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# **GRAND PLAZA HOTEL CORPORATION**

April 17, 2015

**Filed Through EDGE**

Philippine Stock Exchange, Inc.  
4<sup>th</sup> Floor, Philippine Stock Exchange Center  
Exchange Road, Ortigas Center  
Pasig City

Attention: Janet A. Encarnacion  
Head, Disclosure Department

Dear Sirs,

**Amended Annual Report on SEC Form 17-A of Grand Plaza Hotel Corporation  
("Corporation")**

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Please be informed that, in compliance with the SEC Advisory dated 12 March 2015, the Corporation submitted the attached Amended Annual Report on SEC Form 17-A, to include, as an attachment, the Corporation's Annual Corporate Governance Report as of 31 December 2014.

Sincerely yours,

  
YAM KIT SUNG  
Compliance Officer

Encl.

# COVER SHEET

166878

S.E.C Registration Number

Grand Plaza Hotel Corporation

( Company's Full Name )

c/o 12<sup>th</sup> Floor Net One Center, 26<sup>th</sup> Street corner 3<sup>rd</sup> Avenue

Crescent Park West Bonifacio Global City

Alain Charles J. Veloso

Contact Person

+63 2 8194700

Company Telephone Number

Amended SEC Form 17-A

FORM TYPE

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total No. of Stockholders

Total Amount of Borrowings

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

Remarks = pls. Use black ink for scanning purposes



**FOREIGN SERVICE OF THE  
REPUBLIC OF THE PHILIPPINES**

EMBASSY OF THE PHILIPPINES )  
Consular Section ) S.S.  
Singapore )

**CERTIFICATE OF AUTHENTICATION**

I, **J. ANTHONY A. REYES** Consul of the  
Republic of the Philippines in Singapore, duly commissioned and qualified, do  
hereby certify that

**HO SUK TSING LESLIE**

before whom the annexed instrument has been executed, to wit:

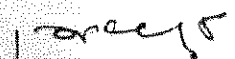
**ANNUAL REPORT PURSUANT TO SECTION 17 OF THE SECURITIES  
REGULATION CODE AND SECTION 141 OF THE CORPORATION CODE OF  
THE PHILIPPINES**

was at the time he/she signed the same **NOTARY PUBLIC**  
and that his/her signature affixed thereto is genuine.

The Embassy assumes no responsibility for the contents of the annexed  
instrument.

**IN WITNESS HEREOF**, I have hereunto set my hand and affixed the seal  
of the Embassy of the Philippines in Singapore this day of **1 APRIL 2015**

Service No. : 03320  
O.R. No. : 117760  
Fee Paid : \$42.50

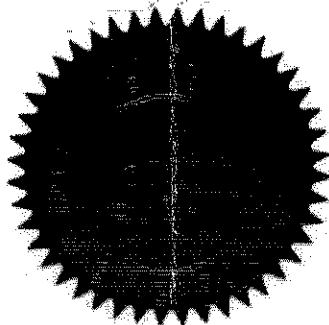
  
**J. ANTHONY A. REYES**  
Consul

## NOTARIAL CERTIFICATE

**TO ALL TO WHOM THESE PRESENTS SHALL COME**

I, **HO SUK TSING LESLIE** Notary Public duly authorised and appointed practising in the Republic of Singapore **DO HEREBY CERTIFY AND ATTEST** that the document "**SECURITIES AND EXCHANGE COMMISSION (AMENDED) SEC FORM 17-A - ANNUAL REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SECTION 141 OF THE CORPORATION CODE OF THE PHILIPPINES**" dated 30 March 2015 hereunto annexed was signed and executed by **WONG HONG REN** and the person named and mentioned in the said document for and on behalf of **GRAND PLAZA HOTEL CORPORATION**.

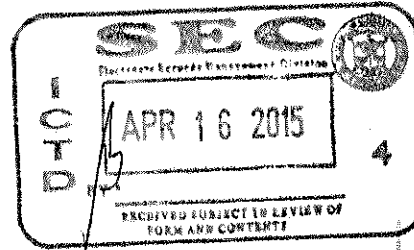
**IN FAITH AND TESTIMONY**  
**WHEREOF I** have hereunto subscribed  
my name and affixed my seal of office this  
30th day of March 2015.



SECURITIES AND EXCHANGE COMMISSION

(AMENDED) SEC FORM 17-A

ANNUAL REPORT PURSUANT TO SECTION 17  
OF THE SECURITIES REGULATION CODE AND SECTION 141  
OF THE CORPORATION CODE OF THE PHILIPPINES



- 1. For the fiscal year ended 31 December 2014
- 2. SEC Identification Number 166878 3. BIR Tax Identification No. 000-460-602-000
- 4. Exact name of issuer as specified in its charter GRAND PLAZA HOTEL CORPORATION  
("Company")
- 5. City of Pasay, Philippines  
Province, Country or other jurisdiction  
of incorporation or organization
- 6.  (SEC Use Only)  
Industry Classification Code:
- 7. 10/F, The Heritage Hotel Manila, Roxas Blvd. Cor. EDSA Ext., Pasay City 1300  
Address of principal office Postal Code
- 8. Tel No. (632) 854-8838 ; Fax No. (632) 854-8825  
Issuer's telephone number, including area code
- 9. ....  
Former name, former address, and former fiscal year, if changed since last report.

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

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

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

Yes [ x ] No [ ]

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

Stock Exchange	:	Philippine Stock Exchange
Securities	:	Common Shares

12. Check whether the issuer:

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

Yes  No

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

Yes  No

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

The share price of the Company as of 8 January 2015 is PhP24 and the total voting stock held by non-affiliates of the Company is 7,334,289. Therefore, the aggregate market value of the voting stock held by non-affiliates of the Company is PhP176,022,936.

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

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

Yes  No

**DOCUMENTS INCORPORATED BY REFERENCE**

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

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

**PART I - BUSINESS & GENERAL INFORMATION**

## ITEM 1. BUSINESS

### General

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

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

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

For the fiscal year ended 31 December 2014, the Company reported a net profit after tax of about PhP0.393 million as against PhP85 million in 2013 and PhP165 million in 2012.

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

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

### Competitive Position

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

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

NAME	MPI	ARI	RGI
Heritage Hotel	0.91	0.71	0.64
Diamond Hotel	1.07	0.98	1.04
Traders	0.98	0.76	0.75
Pan Pacific	1.12	1.22	1.37
Sofitel Hotel	0.98	1.24	1.22

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

### **Raw Materials and Services**

The hotel purchases its raw material for food and beverage ("F&B") from both local and foreign suppliers. The top 3 suppliers for raw materials are Agathon Trading, Yulick Food Corporation and Distribution and Charles Seafood Supply Branch.

### **Dependence on Single Customer**

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

### **Related Party Transactions**

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

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

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

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

### **Policy on Related Party Transactions**

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

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



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

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

No disclosure is needed for any transaction where:

- a. The transaction involves services at rates or charges fixed by law or governmental authority;
- b. The transaction involves services as a bank depository of funds, transfer agent, registrar, trustee under a trust indenture, or similar services;
- c. The amount involved in the transaction or a series of similar transactions has an aggregate value of less than PhP2,500,000; or
- d. The interest of the person arises solely from the ownership of securities of the registrant and the person receives no extra or special benefit that was not shared equally (pro rata) by all holders of securities of the class.

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

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

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

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

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

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

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

#### **Patents, Trademarks, Etc.**

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

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

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

#### **Government Approval and Regulation**

The hotel applies for Department of Tourism ("DOT") accreditation annually. The accreditation is based on the 2012 Rules and Regulations to Govern the Accreditation of Accommodation Establishments of the DOT. The DOT inspects the hotel to determine whether the hotel meets the criteria of the DOT. The DOT accredited the hotel and the Company for the year 2014.

The Company is not aware of any new government regulation that may have a material impact on the operations of the Company during the fiscal year covered by this report.

#### **Development Activities**

The Company did not undertake any development activities during the last three fiscal years.

#### **Number of Employees**

The hotel employed a total of 334 employees during the year 2014. Out of the 334 employees, 192 are regular employees and 142 are casual employees.

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

	REGULAR	CASUAL	TOTAL
Hotel Operating Staff (All operating dept)	132	131	263
Management/Admin/Security (A&G Dept)	27		27
Sales & Marketing	11	3	14

Repairs & Maintenance	22	8	30
Total	192	142	334

Barring any unforeseen circumstance, for the year 2015, the Company will maintain more or less the same number of employees as in year 2015.

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

## ITEM 2. PROPERTIES

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

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

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

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

## ITEM 3. LEGAL PROCEEDINGS

- (1) In the middle of 2008, the Company received from the Bureau of Internal Revenue ("BIR") a Final Decision on Disputed Assessment finding the Company 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 Company 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 Dstraint and/or Levy and Warrant of Garnishment against the Company and its assets. On 12 September 2008, the Company 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 Dstraint and/or Levy and the Warrant of Garnishment.

In 2009, the Company moved to have a preliminary hearing conducted to first resolve the legal issue of whether or not the services rendered by the Company 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 Company and cancelled the VAT deficiency assessment *in toto*.

