variance is mainly due to the fall in revenue from Riviera and Lobby Lounge outlets and offset by the stronger performance of Banquet. Average Food Check has increased by PhP64 (14%) versus same period of last year. Riviera revenue dropped by about PhP1 million (3%) compared to the same period of last year and the fall is mainly from lunch and dinner meal periods. With more restaurants being opened around our hotel, there is more competition from these standalone restaurants that offered a lower price range.

Other operated departments and rental income decreased by PhP14.2 million or 77% due to in 2nd quarter of 2014, there was a reversal of an accounts payable for management and incentive fees amounting to PhP14.2 million due to CDL Hotels (Phils) Corporation which was no longer required as this company has filed for liquidation and was approved by the court. There was no such exception item in this year.

Cost of Sales:
Cost of sales for F&B registered a decrease of PhP1.8 million or 7% % as compared to last year even though F&B revenue is higher this year due to measures taken to reduce food cost.

Gross Profit:
Gross profit is derived after deducting cost of sales from gross revenue. Gross profit as compared to last year is lower due to lower revenue.

Operating Expenses:
Operating expenses include among others, payroll and related expenses, utilities, depreciation charges, rental and other fixed expenses. There is a decrease in operating expenses of PhP11.7 million or 5.5% as compared to the same period of last year. The saving is mainly derived from energy cost saving by PhP8.8 million (20%) versus same period of last year and also saving in property maintenance cost.

Net Operating Income:
This is derived after deducting operating expenses from gross operating profit.

Non-operating income:
This indicator increased by PhP3.7 million (275%) as last year there was an exchange loss of PhP1.8 million while this year, there was an exchange gain of PhP1.7 million.

Profit after tax:
Profit after tax this year increased by PhP3.5 million (116%) compared to the same period of last year as a result of lower tax provision and cost reduction.

Income Statement Analysis For Second Quarter Ended 30 June 2015

Revenue:
Total revenue decreased by PhP18.3 million (13%) versus same period last year. The main reason for the fall is due to lower revenue in room division and others.

Room division recorded a drop in revenue from PhP80.5 million to PhP73.7 million or 8% as a result of lower occupancy and room rate.

F&B division revenue increased by PhP3.1 million (9%) due to higher banquet revenue.

Rental and other income dropped by PhP14.2 million due to in 2nd quarter of 2014, there was a reversal of an accounts payable for management and incentive fees amounting to PhP14.2 million due to CDL Hotels (Phils) Corporation which was no longer required as this company has filed for liquidation and was approved by the court. There was no such exception item in this year.

Cost of Sales:
Cost of sales for F&B registered a decrease of 4% as compared to last year even though with higher food and beverage revenue is because of measures implemented to control food cost.

Gross Profit:
Gross profit is derived after deducting cost of sales from gross revenue. Gross profit as compared to last year is lower due to lower revenue.

Operating Expenses:
Operating expenses include among others, payroll and related expenses, utilities, depreciation charges, rental and other fixed expenses. There is a decrease in operating expenses of PhP11.5million or 10.2% as compared to the same period of last year.

Net Operating Income:
This is derived after deducting operating expenses from gross operating profit.

Non-operating income:
This indicator increased by PhP4.6 million due to an exchange gain of PhP1.1 million this year versus last year with a loss of PhP3.7 million.

Profit after tax:
As a result, profit after tax improved to PhP1.7 million against the same period of last year of PhP0.1 million.

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

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

Management is not aware of any event that may trigger direct or contingent financial obligations that is material to the Company, including any default or acceleration of an obligation. Management is not aware of any material off-balance sheet transaction, arrangement, obligation (including contingent obligations), and other relationships of the Company with unconsolidated entities or other persons that were created during the first 6 months of 2015.