As mentioned in the CTA Resolution, in line with the decision of the Supreme Court in *Commissioner of Internal Revenue v. Acesite (Philippines) Hotel Corporation, G.R. no. 147295, 16 February 2007*, the CTA, in its decision dated 18 February 2011, cancelled

the BIR's assessment against the Company 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 Commissioner of Internal Revenue's Motion for Reconsideration of the CTA's decision rendered on 18 February 2011. According to the CTA, considering that the assessment against the Company for deficiency VAT has been cancelled, the CTA deemed it proper that the surety bond posted by the Company be discharged. The BIR 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 Company filed its Memorandum in October 2011. On 27<sup>th</sup> July 2012, the CTA En Banc resolved that consistent with the pronouncement of the Supreme Court in the cases of *CIR vs. Acesite Hotel Corporation* and *PAGCOR vs. CIR (G.R. no. 172087, 15 March 2011)* that services rendered to PAGCOR are exempt from VAT, CIR's petition has no leg to stand on and must necessarily fall. The BIR subsequently filed a Motion for Reconsideration.

On 8<sup>th</sup> October 2012, the CTA En Banc resolved that BIR's Motion for Reconsideration is denied and the earlier decision of the CTA promulgated on 17<sup>th</sup> May 2011 is affirmed. On 5<sup>th</sup> December 2012, BIR filed with the Supreme Court a Petition for Review. As at the date of this report, the Petition for Review is still pending with the Supreme Court.

On 6<sup>th</sup> May 2013, the Company filed its Comment/Opposition to the Petition for Review and is awaiting feedback from the Supreme Court. On 17 October 2013, the Company received a Notice from the Supreme Court directing BIR to file a reply (to the Company's Comment/Opposition) within 10 days from BIR's receipt of the Notice.

In a Notice dated 8 October 2014, the Supreme Court declared the petitioner's (BIR) 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 Company filed a Manifestation and Motion to Dismiss the Petition of the BIR for non-compliance with the jurisdictional requirements. As at 12 January 2015, the Company has not received any further notices or directives from the Supreme Court.

- (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 Tax Assessment.

On 20 February 2015, the Corporation filed a Petition for Review with the CTA, to invalidate the collection proceedings of the BIR in respect of the Tax Assessment.

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 Tax Assessment did not comply with the requirements of law and lacked factual and legal basis.

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

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

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

In the 15 May 2014 annual stockholders' meeting, the following were elected as directors of the Company:

Wong Hong Ren;  
Eddie Lau;  
Bryan Cockrell;  
Eddie Yeo;  
Mia Gentugaya; (independent director)  
Angelito Imperio; (independent director) and  
Michele Dee Santos<sup>†</sup>

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

## **PART II – OPERATIONAL AND FINANCIAL INFORMATION**

<sup>†</sup> Michele Dee-Santos resigned as a member of the Board of Directors effective 10 October 2014. As disclosed previously by the Corporation, the reason for Ms. Dee-Santos' resignation is that she has been given other assignments by RCBC Trust & Investments Division ("RCBC Trust"). Ms. Dee-Santos represented the shares held by RCBC Trust in the Corporation. Ms. Dee-Santos was also a member of the Audit Committee and Nomination Committee of the Corporation.

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

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

The following are the high and low share prices of the Company for the year 2014 and 2013:

Amount in Peso:

	HIGH	LOW	HIGH	LOW
	Year 2014	Year 2014	Year 2013	Year 2013
First Quarter	45	45	No movement	No movement
Second Quarter	70	38	No movement	No movement
Third Quarter	51.5	41	No movement	No movement
Fourth Quarter	35.5	25	No movement	No movement

The last recorded trade of the shares of the Company during the fiscal year covered by this report occurred on 11 October 2014. The share price was PHP25.

**Holders of Securities**

The Company has only one class of shares, i.e., common shares. The total outstanding common shares as of 31 December 2014 is 87,318,270 inclusive of 33,600,901 treasury shares.

As of 31 December 2014, the number of shareholders of the Company is 497.

The list of the top 20 shareholders is as follows:

	NAME OF SHAREHOLDER	NO. OF SHARES	% OF SHAREHOLDING (INCLUSIVE OF TREASURY SHARES)
01	Grand Plaza Hotel Corp – Treasury stocks	33,600,901	37.35%
02	The Philippine Fund Limited	28,655,932	33.43%
03	Zatrio Pte Ltd	17,727,149	20.68%
04	PCD Nominee Filipino	6,543,841	7.64%

	PCD Nominee Non-Filipino	231,323	0.26%
06	Alexander Sy Wong	34,505	0.04%
07	Yam Kit Seng	7,000	<0.01%
08	Phoon Lin Mui	7,000	<0.01%
09	Yam Kum Cheong	7,000	<0.01%
10	Yam Poh Choo	7,000	<0.01%
11	Lucas M. Nunag	4,713	<0.01%
12	Natividad Kwan	3,983	<0.01%
13	Yam Kit Sung	2,999	<0.01%
14	Le Ying Tan-Lao	2,749	<0.01%
15	Peter Kan	2,443	<0.01%
16	Romeo L. Salonga	2,400	<0.01%
17	Christopher Lim	2,239	<0.01%
18	Robert Uy	2,000	<0.01%
19	Certerio Uy	1,000	<0.01%
20	Rolando Umali	1,000	<0.01%
	Total	86,847,177	99.45%

### Dividends

No dividends were declared for FY2014 and FY2013.

### Dividend Policy

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

### Recent Sales of Unregistered Securities

The Company does not have any unregistered securities.

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

### (A) Full Fiscal Year

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

	2014	2013	2012
Current ratio (Solvency ratio)	1.84	1.88	1.93
Debt/Equity	0.41	0.35	0.37
Assets/Equity	1.41	1.36	1.37
Profit before tax margin ratio	0.8%	21.24%	34.06%
Interest rate coverage ratio	NA	NA	NA

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

Current ratio is derived by dividing the current assets with the current liabilities. This indicator measures the liquidity of the Company in the short-term. The current ratio has reduced during the year of review mainly due higher current liabilities. Current liabilities increase mainly due to a new PhP23 million security deposit from a potential tenant. Current assets have also increased versus same period last year.

Debt to equity ratio measures a company financial leverage. It is derived by dividing total liabilities over equity. This ratio increased by 0.06 as a result of higher liabilities and lower equity. Lower equity is due to higher profit for the year.

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. Total assets increased versus same period of last year mainly due to higher cash balances.

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 significantly lower this year due to the fact that the Company does not have any more rental income from a major tenant, PAGCOR since end of June 2013.

Interest rate coverage ratio measures how easily a company can pay interest outstanding debts. It is calculated by dividing earnings before interest and tax over interest expense. The Company has no loans to third parties or related parties and as such, it has no interest expenses.

Management is not aware of:

- a. Any known trends or any known demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the Company's liquidity increasing or decreasing in any material way. The Company is not having or anticipate having within the next 12 months any cash flow or liquidity problems; and the Company is not in default or breach of any note, loan, lease or other indebtedness or financing arrangement requiring it to make payments. There is no significant amount of the Company's trade payables that have not been paid within the stated trade terms.
- b. Any events that will trigger direct or contingent financial obligations that is material to the Company, including any default or novation of an obligation.
- c. All material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Company with unconsolidated entities or other persons created during the reporting period.
- d. There are no material commitments for capital expenditures.



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

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

### Results of Operations:

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

YEAR	REVENUE – PHP'000	NIAT – PHP'000
2014	466,947	393
2013	582,653	85,576
2012	687,318	165,476

### 2014 Results of Operations

For the year 2014, the Company reported revenue of PhP466.9 million compared with PhP582.6 million in 2013. Revenue recorded a fall of PhP115.7 million (19.8%) mainly due to drop in rooms, food and beverage ("F&B") and rental income as compared to 2013. Due to the fall in revenue, profit after tax for 2014 was only PhP0.393 million versus PhP85.5 million. In terms of EBITDA (Earnings before income tax, depreciation and amortization) for 2014 was PhP20.7 million versus PhP145.1 million in 2013.

#### Revenue:

Rooms revenue decreased from PhP336 million to PhP312 million or PhP24 million (7%). The main reason for the drop in room revenue is fall in occupancy from 66% to 62% while Average Room Rate fell by 2% from PhP3,101 to PhP3,035. The newer hotels in the Bay Area such as Solaire and the Resort World Hotels pose competition to the hotel. In addition, for the full year 2014, the Company does not have PAGCOR which contribute certain room nights to the hotel.

Food and Beverage (F&B) revenue registered a fall from PhP158 million to PhP141 million or PhP17 million (10%). The negative variance is mainly due to the closure of PAGCOR operated casino in the hotel in July 2013. The hotel is able to increase its revenue for Riviera by PhP3.3 million against prior year to offset the lost of revenue from casino operation.

Others revenue consist mainly rental income and this segment fell by PhP73 million (90%) due to the closure of PAGCOR operated casino in July 2013.

#### Cost of sales:

Total cost of sales dropped by PhP3.4 million (5%) which is consistent with the lower F&B and other operated department revenue for the year.

**Gross Profit:**

Gross profit showed a drop by PhP112.2 million (21%) due to lower revenue.

**Selling Expenses:**

Selling expenses consist of property operation, maintenance, energy and conservation, salaries, transport charges and commission. As compared to the prior year, there is a decrease of PhP2.9 million (25%). Hotel is able to implement energy saving measures which helped to save 4.7% energy cost versus 2013. Hence even with lower business, the hotel is able to maintain a lower overhead.

**Administrative Expenses:**

Administrative expenses mainly consist of management and incentive fees, salaries, credit card commission and dues and subscription. There is an increase of PhP17 million (8%) compared to last year and part of the increase is higher sales and marketing expenses for the year.

**Other income/(expenses):**

There is an increase from PhP14.9 million to PhP22.0 million or 47% as during the year 2014, the company reversed an accrual which is no longer required.

**Income Tax Expense:**

Income tax expense decreased by PhP34 million due to significantly lower profit before tax.

### **2013 Results of Operations**

For the year 2013, the Company reported revenue of PhP582.6 million compared with PhP687.3 million in year 2012. Revenue dropped by PhP104.7 million (15%) while profit after tax decreased by PhP79.8 million (48%) versus prior year.

**Revenue:**

Rooms revenue decreased from PhP353 million to PhP336 million or PhP17 million (4%). The hotel managed to increase its occupancy from 64% to 66%, however, Average Room Rate (ARR) was lowered from PhP3,317 to PhP3,101 in order to compete. There are more new hotels in the market and the hotel has to reduce its ARR in order to attract guests.

Food and Beverage (F&B) revenue registered a fall from PhP183 million to PhP158 million or PhP25 million (13%). The negative variance is mainly due to the closure of PAGCOR operated casino in the hotel in July 2013. The hotel is able to increase its revenue for Riviera by PhP2 million against prior year and also banquet has increased its revenue by PhP2 million.

Other Operated Departments revenue decreased by PhP2.5 million (27%) from prior year

Others revenue consist mainly rental income and this segment fell by PhP60 million (42%) due to the closure of PAGCOR operated casino in July 2013.

**Cost of sales:**

Total cost of sales dropped by PhP5.3 million (8%) which is consistent with the lower F&B revenue for the year.

**Gross Profit:**

Gross profit showed a drop by PhP99.2 million (15%) due to lower revenue.

**Selling Expenses:**

Selling expenses consist of property operation, maintenance, energy and conservation, salaries, transport charges and commission. As compared to the prior year, there is a drop of PhP3.4 million (1.6%). The decrease is mainly from lower headcount and as such, payroll cost has reduced.

**Administrative Expenses:**

Administrative expenses mainly consist of management and incentive fees, salaries, credit card commission and dues and subscription. There is an increase of PhP18 million (10%) compared to last year and part of the increase is in payroll cost for sales and marketing as hotel has managed to fill up some vacant positions this year.

**Other income/(expenses):**

There is an increase from PhP11.1 million to PhP14.9 million or 34% as there is an exchange gain of PhP7 million in this year versus last year of PhP1.5 million.

**Income Tax Expense:**

Income tax expense decreased by PhP30.3 million or 44% due to lower profit for the year.

**Net Income After Tax:**

Net income after tax fell from PhP165 million to PhP85 million as a result of lower revenue for the year.

### **2012 Results of Operations**

For the year 2012, the Company registered a drop in revenue by PhP31.5 million (4.3%) as compared to the same period of last year. Net income after tax recorded a fall of PhP10.5 million (6%) relative to prior year.

**Revenue:**

Room revenue decreased from PhP367.7 million to PhP353.1 million or 3.8%. The fall in room revenue is mainly due to drop in occupancy from 67% in 2011 to 64% in 2012. As a result, Revenue Per Available Room (Revpar) also decreased by 4%. The unfavorable variance is due to the corporate segment but offset by the increase in package segment.

Food and Beverage (F&B) division also showed a fall in revenue from PhP202.8 million to PhP183 million or 9%. The 3 revenue centers, Riviera Café, Casino and Banquet registered the fall in revenue. With the opening of the Resort World Casino Manila, it drew away the regular casino players in the Hotel.

Others consisting mainly of rental from a tenant increased from PhP136.8 million to PhP141.8 million or 3.5% due to higher rental and a new tenant.

**Cost of sales:**

Total cost of sales does not show any material variance as compared to prior year.

**Gross Profit:**

Gross profit showed a drop by PhP30.8 million or 4.7% due to lower revenue.

**Selling Expenses:**

Selling expenses consist of property operation, maintenance, energy and conservation, salaries, transport charges and commission. As compared to the prior year, there is an increase from PhP213.6 million to PhP217.8 million or PhP4.1 million (1.9%). The variance is attributable to increase in salaries and property operation, maintenance, energy and conservation.

**Administrative Expenses:**

Administrative expenses mainly consist of management and incentive fees, salaries, credit card commission and dues and subscription. There is a drop from PhP196.8million to PhP181.3 million and this is attributable to the lower management and incentive fees which is consistent with the lower hotel revenue and gross operating profit for the year.

**Other income/(expenses):**

There is an increase from PhP7.5 million to PhP11.1 million or 47% as there is an exchange gain of PhP1.5 million in this year versus last year with a loss of PhP2 million.

**Income Tax Expense:**

Income tax expense decreased by PhP5.3 million or 7.2% due to lower profit for the year.

**Net Income After Tax:**

Net income after tax fell from PhP176 million to PhP165 million as a result of lower revenue for the year.

**Financial Conditions:**

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

YEAR	ASSETS - PHP'000	LIABILITIES - PHP'000
2014	1,354,310	399,328
2013	1,363,125	357,905
2012	1,445,249	382,109

**2014 Financial Conditions**

assets for the year 2014 decreased marginally from PhP1.363 billion to PhP1.354 billion while total liabilities increased by PhP42 million (11%) due to higher liabilities such as security deposits due to tenants and higher retirement benefits.

#### Assets:

- Cash and cash equivalents: This balance consists of cash and fixed deposits placed with banks. There is an increase of PhP31.2 million (15%) compared to the same period of last year. Although the Hotel trading in 2014 is down significantly, the Company is still cash flow positive. The increase is due to a new security deposit from a potential tenant of PhP23 million and offset by the payment to shareholders in second half of 2014 for share buyback exercise amounting to PhP49.2 million.
- Receivables net: This balance fell from PhP322 million to PhP304 million which is consistent with the lower revenue of the Company.
- Due from related parties: There is a significant drop in this balance as the related companies have settled their outstanding balance to the Company at year end.
- Prepaid expenses and other current assets: This mainly consists of prepaid input value added tax, insurance premiums, dues and subscription. The drop is mainly in prepaid income tax and input taxes given the reduced in revenue of the Company for this year versus last year.
- Property and equipment net: There is a fall in this balance by PhP22.9 million (3.5%) as a result of depreciation charges for the year offset by addition to fixed assets of PhP13 million.
- Investment in associate: Compared to the prior year, this balance increased by PhP1.7 million (3.6%) due to the improvement in the results of the associate and as such, the company recognized a profit on the share in income of associate.
- Deferred tax assets: This balance mainly pertains to deferred tax recognized for retirement benefits, exchange gain/loss and impairment of receivables. There is an increase of PhP6.8 million (122%) as there was a deferred tax on the impairment of receivables, increase in retirement benefits and lower actuarial gain this year.

#### Liabilities and Equity:

- Due to related parties: Compared to last year, the balance has increased from PhP2.1 million to PhP6 million as Company has not settled its obligations with the related companies. This will be settled in first quarter of 2015.
- Income tax payable: There is an income tax payable as at end of 2014 of PhP1.8 million versus zero in 2013 even though Company has lower profit before tax as the Company has higher non-tax deductible items this year.
- Refundable deposit: This balance consists mainly of deposits from customers and tenants. Compared to last year, there is an increase of PhP26.9 million as there was a new security deposit of PhP23 million from a potential tenant which is in the process of negotiation with the Company.

- **Accrued retirement benefits liability:** The Company accrued for retirement benefits liability in accordance to the actuarial valuation yearly. There is an increase in accrual from PhP21.9 million to PhP26.6 million this year as in 2013, there was an experience adjustment of negative PhP2 million while the experience adjustment for 2014 was lower.
- **Treasury stock:** Compared to the same period of last year, this balance increased by PhP49.2 million due to the share buyback exercise conducted during the year 2014.

### 2013 Financial Conditions

Total assets for the year 2013 decreased by PhP82 million (5%) relative to the same period of last year. Total liabilities also decreased by PhP24 million (6%) versus last year same period.

#### Assets:

- **Cash and cash equivalents:** This balance consists of cash and fixed deposits placed with banks. There is a decrease of PhP76 million (27%) compared to the same period of last year. This is mainly due to payment of share buyback exercise amounting to PhP142 million in second half of 2013 and lower revenue.
- **Receivables net:** This balance increased by PhP18 million over same period last year due to increase receivables from a major tenant.
- **Prepayments and other current assets:** The increase of PhP3.8 million over prior year is due to increase in input value added tax and some prepaid expenses.
- **Property and equipment – net:** This balance decreased by PhP23 million which is mainly due to depreciation charges for the year.
- **Deferred tax assets:** This balance decreased mainly due to lower balance for retirement benefits.

#### Liabilities and Equity:

- **Accounts payable and accrued expenses:** This balance dropped by PhP4.2 million compared with prior year and this is mainly due to lower trade payables which is consistent with the lower revenue.
- **Due to related parties:** There is repayment to related parties at year end for outstanding balances and as such, this balance dropped by PhP4.7 million compared to the same period of last year.
- **Income tax payable:** Due to lower profit and the Company has sufficient creditable withholding tax, income tax payable is zero balance for last quarter.