PART II – OTHER INFORMATION

<u>Tax matter:</u>

(1) Grand Plaza Hotel Corporation – Dismissal and Termination of the Case entitled "*G.R. No. 204121 (Commissioner of Internal Revenue v. Grand Plaza Hotel Corporation)*" ("Tax Case")

On 9 June 2015, Grand Plaza Hotel Corporation ("Corporation") received from its counsel (i.e., Zambrano & Gruba Law Offices) a Notice from the Clerk of Court of the First Division of the Supreme Court ("Notice") stating that on 11 February 2015, the First Division of the Supreme Court resolved to note the Corporation's Manifestation and grant the Corporation's Motion to Dismiss the Commissioner of Internal Revenue's ("CIR") Petition for Review on Certiorari ("Petition") of the Tax Case for failure of the CIR to comply with the resolutions issued by the Supreme Court, which required the CIR to submit a verified statement of material date and the duplicate original or certified true copies of the assailed Court of Tax Appeals decision and resolution. The Notice also stated that the Tax Case is considered closed and terminated.

On 24 June 2015, BIR filed a Motion for Reconsideration with the Supreme Court even though the Supreme Court has previously ruled that the case is considered close and terminated. As at 7 July 2015, the Corporation has not received any notice from the Supreme Court to file any comments to the Motion for Reconsideration.

As disclosed previously by the Corporation, the Tax Case arose from the Bureau of Internal Revenue's ("BIR") Final Decision on Disputed Assessment finding the Corporation liable for deficiency value added tax ("VAT") with respect to the years 1996 to 2002 in total amount of PhP228.94 million, inclusive of penalty and interest from January 2003 to December 2006.

The Corporation subsequently filed a petition for review with the Court of Tax Appeal ("CTA") to contest such Final Decision on Disputed Assessment.

The BIR further issued a Warrant of Distraint and/or Levy and Warrant of Garnishment against the Corporation and its assets. On 12 September 2008, the Corporation filed a surety bond with the CTA, and the CTA issued a Temporary Restraining Order enjoining the BIR from further efforts at collection of taxes, particularly the implementation of the Warrant of Distraint and/or Levy and the Warrant of Garnishment.

In 2009, the Corporation moved to have a preliminary hearing conducted to first resolve the legal issue of whether or not the services rendered by the Corporation to PAGCOR is subject to VAT at 10% rate. The CTA granted the motion and hearings were subsequently conducted. On 18 February 2011, the CTA ruled in favor of the Corporation and cancelled the VAT deficiency assessment *in toto*. In line with the decision of the Supreme Court in *CIR v. Acesite (Philippines) Hotel Corporation, G.R. no. 147295, 16 February 2007* ("Acesite Case"), the CTA, in its decision dated 18 February 2011, cancelled the BIR's assessment against the Corporation for deficiency VAT in the amount of PhP228,943,589.15 for taxable years 1996 to 2002. In its resolution dated 17 May 2011, the CTA denied the CIR's Motion for Reconsideration of the CTA's decision rendered on 18 February 2011. The CIR shortly filed an appeal with the CTA En Banc.

On 1 September 2011, the CTA En Banc resolved to give course to BIR's appeal. The Corporation filed its Memorandum in October 2011. On 27 July 2012, the CTA En Banc resolved that, consistent with the pronouncement of the Supreme Court in the Acesite Case and the case of *PAGCOR vs. CIR (G.R. no. 172087, 15 March 2011)* that services rendered to PAGCOR are exempt from VAT, the CIR's petition has no leg to stand on and must necessarily fall. The BIR subsequently filed a Motion for Reconsideration.

On 8 October 2012, the CTA En Banc resolved that the CIR's Motion for Reconsideration is denied and the earlier decision of the CTA promulgated on 17 May 2011 is affirmed. On 5 December 2012, the CIR filed the Petition with the Supreme Court.

On 6 May 2013, the Corporation filed its Comment/Opposition to the Petition. On 17 October 2013, the Corporation received a notice from the Supreme Court directing the CIR to file a reply (to the Corporation's Comment/Opposition) within 10 days from the CIR's receipt of the notice.

In a notice dated 8 October 2014, the Supreme Court declared the petitioner's (i.e., CIR) Manifestation and Motion dated 11 April 2014 as unsatisfactory compliance with its Resolution dated 28 January 2013, and the Supreme Court further gave a grace period of 5 days for the BIR to comply.

On 16 December 2014, the Corporation filed the Manifestation and Motion to Dismiss the Petition for non-compliance with the jurisdictional requirements, which as stated in the Notice was noted and granted by the Supreme Court in its resolution dated 11 February 2015.

(2) In the meeting of the Board of Directors of Grand Plaza Hotel Corporation ("Corporation") ("Board") on 27 October 2014, the Board approved management's action to continue pursuing administrative remedies with the

Bureau of Internal Revenue (“BIR”) in respect of the BIR's tax assessment on the Corporation for the year 2008 ("Tax Assessment").

The above actions will seek BIR to re-investigate the Tax Assessment and review the Collection Letter that the Corporation received from the BIR on 12 December 2013. As far as the Corporation 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.

In another meeting of the Board held on 3 February 2015, the Board directed its tax counsel to study further remedies in connection with the Corporation's receipt on 7 November 2014, of the denial by the BIR of the Corporation's request for the reinvestigation / recomputation of alleged tax liability arising from the BIR's tax assessment on the Corporation for the year 2008 ("Tax Assessment).

On 20 February 2015, the Corporation filed a Petition for Review with the Court of Tax Appeals ("CTA") to invalidate the collection proceedings of the Bureau of Internal Revenue ("BIR"). The Petition is based on the Corporation's position, as advised by tax counsel, that the collection proceedings initiated by the Commissioner of Internal Revenue is void because the assessments did not comply with the requirements of law and lacked factual and legal basis.

On 5 May 2015, BIR filed its comments to the Petition of the Corporation. The Corporation has filed its reply to the BIR comments on 10 July 2015. On 24 July 2015, the Corporation 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 Commissioner of Internal Revenue and that the matter is currently being litigated at the CTA, the Corporation will take immediate legal measures to ensure that such Warrant is properly restrained in the meantime.

Other than the above tax cases, 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 30 June 2014, it holds bulk of its cash and cash equivalent in Philippines peso. The United States dollars are used to settle foreign obligations. As such, the Company does not have currency risk exposure.

The Company does not have any third party loans so it has no interest rate risk. The Company in the ordinary course of business extends credit to its customers. Exposure to credit risk is monitored on an ongoing basis, credit review being performed for clients requesting for credit limit. The total exposure to trade receivables as at 30 June 2015 is Peso38 million.

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk by forecasting projected cash flows and maintaining a balance between continuity of funding and flexibility. As at 30 June 2015, the Company has Peso583 million current assets and Peso352 million liabilities so the current assets are able to cover its liability.

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

	30 June 2015	**30 June 2015**	31 December 2014	31 December 2014
	Carrying amount	**Fair value**	Carrying amount	Fair value
Cash and cash equivalents	**227,746,283**	**227,746,283**	237,078,062	237,078,062
Receivables net	**292,630,523**	**292,630,523**	297,317,357	297,317,357
Due from/(to) related party net	**8,522,771**	**8,522,771**	6,280,346	6,280,346
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	**317,705,460**	**317,705,460**	331,097,124	331,097,124

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

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

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

GRAND PLAZA HOTEL CORPORATION
Balance Sheets
June 30, 2015 and 2014
(With comparative figures for the year ended December 31, 2014)
(In Philippine Pesos)

ASSETS	Unaudited June 30, 2015	Unaudited June 30, 2014	Audited Dec. 31, 2014
Current Assets			
Cash and short-term notes	227,746,283.11	218,011,401.38	237,078,062.72
Accrued interest receivable	19,573.39	23,581.34	12,498.16
Accounts receivable - trade	274,467,240.60	272,248,488.57	278,819,646.99
Accounts receivable - others	18,143,710.16	18,840,695.25	18,872,892.19
Provision for bad debts	(463,668.16)	(358,016.16)	(387,679.16)
Deferred tax assets/(liabilities)	11,901,681.01	7,871,131.21	12,398,139.63
Input tax	-	-	-
Advances to associated/related companies	13,695,847.59	18,232,361.66	11,000,350.00
Advances to immediate holding company	1,711,702.04	2,052,916.48	1,370,238.94
Inventories	15,544,487.86	14,229,348.89	13,993,229.16
Prepaid expenses	3,526,080.44	8,785,446.46	4,703,773.67
Creditable withholding tax	-	-	63,738.00
Other current assets	17,378,035.59	20,265,368.32	14,810,735.41
Advances to/from THHM	-	-	-
Total Current Assets	*583,670,973.63*	*580,202,723.40*	*592,735,625.71*
Property and Equipment	*608,769,884.64*	*632,003,932.33*	*624,662,659.59*
Investment in Stock of Associated Company	*51,083,071.20*	*49,003,962.61*	*50,241,236.91*
Deposit on Lease Contract	*78,000,000.00*	*78,000,000.00*	*78,000,000.00*
Loans Receivable	*15,500,000.00*	*15,500,000.00*	*15,500,000.00*
Other Assets			
Miscellaneous investments and deposits	5,085,790.50	5,085,790.50	5,085,790.50
Others	1,010,000.00	1,010,000.00	1,010,000.00
Total Other Assets	*6,095,790.50*	*6,095,790.50*	*6,095,790.50*
Total Assets	***1,343,119,719.97***	***1,360,806,408.84***	***1,367,235,312.71***