- **Refundable deposits:** This represents deposits given by tenants to the Company for lease of space. There is a reduction of PhP2.1 million versus last year due to refund of certain deposit to a tenant.
- **Accrued retirement liability:** This balance represents accrual for retirement liability for employees in accordance to the actuarial report by valuer. This balance decreased PhP1.5 million relative to same period of last year.
- **Treasury stock –** There is an increase in treasury stock by PhP142 million versus last year and this is a result of the share buyback in 2013.

### 2012 Financial Conditions

Total assets for the year 2012 decreased by PhP78 million or 5% versus the same period last year. Total liabilities decreased by PhP5.2 million or 1.3%. The main decrease in assets is due to lower cash position.

#### Assets:

- **Cash and cash equivalents:** This balance consists of cash and fixed deposits placed with banks. There is a drop from PhP354.3 million to PhP282.6 million as a result of share buyback and cash dividend payments during the FY2012. The Company paid out PhP178.3 million in total for both dividends and share buyback.
- **Receivables – net:** There is an increase in this balance by PhP16 million (5%) The increase is mainly due to increase in VAT due from PAGCOR and also advances to contractor in connection with a renovation project.
- **Due from related parties:** In the normal course of business, the Company advances to its related companies for working capital purpose. There is a drop in the balance from PhP3.1 million to PhP1.1 million due to the related companies have settled their outstanding balances to the Company as at year end.
- **Inventories:** Inventories consist of food, general supplies, beverage and tobacco, engineering supplies. The increase in this balance by PhP1.9 million is due to increase in food inventory.
- **Prepayments and other current assets:** This balance consists of input value-added tax and prepaid expenses which are mainly insurance premium. There is an increase in balance by PhP1.1 million.
- **Property and equipment – net:** This balance decreased by PhP25.6 million (3%) and is attributable to the net effect of depreciation, disposal of fixed assets and addition of fixed assets during the year. Depreciation charges for the year is PhP38 million.
- **Deferred tax assets:** Deferred tax assets consist of retirement liability, deferred rental income, allowance for impairment loss on receivables and foreign exchange gain/loss. The increase in balance by PhP1.8 million (18%) is due to higher retirement liability.

- **Liability and Equity:**
- **Accounts payable and accrued expenses:** This account consists mainly of trade payables, accrued payroll and accrued utilities. There is a decrease in accrued trade payables by PhP10.6 million (16%) due to lesser volume of business for this year.
- **Income tax payable:** Income tax payable fell by PhP5.1 million (25%) and this is consistent with the lower profit for this year.
- **Due to related parties:** There is a drop in this balance by PhP12.4 million (64%) and is because the Company has repaid some outstanding payables to its related companies.
- **Other current liabilities:** This balance consists of output VAT payable, deferred rental and withholding taxes payable. The increase in balance by PhP9 million (4%) is due to higher output VAT payables.
- **Accrued retirement liability:** There is an increase in PhP2.7 million (8%) due to provision for retirement liability for the year 2012.
- **Refundable deposit:** This balance is mainly for security deposits placed by tenants with the Company. The increase in balance by PhP3.5million (13%) is due to the deposit of a new tenant.
- **Treasury stock:** This pertains to the share buyback exercise conducted during the year. On 25<sup>th</sup> June 2012, the Board approved a share buyback exercise of 1 share for every 25 shares and at PhP50 per share.

## **Risks**

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

## **ITEM 7. FINANCIAL STATEMENTS**

Please see attachments.

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

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



**PART III - CONTROL AND COMPENSATION INFORMATION**

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

NAME	OFFICE	CITIZENSHIP	FAMILY RELATION (*)	AGE
Wong Hong Ren	Chairman & President	Singaporean	No relation	63
Bryan Cockrell	Director	American	No relation	67
Eddie Lau	Director	British	No relation	59
Angelito Imperio	Independent Director	Filipino	No relation	75
Mia Gentugaya	Independent Director	Filipino	No relation	63
Eddie Yeo Ban Heng	Director / Vice-President / Assistant Compliance Officer / General Manager of The Heritage Hotel Manila	Malaysian	No relation	67
Yam Kit Sung	General Manager of the Company / Chief Finance Officer / Compliance Officer / Chief Audit Executive	Singaporean	No relation	44
Catherine Serrano	Director of Finance / Member The Heritage Hotel Manila Management Executive Committee	Filipino	No relation	43
Geraldine Nono Gaw	Director of Marketing / Member The Heritage Hotel Manila Management Executive Committee	Filipino	No relation	47
Maria Christina J. Macasaet-Acaban	Corporate Secretary	Filipino	No relation	41
Alain Charles J. Veloso	Assistant Corporate Secretary	Filipino	No relation	34
Arlene De Guzman	Treasurer	Filipino	No relation	54

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

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

None of the directors and executive officers are related within the 4<sup>th</sup> civil degree of consanguinity or affinity.

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

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

### **Business Experience**

#### **WONG HONG REN** *CHAIRMAN & PRESIDENT*

Mr Wong Hong Ren was first elected Director and Chairman of the Board of Directors in May 1996. He was also an executive director of Millennium & Copthorne Hotels plc, a public listed company on the London Stock Exchange since April 2001. Mr Wong was appointed Chief Executive Officer of Millennium & Copthorne Hotels plc on 27 June 2011. He is also Chairman of Millennium & Copthorne Hotels New Zealand Limited and CDL Investments New Zealand Limited, both of which are listed on the New Zealand stock exchange. He is also the non-executive Chairman of M&C REIT Management Limited which manages the Singapore listed CDL Hospitality Trusts

#### **BRYAN K. COCKRELL** *DIRECTOR*

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

**ANGELITO C. IMPERIO**  
*INDEPENDENT DIRECTOR*

Atty. Imperio has been a Director of the Company continuously since August 1992 and during that span of time, he served as independent Director from 2001 to 2004, and again from 2008 up to the present. He completed his legal education at the University of the Philippines (LL.B.) and was admitted to the bar in 1966. He was a senior partner of the law firm SyCip Salazar Hernandez & Gatmaitan until his retirement in October 2004. He continued to serve the firm as of counsel until August 2010. At present, his professional work is limited to outside counseling, particularly on estate planning, and serving as an official Appellate Court Mediator of civil cases pending in the Court of Appeals.

**MIA G. GENTUGAYA**  
*INDEPENDENT DIRECTOR*

Atty. Gentugaya is a senior partner and Head of the Banking, Finance and Securities Group of SyCip Salazar Hernandez & Gatmaitan. She has been a Director of the Company since August 1992 and served as independent director since 2005. She was admitted to the Philippine Bar in 1978 after completing her legal education at the University of the Philippines (LL.B.). Atty. Gentugaya practices corporate and commercial law, and has been named by Chambers & Partners and The Legal 500 as one of the world's leading lawyers in banking and finance, and commercial law. She is a member of the Philippine Bar Association and the Makati Business Club. She also serves in the Board of Directors of various companies.

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

Mr. Eddie Yeo is appointed as a Director and General Manager of The Heritage Hotel Manila on 13 January 2005. Prior to his current position, he was the General Manager of Copthorne Kings Hotel Singapore from January 1999 to 2004. He has more than 42 years experience in managing and developing hotel projects in Singapore, Malaysia, Thailand, Australia, USA and Vietnam. He holds a Master of Business Administration from the University of South Australia, is a Certified Hotel Administrator (CHA) from the Educational Institute of the American Hotel & Motel Association, Michigan, USA and a Member of the Chartered Management Institute, UK. He is the Vice President of the Singapore Philippines Association; Vice President of the Malaysian Associations of the Philippines; and 2<sup>nd</sup> Vice President of SKAL Club of Manila. He sits on the Board of the Hotel Association of the Philippines, Hotel Federations of the Philippines and the Foreign Chamber Council of the Philippines.

**EDDIE C.T. LAU**  
**DIRECTOR**

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

**YAM KIT SUNG**

**GENERAL MANAGER, CHIEF FINANCE OFFICER, COMPLIANCE OFFICER & CHIEF AUDIT EXECUTIVE**

Mr. Yam obtained his Bachelor of Accountancy (Honors) degree from Nanyang Technological University in Singapore. Upon graduation, he joined the international accounting firm, Price Waterhouse based in Singapore as an auditor and later joined CDL Hotels International Limited (now known as Millennium & Copthorne Hotels International Limited) as an Internal Auditor. In 1996, he joined The Heritage Hotel Manila as an Operations Analyst and was appointed General Manager of the Company in April 2000. In June 2006, Mr. Yam was appointed Vice President – Asset Management (China) for HL Global Enterprises Limited, a company listed on the Singapore Stock Exchange. He also sits on the Board of several companies in the HL Global Enterprises Limited Group.

**ARLENE DE GUZMAN**  
**TREASURER**

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

**MARIA CHRISTINA J. MACASAET-ACABAN**  
**CORPORATE SECRETARY**

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

Ms. Macasaet-Acaban practices corporate and commercial law, with focus on foreign investments, mergers and acquisitions, corporate compliance. She has represented multinational corporations operating in various industries, such as pharmaceutical and healthcare, information technology, outsourcing, manufacturing and real estate, in Philippine and cross-border transactions, and advised on equity restrictions, investment structures and regulatory compliance for Philippine business operations.