GRAND PLAZA HOTEL CORPORATION
Balance Sheets
June 30, 2015 and 2014
(With comparative figures for the year ended December 31, 2014)
(In Philippine Pesos)

LIABILITIES AND STOCKHOLDERS' EQUITY	Unaudited June 30, 2015	Unaudited June 30, 2014	Dec. 31, 2014
Current Liabilities			
Accounts payable	240,547,583.05	241,119,959.42	257,088,483.87
Accrued liabilities	77,157,877.77	64,646,988.91	74,008,640.94
Rental payable	-	-	-
Due to associated/related companies	6,884,778.48	5,715,759.69	6,090,242.53
Advances from immediate holding company - net		-	
Refundable deposit	34,766,571.69	29,722,235.01	53,273,638.31
Deferred rental	-	-	-
Dividend payable	-	-	
Income tax payable	(1,354,696.25)	5,352,003.73	1,802,477.00
Other current liabilities	16,451,854.11	4,388,598.54	17,130,784.20
Reserves	7,180,569.78	1,642,037.35	2,858,412.55
Total Current Liabilities	*381,634,538.63*	*352,587,582.65*	*412,252,679.40*
Long - Term Liabilities			
Total Long - Term Liabilities	-	-	-
Capital Stock			
Authorized - 115,000,000 shares in March 31, 2009 and December 31, 2008 at P10.00 par value per share			
Capital stock	873,182,699.00	873,182,699.00	873,182,699.00
Premium on capital stock	11,965,903.78	11,965,903.78	11,965,903.78
Paid-in capital in excess of par - Warrants	2,691,613.81	2,691,613.81	2,691,613.81
Treasury stock	(1,680,020,370.00)	(1,630,777,870.00)	(1,680,020,370.00)
Retained earnings/(deficit) - beginning	1,742,466,748.82	1,742,072,850.72	1,742,072,850.72
Retained profit/(loss) for the period	6,502,548.03	2,998,383.98	393,898.10
Dividend declared	-	-	-
Working Capital Contribution	-	-	-
Reserves / net Actuarial Loss	4,696,037.90	6,085,244.90	4,696,037.90
Total Stockholders' Equity	*961,485,181.34*	*1,008,218,826.19*	*954,982,633.31*
Total Liabilities and Stockholders' Equity	***1,343,119,719.97***	***1,360,806,408.84***	***1,367,235,312.71***

GRAND PLAZA HOTEL CORPORATION
Income Statements
For the years ended June 30, 2015 and 2014
(With comparative figures for the year ended December 31, 2014)
(In Philippine Pesos)

	Unaudited Year-to-date June 30, 2015	Unaudited Year-to-date June 30, 2014	Audited Full Year Dec. 31, 2014
Revenue			
Rooms	155,564,102.15	158,935,549.74	312,084,719.80
Food & Beverage	67,285,490.81	65,881,394.94	141,017,831.76
Other Operated Depts.	2,407,083.62	2,684,389.96	6,491,294.36
Rental Income/Others	4,113,537.03	18,381,189.81	7,353,953.45
Total Revenue	*229,370,213.61*	*245,882,524.45*	*466,947,799.37*
Cost of Sales			
Food & Beverage	23,557,590.65	25,385,805.03	53,457,070.91
Other Operated Depts.	1,481,653.52	1,389,215.15	2,828,935.49
Total Cost of Sales	*25,039,244.17*	*26,775,020.18*	*56,286,006.40*
Gross Profit	204,330,969.44	219,107,504.27	410,661,792.97
Operating Expenses	200,656,339.56	212,445,006.34	429,009,355.44
Net Operating Income	*3,674,629.88*	*6,662,497.93*	*(18,347,562.47)*
Non-operating Income/(Loss)			
Interest Income	2,568,584.10	2,702,899.96	5,344,592.45
Dividend Income	-	-	-
Gain/(Loss) on Disposal of Fixed Assets	-	-	225,611.73
Exchange Gain/(Loss)	1,744,483.88	(1,866,907.47)	200,422.00
Share in Net Income/(Loss) of Associated Co.	841,834.29	536,824.94	1,774,099.24
Other Income	-	-	14,767,898.90
Total Non-Operating Income	*5,154,902.27*	*1,372,817.43*	*22,312,624.32*
Net Income/(Loss) Before Tax	8,829,532.15	8,035,315.36	3,965,061.85
Provision for Income Tax	2,326,984.12	5,036,931.38	3,571,163.75
Net Income/(Loss) After Tax	***6,502,548.03***	***2,998,383.98***	***393,898.10***
Earnings per share	***0.12***	***0.05***	***0.01***
Dilluted earnings per share	***0.12***	***0.05***	***0.01***

Notes:

In June 30, 2015 total shares outstanding is 53,717,369 net of 33,600,901 treasury shares
In June 30, 2014 total shares outstanding is 54,702,219 net of 32,616,051 treasury shares

GRAND PLAZA HOTEL CORPORATION
Income Statements
For the 2nd quarters ended June 30, 2015 and 2014
(In Philippine Pesos)

	Unaudited 2nd Quarter June 30, 2015	Unaudited 2nd Quarter June 30, 2014
Revenue		
Rooms	73,755,405.00	80,590,827.40
Food & Beverage	36,414,448.90	33,308,012.20
Other Operated Depts.	1,012,554.50	1,409,553.73
Rental Income/Others	2,238,213.05	16,450,582.20
Total Revenue	*113,420,621.45*	*131,758,975.53*
Cost of Sales		
Food & Beverage	12,558,578.83	13,085,602.66
Other Operated Depts.	820,620.68	677,237.30
Total Cost of Sales	*13,379,199.51*	*13,762,839.96*
Gross Profit	100,041,421.94	117,996,135.57
Operating Expenses	100,766,062.38	112,304,276.95
Net Operating Income	*(724,640.44)*	*5,691,858.62*
Non-operating Income/(Loss)		
Interest Income	1,252,332.20	1,370,868.24
Dividend Income	-	-
Gain/(Loss) on Disposal of Fixed Assets	-	-
Exchange Gain/(Loss)	1,171,173.20	(3,743,261.33)
Share in Net Income/(Loss) of Associated Co.	488,333.35	635,535.63
Other Income	-	-
Total Non-Operating Income	*2,911,838.75*	*(1,736,857.46)*
Net Income/(Loss) Before Tax	2,187,198.31	3,955,001.16
Provision for Income Tax	484,584.82	3,832,207.68
Net Income/(Loss) After Tax	***1,702,613.49***	***122,793.48***

GRAND PLAZA HOTEL CORPORATION
Statements of Changes in Equity
For the years ended June 30, 2015 and 2014
(With comparative figures for the year ended December 31, 2014)
(In Philippine Pesos)

	Unaudited June 30, 2015	**Unaudited June 30, 2014**	**Audited Dec. 31, 2014**
Balance - beginning	**954,982,633.31**	**1,005,220,442.33**	**1,005,220,442.33**
Prior period adjustment			
Balance - as adjusted	**954,982,633.31**	**1,005,220,442.33**	**1,005,220,442.33**
Net income for the period	6,502,548.03	2,998,383.98	393,898.10
Dividends	-	-	-
Retirement of shares	-	-	-
Reserves/Net Actuarial Loss			(1,389,207.10)
Buyback of shares	-	-	(49,242,500.00)
Balance - end	***961,485,181.34***	***1,008,218,826.31***	***954,982,633.33***