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

**ALAIN CHARLES J. VELOSO**  
**ASSISTANT CORPORATE SECRETARY**

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

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

**GERALDINE NONO GAW**  
**DIRECTOR OF MARKETING, MEMBER - HERITAGE HOTEL MANILA MANAGEMENT EXECUTIVE COMMITTEE**

Geraldine N. Gaw joined the company in 2003 as the Director of Catering and was promoted as Director of Sales and Marketing in 2008. Prior to joining the Heritage Hotel Geraldine held the position of Convention and Banquet Sales Manager from 1999 to 2003 at the Manila Midtown Hotel. She has also held several senior positions in various hotels in Metro Manila and Davao City, namely the Mandarin Oriental Hotel and the Davao Insular Intercontinental Inn. She is currently a member of the Hotel Sales and Marketing Association. Geraldine graduated at the Ateneo De Davao University with a Degree in Business Administration major in Accounting.

**CATHERINE A. SERRANO**

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

Ms. Catherine A. Serrano joined Grand Plaza Hotel Corporation in April 2009 as its Accounting Manager. In April 2012 she was appointed as the Assistant Director of Finance and recently got promoted as the Director of Finance of the Heritage Hotel. Ms. Serrano took up her degree in Commerce major in Accounting at the University of the Assumption, San Fernando Pampanga.

Prior to working in the hotel industry Ms. Serrano honed her skills in her field for 13 years with the Laus Group of Companies where she held various managerial positions in Carworld Inc. (dealers of Mitsubishi), Ford Pampanga and Max's Restaurant. She was also the Accounting Group Head of Carworld Inc. affiliates such as, Kia Motors Pampanga, Suzuki Pampanga, Laus Group Estate, Carworld Caltex, Radioworld Broadcasting Corp., and Regent Printing House.

Ms. Serrano started her hotel career in February 2006 at the Holiday Inn Galleria Manila as Chief Accountant and was promoted in November 2007 as the Finance Manager of Crowne Plaza Galleria Manila.

**Attendance Record**

Meeting Attendance of the Company's Board of Directors in 2014:

Date of Board of Directors' meetings	Name of Directors						
	Wong Hong Ren	Bryan Cockrell	Angelito Imperio	Mia Gentugaya	Michele Dec-Santos (Resigned effective 10 October 2014)	Eddie Lau	Eddie Yeo
11 February 2014 (Joint Meeting with Board of Directors)	Present	Present	Present	Present	Absent	Present	Present

25 April 2014	Present	Present	Present	Present	Present	Absent	Present
15 May 2014 (1:00 p.m.)	Present	Present	Present	Absent	Present	Present	Present
15 May 2014 (10:30 a.m.)	Present	Present	Present	Present	Present	Present	Present
24 July 2014	Present	Present	Present	Present	Present	Present	Present
2 October 2014	Present	Present	Absent	Present	Present	Present	Present
27 October 2014	Present	Absent	Present	Absent	N/A	Present	Present
Total	7 out of 7	6 out of 7	6 out of 7	5 out of 7	5 out of 6	6 out of 7	7 out of 7
Percentage of Attendance	100%	85.71%	85.71%	71.43%	83.33%	85.71%	100%

Meeting Attendance of the Company's Audit Committee in 2014:

Date of the Audit Committee meetings	Name of Directors		
	Bryan Cockrell	Mia Gentugaya	Michele Dec-Santos (Resigned effective 10 October 2014)
11 February 2014	Present	Present	Absent
25 April 2014	Present	Present	Present
24 July 2014	Present	Present	Present
27 October 2014	Present	Present	N/A
Total	4 out of 4	4 out of 4	2 out of 3
Percentage of Attendance	100%	100%	66.66%

Meeting Attendance of the Company's Nomination Committee in 2014:

Date of the Nomination's Committee meetings	Name of Directors				
	Wong Hong Ren	Eddie Lau	Bryan Cockrell	Michele Dec-Santos	Angelito Imperio
11 February 2014 (Joint Meeting with Board of	Present	Present	Present	Absent	Present

Directors)					
21 March 2014	Absent	Present	Present	Present	Present
Total	1 out of 2	2 out of 2	2 out of 2	1 out of 2	2 out of 2
Percentage of Attendance	50%	100%	100%	50%	100%

## ITEM 10. EXECUTIVE COMPENSATION

### EXECUTIVE AND DIRECTORS COMPENSATION

NAME	POSITION	YEAR	SALARY	BONUS	OTHERS/ DIRECTOR FEES
Wong Hong Ren	Chairman & President	2014			
Eddie Yeo Ban Heng	General Manager of Hotel	2014			
Yam Kit Sung	General Manager of the Company	2014			
Cathy Serrano	Director of Finance	2014			
Gigi Gaw	Director of Sales & Marketing	2014			
Total		2014	12,327,371	756,719	88,815
Directors		2014			1,311,150
All officers & Directors as a group		2014	12,327,371	756,719	1,399,965

The estimated total compensation for officers and directors in year 2015 is as follows:

Salary – PhP12.5 million

Bonus – PhP1.0 million

Other Fees – PhP1.5 million

### FOR THE LAST 2 FINANCIAL YEARS – 2013 and 2012

NAME	POSITION	YEAR	SALARY	BONUS	OTHERS/ DIRECTOR FEES
Wong Hong Ren	Chairman & President	2013			
Eddie Yeo Ban Heng	General Manager of Hotel	2013			



Yam Kit Sung	General Manager of the Company	2013			
Cathy Serrano	Director of Finance	2013			
Gigi Gaw	Director of Sales & Marketing	2013			
Total		2013	10,065,213	948,016	88,815
Directors		2013			1,494,626
All officers & Directors as a group		2013	10,065,213	948,016	1,583,441

NAME	POSITION	YEAR	SALARY	BONUS	OTHERS/ DIRECTOR FEES
Wong Hong Ren	Chairman & President	2012			
Eddie Yeo Ban Heng	General Manager of Hotel	2012			
Yam Kit Sung	General Manager of the Company	2012			
Johnny Yap	Executive Manager of Hotel	2012			
Alex Cheong	Executive Chef	2012			
Total		2012	11,328,636	1,481,160	70,000
Directors		2012			2,111,284
All officers & Directors as a group		2012	11,328,636	1,481,160	2,181,284

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

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

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

### Security Ownership of Management

The following table shows the shareholding beneficially held by the officers of the Company as at 31 December 2014.

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

The following entities are directly or indirectly the beneficial owners of more than 5% of the Company's voting shares (common) as of 31 December 2014

S/N	NAME OF SHAREHOLDER	CITIZENSHIP	NO. OF SHARES	% OF SHAREHOLDING (EXCLUSIVE OF TREASURY SHARES)
1	The Philippine Fund Limited	Bermuda	28,655,932 <sup>2</sup>	53.34%
2	Zatrio Pte. Ltd.	Singapore	17,727,149	33.08%
3	RCBC Trust & Investment	Filipino	5,835,663	10.86%

## ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

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

## ITEM 13. CORPORATE GOVERNANCE

Please refer to the attached Annual Corporate Governance Report of the Company for the year 2014.

<sup>2</sup> The Philippine Fund Limited is owned by:

	Shareholder's Name	Class of Shares Owned	% Held
1.	Hong Leong Hotels Pte. Ltd. P.O. Box 309 Grand Cayman British West Indies, Cayman Islands	Ordinary	60%
2.	Pacific Far East (PFE) Holdings Corporation (formerly Istethmar International Corporation) Suite 2705-09, 27Flr, Jardine House 1 Connaught Place, Central, Hong Kong	Ordinary	20%
3.	Robina Manila House Limited 8/F Bangkok Bank Building 28 Des Voeux Road, Central Hong Kong	Ordinary	20%

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

None

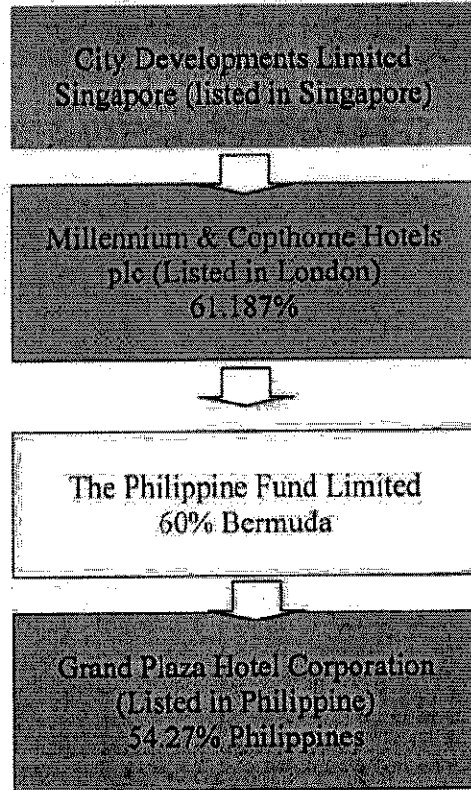
**Reports on SEC Form 17-C**

The following events were reported in SEC Form 17-C during the period January 2014 to December 2014:

Date of Filing of SEC Form 17-C	Summary of the matter disclosed
12 February 2014	Contract of Lease between Harbour Land Corporation and the Company - Rent Increase and Extension and Approval of the Record Date for the Company's Annual Stockholders' Meeting for 2014
16 May 2014	Election of Directors and Re-Appointment of External Auditors
16 May 2014	Election of Officers and Committee Members
29 May 2014	Buyback Timetable and Buyback Documents
2 July 2014	Result of the Buyback of Shares
15 July 2014	Completion of the Buyback of Shares
12 August 2014	Renewal of Contract of Lease
26 August 2014	Demise of Ms. Mary Grace Magsalin
13 October 2014	Resignation of Michele Dee-Santos as Director

**The Group Structure**

**The Philippine Fund Limited Group Structure**



**SIGNATURES**

Pursuant to the requirements of Section 17 of the Securities Regulation Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Singapore on 30 March, 2015.

By:

  
Wong Hong Ren  
Chairman & President

  
Yam Kit Sung  
General Manager/  
Vice President Finance

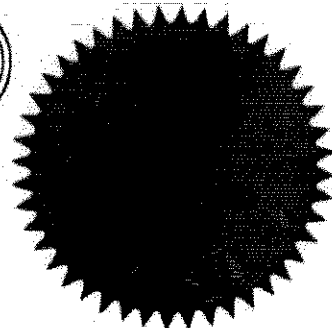
  
Maria Christina Macasaet-Acaban  
Corporate Secretary

**SUBSCRIBED AND SWORN** to before me this 30th day of March 2015  
affiant(s) exhibiting to me their Community Tax Certificates/Passports, as follows:

<u>Names</u>	<u>CTC/Passport No.</u>	<u>Date of Issue</u>	<u>Place of Issue</u>
<u>Wong Hong Ren</u>	<u>E4908899H</u>	<u>20 October 2014</u>	<u>Singapore</u>

  
\_\_\_\_\_  
Notary Public

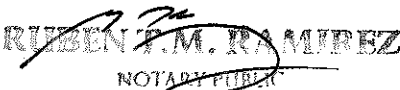
Doc. No.  
Page No.  
Book No.  
Series of 2015.



SUBSCRIBED AND SWORN to before me this 14th day of April 2015, affiants exhibiting to me the following:

Yam Kit Sung                      Passport No. E3384874K issued on 7 September 2012 / Singapore  
Christina Macasaet-Acaban      Passport No. EB7554126 issued on 5 March 2013 / Philippines

Doc. No. 500  
Page No. 101  
Book No. 267  
Series of 2015.

  
RUBEN F.M. RAMIREZ  
NOTARY PUBLIC  
UNTIL DEC 31, 2015  
2734 M. ANIPORA ST., MAKATI CITY  
APPT. NO. M-17 (2014-2015)  
REF. NO. 57670 / CY-2015  
ROLL NO. 28967/MCLE-4 NO. 0006324/6-19-12  
PTR NO. MKT 4750791/1-5-15 MAKATI CITY



**FOREIGN SERVICE OF THE  
REPUBLIC OF THE PHILIPPINES**

EMBASSY OF THE PHILIPPINES )  
Consular Section ) S.S.  
Singapore )

**CERTIFICATE OF AUTHENTICATION**

I, J. ANTHONY A. REYES Consul of the  
Republic of the Philippines in Singapore, duly commissioned and qualified, do  
hereby certify that

**HO SUK TSING LESLIE**

before whom the annexed instrument has been executed, to wit:

**STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL  
STATEMENTS (GRAND PLAZA HOTEL CORPORATION)**

was at the time he/she signed the same NOTARY PUBLIC  
and that his/her signature affixed thereto is genuine.

The Embassy assumes no responsibility for the contents of the annexed  
instrument.

**IN WITNESS HEREOF**, I have hereunto set my hand and affixed the seal  
of the Embassy of the Philippines in Singapore this day of 1 APRIL 2015

Service No.: 03319  
O.R. No. : 117760  
Fee Paid : \$42.50

*J. Anthony A. Reyes*  
**J. ANTHONY A. REYES**

*Philippines x 2*  
*CH*

**NOTARIAL CERTIFICATE**

**TO ALL TO WHOM THESE PRESENTS SHALL COME**

I, **HO SUK TSING LESLIE** Notary Public duly authorised and appointed practising in the Republic of Singapore **DO HEREBY CERTIFY AND ATTEST** that the document "**STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS**" hereunto annexed was signed and executed by **WONG HONG REN** and the person named and mentioned in the said document for and on behalf of **GRAND PLAZA HOTEL CORPORATION**.

**IN FAITH AND TESTIMONY**  
**WHEREOF** I have hereunto subscribed my name and affixed my seal of office this 30th day of March 2015.

*Leslie*





---

**GRAND PLAZA HOTEL CORPORATION**

---

3 February 2015

**Statement of Management's Responsibility For Financial Statements**

**SECURITIES AND EXCHANGE COMMISSION**

SEC Building, EDSA, Greenhills  
City of Mandaluyong

The management of **GRAND PLAZA HOTEL CORPORATION** is responsible for all information and representations contained in the financial statements as of and for the years ended December 31, 2014, 2013 and 2012. The financial statements have been prepared in conformity with generally accepted accounting principles in the Philippines and reflect amounts that are based on the best estimates and informed judgment of management with an appropriate consideration to materiality.

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

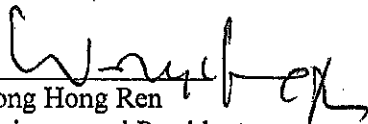
The Board of Directors reviews the financial statements before such statements are approved and submitted to the stockholders of the Company.

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

**10 Floor, The Heritage Hotel Manila, Roxas Blvd cor. EDSA Extension Pasay City**

**Tel: 854 8838 Fax: 854 8825**

**A MEMBER OF THE HONG LEONG GROUP SINGAPORE**

  
Wong Hong Ren  
Chairman and President

  
Yam Kit Sung  
General Manager & Chief Financial Officer

Subscribed and sworn to before me a notary public for and in the City of Singapore this 30th day of March 2015, the signatories exhibiting to me their Community Tax Certificates/Passports details of which are as follows:

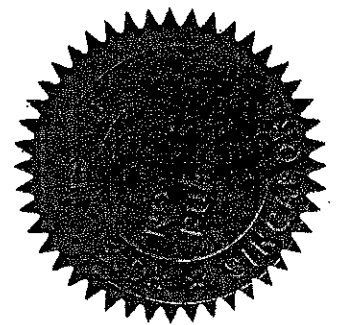
Name	<del>Community Tax Certificate/</del> Passport Number	Date	Place of Issue
Wong Hong Ren	E4908899H	20 October 2014	Singapore

~~Yam Kit Sung~~

Notary Public



Doc. No.  
Page No.  
Book No.  
Series of 2015



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## GRAND PLAZA HOTEL CORPORATION

---

3 February 2015

### Statement of Management's Responsibility For Financial Statements

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

The management of **GRAND PLAZA HOTEL CORPORATION** is responsible for all information and representations contained in the financial statements as of and for the years ended December 31, 2014, 2013 and 2012. The financial statements have been prepared in conformity with generally accepted accounting principles in the Philippines and reflect amounts that are based on the best estimates and informed judgment of management with an appropriate consideration to materiality.

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

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

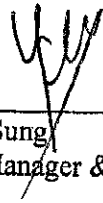
KPMG Manabat Sanagustin & Co., the independent auditors appointed by the stockholders, has audited the financial statements of the Company in accordance with generally accepted auditing standards in the Philippines and has expressed its opinion on the fairness of presentation upon completion of such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

**10 Floor, The Heritage Hotel Manila, Roxas Blvd cor. EDSA Extension Pasay City**

**Tel: 854 8838 Fax: 854 8825**

**A MEMBER OF THE HONG LEONG GROUP SINGAPORE**

~~Wong Hong Ren  
Chairman and President~~

  
Yam Kit Sung  
General Manager & Chief Financial Officer

Subscribed and sworn to before me a notary public for and in the City of CITY OF MAKATI this  
APR 15 day of 2015 2015, the signatories exhibiting to me their Community Tax  
Certificates/Passports details of which are as follows:

Name	Community Tax Certificate/ Passport Number	Date	Place of Issue
------	---	------	----------------


~~Wong Hong Ren~~

Yam Kit Sung

Passport No. E3334874K

7 September 2012 / Singapore

Doc. No. 499  
Page No. 101  
Book No. 267  
Series of 2015

  
RUBEN P. M. RAMIREZ  
Notary Public  
UNITED STATES OF AMERICA  
2734 M. ALDORA ST., S. MARIETTA CITY  
APPLY NO. M-17 (11-1315)  
IBF NO. 978780 / CY-2013  
ROLL NO. 30917/MCLB-4 NO. 000124/6-19-12  
PTR NO. MKT 4750751/1-5-15 MAKATI CITY

**GRAND PLAZA HOTEL CORPORATION**

**FINANCIAL STATEMENTS**  
**December 31, 2014, 2013 and 2012**

## REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders  
Grand Plaza Hotel Corporation

### Report on the Financial Statements

We have audited the accompanying financial statements of Grand Plaza Hotel Corporation, which comprise the statements of financial position as at December 31, 2014 and 2013, and the statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the years in the three-year period ended December 31, 2014, and notes, comprising a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Financial Statements*

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

### *Auditors' Responsibility*

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

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

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



*Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of Grand Plaza Hotel Corporation as at December 31, 2014 and 2013, and its financial performance and its cash flows for each of the years in the three-year period ended December 31, 2014 in accordance with Philippine Financial Reporting Standards.