GRAND PLAZA HOTEL CORPORATION
Cash Flow Statements
For the years ended June 30, 2015 and 2014
(With comparative figures for the year ended December 31, 2014)
(In Philippine Pesos)

	Unaudited Year-to-date June 30, 2015	Unaudited Year-to-date June 30, 2014	Audited Full Year Dec. 31, 2014
Cash flows from operating activities			
Net income	6,502,548.03	2,998,383.98	393,898.10
Adjustments to reconcile net income to net cash			
provided by operating activities			
Prior period adjustments	-		-
Depreciation and amortization	19,725,739.40	17,414,962.30	39,089,809.12
Equity in net income of associated company	(841,834.29)	(536,824.94)	(1,774,099.24)
Provision for bad debts	463,668.16	358,016.16	387,679.16
Changes in operating assets and liabilities			
(Increase) decrease in			
Accrued interest receivable	(7,075.23)	(927.28)	10,155.90
Accounts receivable - trade	3,964,727.23	1,440,968.51	(5,130,189.91)
Accounts receivable - others	729,182.03	(137,836.49)	(170,033.43)
Deferred income tax	496,458.62	(2,299,275.76)	(6,826,284.18)
Input tax	-	-	-
Advances to associated company	(2,695,497.59)	1,164,277.38	8,396,289.04
Advances to immediate holding company	(341,463.10)	(517,304.89)	165,372.65
Inventories	(1,551,258.70)	(646,901.99)	(410,782.26)
Prepaid expenses	1,177,693.23	(2,256,324.08)	1,825,348.71
Creditable withholding tax	63,738.00	-	(63,738.00)
Other current assets	(2,567,300.18)	2,235,749.45	7,690,382.36
Advances to/from THHM	-	-	-
Increase (decrease) in			
Accounts payable	(16,540,900.82)	(16,599,800.82)	(631,276.37)
Accrued liabilities	3,149,236.83	(501,258.27)	8,860,393.76
Notes payable	-	-	-
Rental payable	-	-	-
Due to associated company	794,535.95	3,600,338.92	3,974,821.76
Advances from immediate holding company - net	-	-	-
Advances from intermediate holding company	-	-	-
Refundable deposit	(18,507,066.62)	601,445.32	24,152,848.62
Deferred rental - Pagcor	-	-	-
Due to City e-Solutions Limited *(formerly CHIL)*	-	-	-
Due to Byron	-	-	-
Dividend payable	-	-	-
Output tax	-	-	-
Income tax payable	(3,157,173.25)	5,352,003.73	1,802,477.00
Other current liabilities	(678,930.09)	599,821.48	13,342,007.14
Reserves	4,322,157.23	1,629,805.46	2,846,180.66
	(5,498,815.16)	13,899,318.17	97,931,260.59
Cash flows from investing activities			
Acquisition of property and equipment - net	(3,832,964.45)	(1,778,571.41)	(16,112,145.49)
Dividend (declared)/received	-	-	-
(Receipts)/Refund of deposit on lease contract	-	-	-
(Receipts)/Payments relating to other assets	-	-	-
Retirement of treasury stocks	-	-	-
Buyback of shares - net	-	-	(49,242,500.00)
Reserves / Net Actuarial Loss	-	-	(1,389,207.10)
	(3,832,964.45)	(1,778,571.41)	(66,743,852.59)
Cash flows from financing activities			
Increase/(Decrease) in reserves	-	-	-
	-	-	-
Net increase in cash and short-term notes	(9,331,779.61)	12,120,746.76	31,187,408.00
Cash and short-term notes, Beginning	237,078,062.72	205,890,654.72	205,890,654.72
Cash and short-term notes, Ending	**227,746,283.11**	**218,011,401.48**	**237,078,062.72**

GRAND PLAZA HOTEL CORPORATION
Cash Flow Statements
For the 2nd quarters ended June 30, 2015 and 2014
(In Philippine Pesos)