**Report on the Supplementary Information Required Under Revenue Regulations (RR) No. 19-2011 and RR No. 15-2010 of the Bureau of Internal Revenue**

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

*R.G. Manabat & Co.*

February 3, 2015  
Makati City, Metro Manila



R.G. Manabat & Co.  
The KPMG Center, 9/F  
6787 Ayala Avenue  
Makati City 1226, Metro Manila, Philippines

Telephone +63 (2) 886 7000  
Fax +63 (2) 884 1985  
Internet www.kpmg.com.ph  
E-Mail manila@kpmg.com.ph

Branches: Subic - Cebu - Bacolod - Iloilo

## REPORT OF INDEPENDENT AUDITORS

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

### Report on the Financial Statements

We have audited the accompanying financial statements of Grand Plaza Hotel Corporation, which comprise the statements of financial position as at December 31, 2014 and 2013, and the statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the years in the three-year period ended December 31, 2014, and notes, comprising a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Financial Statements*

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

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





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**R.G. MANABAT & CO.**

ADOR C. MEJIA

Partner

CPA License No. 0029620

SEC Accreditation No. 0464-AR-2, Group A, valid until March 24, 2016

Tax Identification No. 112-071-634

BIR Accreditation No. 08-001987-10-2013

Issued May 9, 2013; valid until May 8, 2016

PTR No. 4748117MC

Issued January 5, 2015 at Makati City

February 3, 2015

Makati City, Metro Manila



R.G. Manabat & Co.,  
The KPMG Center, 9/F  
6787 Ayala Avenue  
Makati City 1226, Metro Manila, Philippines

Telephone +63 (2) 886 7000  
Fax +63 (2) 894 1985  
Internet www.kpmg.com.ph  
E-Mail manila@kpmg.com.ph

Branches: Subic - Cebu - Bacolod - Iloilo

**REPORT OF INDEPENDENT AUDITORS  
TO ACCOMPANY FINANCIAL STATEMENTS FOR FILING WITH THE  
BUREAU OF INTERNAL REVENUE**

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

We have audited the accompanying financial statements of Grand Plaza Hotel Corporation as at and for the year ended December 31, 2014, on which we have rendered our report thereon dated February 3, 2015.

In compliance with Revenue Regulation V-20, we are stating that no partner of our Firm is related by consanguinity or affinity to the president or any member of the Board of Directors and Stockholders of the Company.

**R.G. MANABAT & CO.**

**ADOR C. MEJIA**

Partner

CPA License No. 0029620

SEC Accreditation No. 0464-AR-2, Group A, valid until March 24, 2016

Tax Identification No. 112-071-634

BIR Accreditation No. 08-001987-10-2013

Issued May 9, 2013; valid until May 8, 2016

PTR No. 4748117MC

Issued January 5, 2015 at Makati City

February 3, 2015  
Makati City, Metro Manila

**GRAND PLAZA HOTEL CORPORATION**  
**STATEMENTS OF FINANCIAL POSITION**

		December 31	
	Note	2014	2013
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	4, 26	P237,078,063	P205,890,655
Receivables - net	5, 14, 26	304,110,706	322,009,422
Loan receivable	9, 14, 26	15,500,000	15,500,000
Due from related parties	14, 26	350	1,885,100
Inventories	6	13,993,229	13,582,447
Prepaid expenses and other current assets	7	12,230,638	18,482,934
<b>Total Current Assets</b>		<b>582,912,986</b>	<b>577,350,558</b>
<b>Noncurrent Assets</b>			
Property and equipment - net	10	624,662,660	647,640,324
Investment in an associate	8, 14	50,241,237	48,467,138
Deferred tax assets - net	22	12,398,139	5,571,856
Other noncurrent assets	11, 14, 20, 26	84,095,791	84,095,791
<b>Total Noncurrent Assets</b>		<b>771,397,827</b>	<b>785,775,109</b>
		<b>P1,354,310,813</b>	<b>P1,363,125,667</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Accounts payable and accrued expenses	12, 26	P77,919,262	P77,567,689
Refundable deposits - current portion	19	23,997,300	-
Due to related parties	14, 20, 26	6,090,243	2,115,421
Income tax payable		1,802,477	-
Other current liabilities	13, 26	230,761,713	227,186,550
<b>Total Current Liabilities</b>		<b>340,570,995</b>	<b>306,869,660</b>
<b>Noncurrent Liabilities</b>			
Refundable deposits - net of current portion	19	32,122,519	29,120,790
Accrued retirement benefits liability	21	26,634,668	21,914,777
<b>Total Noncurrent Liabilities</b>		<b>58,757,187</b>	<b>51,035,567</b>
<b>Total Liabilities</b>		<b>399,328,182</b>	<b>357,905,227</b>
<b>Equity</b>			
Capital stock		873,182,700	873,182,700
Additional paid-in capital		14,657,517	14,657,517
Remeasurement gains on defined benefit plan	21	4,696,038	6,085,245
Retained earnings:			
Appropriated	23	1,680,020,370	1,630,777,870
Unappropriated	25	62,446,376	111,294,978
Treasury stock	24	(1,680,020,370)	(1,630,777,870)
<b>Total Equity</b>		<b>954,982,631</b>	<b>1,005,220,440</b>
		<b>P1,354,310,813</b>	<b>P1,363,125,667</b>

*See Notes to the Financial Statements.*

**GRAND PLAZA HOTEL CORPORATION**  
**STATEMENTS OF PROFIT OR LOSS**

		Years Ended December 31		
	Note	2014	2013	2012
<b>REVENUES</b>				
Rooms		P312,084,720	P336,688,055	P353,134,536
Food and beverage		141,017,832	158,290,397	183,057,051
Other operating departments		6,491,294	6,665,324	9,233,265
Others	20	7,353,953	81,009,951	141,893,873
		466,947,799	582,653,727	687,318,725
<b>COST OF SALES AND SERVICES</b>				
Food and beverage	15	53,388,923	56,283,435	60,673,470
Other operating departments		2,897,083	3,466,534	4,461,453
		56,286,006	59,749,969	65,134,923
		410,661,793	522,903,758	622,183,802
<b>SELLING EXPENSES</b>	16	211,628,674	214,534,010	218,024,030
<b>ADMINISTRATIVE EXPENSES</b>	17	217,135,639	199,528,308	181,334,125
		428,764,313	414,062,318	399,358,155
<b>NET OPERATING INCOME (LOSS)</b>		(18,102,520)	108,841,440	222,825,647
<b>OTHER INCOME (EXPENSES)</b>				
Interest income	4, 9, 14	5,344,592	7,125,401	9,567,316
Foreign exchange gain		180,991	7,126,239	1,504,399
Equity in net income of an associate	8	1,774,099	611,039	455,258
Reversal of accruals	12	14,767,900	-	-
Others		-	76,700	(414,424)
		22,067,582	14,939,379	11,112,549
<b>INCOME BEFORE INCOME TAX</b>		3,965,062	123,780,819	233,938,196
<b>INCOME TAX EXPENSE</b>	22	3,571,164	38,204,143	68,571,560
<b>NET INCOME</b>		P393,898	P85,576,676	P165,366,636
<b>Basic and Diluted Earnings Per Share</b>	18	P0.01	P1.53	P2.83

*See Notes to the Financial Statements.*

**GRAND PLAZA HOTEL CORPORATION**  
**STATEMENTS OF COMPREHENSIVE INCOME**

	<i>Note</i>	Years Ended December 31		
		2014	2013	2012
<b>NET INCOME</b>		P393,898	P85,576,676	P165,366,636
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>	21			
Item that will never be reclassified to profit or loss				
Remeasurement of net defined benefit plan		(1,984,581)	(1,469,984)	5,509,652
Income tax relating to an item that will not be reclassified subsequently		595,374	440,995	(1,652,895)
		(1,389,207)	(1,028,989)	3,856,757
<b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>		(P995,309)	P84,547,687	P169,223,393

*See Notes to the Financial Statements.*

**GRAND PLAZA HOTEL CORPORATION**  
**STATEMENTS OF CHANGES IN EQUITY**

Years Ended December 31

	Common Stock (Note 24)	Additional Paid-in Capital	Remeasurement		Retained Earnings		Treasury Stock (Note 24)	Total Equity
			Gains on Defined Benefit Liability	Appropriated	Unappropriated			
Balance at January 1, 2014	P873,182,700	P14,657,517	P6,085,245	P1,630,777,870	P111,294,978	(P1,630,777,870)	P1,005,220,440	
Net income for the period	-	-	-	-	393,898	-	393,898	
Other comprehensive income for the year	-	-	(1,389,207)	-	-	-	(1,389,207)	
Total comprehensive income for the year	-	-	(1,389,207)	-	393,898	-	(995,309)	
Appropriation for acquisition of treasury shares	23,24	-	-	49,242,500	(49,242,500)	(49,242,500)	(49,242,500)	
Dividends declared	25	-	-	-	-	-	-	
Balance at December 31, 2014	P873,182,700	P14,657,517	P4,696,038	P1,680,020,370	P62,446,576	(P1,680,020,370)	P954,982,631	