	Unaudited 2nd Quarter June 30, 2015	Unaudited 2nd Quarter June 30, 2014
Cash flows from operating activities		
Net income	1,702,613.49	122,793.48
Adjustments to reconcile net income to net cash		
provided by operating activities		
Depreciation and amortization	9,887,240.42	8,698,064.72
Equity in net income of associated company	(488,333.35)	(635,535.63)
Provision for bad debts	463,668.16	358,016.16
Changes in operating assets and liabilities		
(Increase) decrease in		
Accrued interest receivable	(1,446.41)	10,137.31
Accounts receivable - trade	(4,263,447.22)	847,857.70
Accounts receivable - others	889,542.33	145,440.98
Deferred income tax	(3,748,253.26)	(1,473,123.48)
Input tax	-	-
Advances to associated company	(1,168,749.99)	2,792,126.08
Advances to immediate holding company	(96,684.84)	19,280.44
Inventories	(883,205.84)	1,149,195.19
Prepaid expenses	569,942.78	(4,420,784.47)
Creditable withholding tax	-	-
Other current assets	5,960,103.25	798,885.56
Advances to/from THHM	-	(174,498.64)
Increase (decrease) in		
Accounts payable	4,945,580.04	(13,804,359.45)
Accrued liabilities	3,410,546.64	3,720,682.90
Notes payable	-	-
Rental payable	-	(4,760,859.24)
Due to associated company	231,154.95	3,611,935.06
Advances from immediate holding company - ne	-	-
Advances from intermediate holding company	-	-
Refundable deposit	(20,506,737.28)	(176,357.21)
Deferred rental - Pagcor	-	-
Due to City e-Solutions Limited *(formerly CHIL)*	-	-
Due to Byron	-	-
Dividend payable	-	-
Output tax	-	-
Income tax payable	2,183,044.21	4,488,191.32
Other current liabilities	(89,063.33)	364,149.02
Reserves	757,324.37	897,550.83
	(245,160.88)	2,578,788.63
Cash flows from investing activities		
Acquisition of property and equipment - net	(3,498,410.88)	(0.00)
Dividend (declared)/received	-	-
(Receipts)/Refund of deposit on lease contract	-	-
(Receipts)/Payments relating to other assets	-	-
Retirement of treasury stocks	-	-
Buyback of shares	-	-
	(3,498,410.88)	(0.00)
Cash flows from financing activities		
Increase/(Decrease) in reserves	-	-
	-	-
Net increase in cash and short-term notes	(3,743,571.76)	2,578,788.63
Cash and short-term notes, Beginning	231,489,854.87	215,432,612.75
Cash and short-term notes, Ending	**227,746,283.11**	**218,011,401.38**

Grand Plaza Hotel Corporation
Aging Report As At 30 June 2015

Customer Type	0 to 8 days	9 to 30 days	31 to 60 days	61 to 90 days	91 to 120 days	Over 120 days	Total	%
Airlines	774,454	2,988,221	4,205,360	2,641,298	3,900	374,302	10,987,535	28.90%
Credit card	1,359,418						1,359,418	3.58%
PAGCOR						8,936,199	8,936,199	23.51%
Company - local	323,800	1,239,566	4,362,932	446,308	412,629	1,166,662	7,951,897	20.92%
Overpayment	(78,388)	(3,688)	(100)	(740)	(55,835)	(428,206)	(566,957)	-1.49%
Permanent accounts	82,224	102,212	63,124	26,340	58,902	445,851	778,653	2.05%
Embassy & government	1,130,695	958,147	1,447,712	422,285			3,958,839	10.41%
Travel Agent - Local	11,822	343,935	248,320				604,077	1.59%
Temporary credit	213,600	(784,553)	1,365,524	2,251,050	20,558	58,200	3,124,379	8.22%
Travel Agent - Foreign	270,381	258,138	165,554	38,472	94,574	55,395	882,514	2.32%
TOTAL	4,088,006	5,101,978	11,858,426	5,825,013	534,728	10,608,403	38,016,554	100.00%
%	10.75%	13.42%	31.19%	15.32%	1.41%	27.90%	100.00%	