Forward

**GRAND PLAZA HOTEL CORPORATION**  
**STATEMENTS OF CHANGES IN EQUITY**

	Years Ended December 31						
	Common Stock (Note 24)	Additional Paid-in Capital	Remeasurement Gains on Defined Benefit Liability	Retained Earnings Appropriated	Unappropriated	Treasury Stock (Note 24)	Total Equity
Balance at January 1, 2013	P873,182,700	P14,657,517	P7,114,234	P1,488,311,220	P168,184,952	(P1,488,311,220)	P1,063,139,403
Net income for the period	-	-	-	-	85,576,676	-	85,576,676
Other comprehensive income for the year	-	-	(1,028,989)	-	-	-	(1,028,989)
Total comprehensive income for the year	-	-	(1,028,989)	-	85,576,676	-	84,547,687
Appropriation for acquisition of treasury shares	-	-	-	142,466,650	-	(142,466,650)	(142,466,650)
Dividends declared	-	-	-	-	-	-	-
Balance at December 31, 2013	P873,182,700	P14,657,517	P6,085,245	P1,630,777,870	P111,294,978	(P1,630,777,870)	P1,005,220,440

Forward

**GRAND PLAZA HOTEL CORPORATION**  
**STATEMENTS OF CHANGES IN EQUITY**

Years Ended December 31

	Common Stock (Note 24)	Additional Paid-in Capital	Remeasurement Gains on Defined Benefit Liability	Retained Earnings Appropriated	Unappropriated	Treasury Stock (Note 24)	Total Equity
Balance at January 1, 2012	P873,182,700	P14,657,517	P3,257,477	P1,369,513,270	P241,471,288	(P1,369,513,270)	P1,132,568,982
Net income for the period	-	-	-	-	165,366,636	-	165,366,636
Other comprehensive income for the year	-	-	3,856,757	-	-	-	3,856,757
Total comprehensive income for the year	-	-	3,856,757	-	165,366,636	-	169,223,393
Appropriation for acquisition of treasury shares	23,24	-	-	118,797,950	(118,797,950)	(118,797,950)	(118,797,950)
Dividends declared	25	-	-	-	(119,855,022)	-	(119,855,022)
Balance at December 31, 2012	P873,182,700	P14,657,517	P7,114,234	P1,488,311,220	P168,184,952	(P1,488,311,220)	P1,063,139,403

See Notes to the Financial Statements



**GRAND PLAZA HOTEL CORPORATION**  
**STATEMENTS OF CASH FLOWS**

		Years Ended December 31		
	<i>Note</i>	2014	2013	2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Income before income tax		P3,965,062	P123,780,819	P233,938,196
Adjustments for:				
Depreciation and amortization	<i>10, 17</i>	38,864,197	36,293,759	37,563,273
Retirement benefits cost	<i>21</i>	2,952,313	2,824,844	3,876,365
Provision for (recovery of) impairment losses on receivables	<i>17, 26</i>	13,156,558	27,260	(50,045)
Interest income	<i>4, 9, 14</i>	(5,344,592)	(7,125,401)	(9,567,316)
Unrealized foreign exchange loss (gain)		1,380,284	(3,497,543)	1,135,365
Equity in net income of an associate	<i>8</i>	(1,774,099)	(611,039)	(455,258)
Loss on disposal of property and equipment		-	-	433,175
Dividend income		-	-	(18,750)
Operating income before working capital changes		53,199,723	151,692,699	266,855,005
Decrease (increase) in:				
Receivables		(1,779,537)	(13,464,592)	(17,565,236)
Inventories		(410,782)	978,254	(1,970,649)
Due from related parties		1,884,750	242,922	976,223
Prepaid expenses and other current assets		6,252,296	(2,686,903)	(14,575,351)
Increase (decrease) in:				
Accounts payable and accrued expenses		351,573	(4,211,202)	(1,975,533)
Due to related parties		3,974,822	(4,728,066)	(12,485,845)
Refundable deposits		26,999,029	(2,111,085)	3,576,820
Other current liabilities		3,575,163	3,091,261	8,147,416
Cash generated from operations		94,047,037	128,803,288	230,982,850
Interest received		11,866,287	2,595,709	12,597,854
Income taxes paid		(7,999,596)	(50,262,007)	(62,177,410)
Retirement benefits paid	<i>21</i>	(217,003)	(5,808,525)	(1,015,701)
Net cash provided by operating activities		97,696,725	75,328,465	180,387,593

*Forward*

		Years Ended December 31		
	<i>Note</i>	2014	2013	2012
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Additions to property and equipment	10	(P15,886,533)	(P13,096,096)	(P13,471,050)
Proceeds from disposal of property and equipment		-	-	1,133,801
Dividend received		-	-	18,750
Net cash used in investing activities		(15,886,533)	(13,096,096)	(12,318,499)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Acquisition of treasury stock	24	(49,242,500)	(142,466,650)	(118,797,950)
Dividends paid	25	-	-	(119,855,022)
Net cash used in financing activities		(49,242,500)	(142,466,650)	(238,652,972)
<b>EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>				
		(1,380,284)	3,497,543	(1,135,365)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>				
		31,187,408	(76,736,738)	(71,719,243)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>				
	4	205,890,655	282,627,393	354,346,636
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>				
	4	P237,078,063	P205,890,655	P282,627,393

*See Notes to the Financial Statements.*

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**GRAND PLAZA HOTEL CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**

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**1. Reporting Entity**

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

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

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**2. Basis of Preparation**

Statement of Compliance

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

The financial statements as at and for the year ended December 31, 2014 were approved and authorized for issue by the Board of Directors (BOD) on February 3, 2015.

Basis of Measurement

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

Functional and Presentation Currency

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

Use of Estimates and Judgments

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

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

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

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

*Determining whether an Agreement Contains a Lease*

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

*Operating Lease*

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

- a. the ownership of the asset does not transfer at the end of the lease term;
- b. there is no option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable such that, at the inception of the lease, it is reasonably certain that the option will be exercised;
- c. the lease term is not for the major part of the economic life of the asset even if title is not transferred;
- d. at the inception of the lease, the present value of the minimum lease payments does not amount to at least substantially all of the fair value of the leased asset; and
- e. the leased assets are not of such a specialized nature that only the lessee can use them without major modifications.

Company as Lessor

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

Company as Lessee

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

*Estimating Allowance for Impairment Losses on Receivables*

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

As at December 31, 2014 and 2013, allowance for impairment losses on trade receivables amounted to P13,312,179 and P155,621, respectively (see Note 5). As at December 31, 2014 and 2013, the carrying amount of receivables amounted to P304,110,706 and P322,009,422 (see Note 5).

*Estimating Net Realizable Value of Inventories*

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

Inventories, at cost, amounted to P13,993,229 and P13,582,447 as at December 31, 2014 and 2013, respectively (see Note 6).

*Estimating Useful Lives of Property and Equipment*

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

As at December 31, 2014 and 2013, the carrying amount of property and equipment amounted to P624,662,660 and P647,640,324, respectively (see Note 10).

*Estimating Realizability of Deferred Tax Assets*

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

As at December 31, 2014 and 2013, the Company's deferred tax assets amounted to P14,410,727 and P9,229,081, respectively (see Note 22).

*Estimating Retirement Benefits Obligations*

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

The Company's retirement benefits liability amounted to P26,634,668 and P21,914,777 as at December 31, 2014 and 2013, respectively. In 2014 and 2013, the retirement benefits cost recognized in profit and loss amounted to P2,952,313 and P2,824,844, respectively. Cumulative actuarial loss amounted to P6,708,626 and P8,693,207 for the years ended December 31, 2014 and 2013, respectively (see Note 21).

*Estimating Allowance for Impairment Losses on Nonfinancial Assets*

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

- significant underperformance relative to the expected historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- significant negative industry or economic trends.

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

There were no impairment losses on the Company's nonfinancial assets recognized as at December 31, 2014 and 2013.

*Estimating Provisions and Contingencies*

The Company, in the ordinary course of business, sets up appropriate provisions for its present legal or constructive obligations in accordance with its policies on provisions and contingencies. The estimate of the probable costs for the resolution of possible claims has been developed in consultation with its legal counsel and is based upon an analysis of potential results.

There were no provisions or contingencies recognized as at December 31, 2014 and 2013.

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### 3. Summary of Significant Accounting Policies

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

#### Adoption of New and Revised Standards, Amendments to Standards and Interpretations

The Company has adopted the following amendments to standards and interpretations starting January 1, 2014 and accordingly, changed its accounting policies.

- *Offsetting Financial Assets and Financial Liabilities (Amendments to PAS 32).*  
These amendments clarify that:
  - An entity currently has a legally enforceable right to set-off if that right is:
    - not contingent on a future event; and
    - enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties; and
  - Gross settlement is equivalent to net settlement if and only if the gross settlement mechanism has features that:
    - eliminate or result in insignificant credit and liquidity risk; and
    - process receivables and payables in a single settlement process or cycle.

The adoption of these amendments to standards and interpretations did not have any significant impact on the Company's financial statements.

- *Recoverable Amount Disclosures for Non-financial Assets (Amendments to PAS 36).*  
These narrow-scope amendments to PAS 36 address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. The amendments clarified that the scope of those disclosures is limited to the recoverable amount of unpaired assets that is based on fair value less costs of disposal.

The adoption of these amendments to standards and interpretations did not have any significant impact on the Company's financial statements.

#### *New and Revised Standards, Amendments to Standards and Interpretations Not Yet Adopted*

A number of new and revised standards, amendments to standards and interpretations are effective for annual periods beginning after January 1, 2014, and have not been applied in preparing these financial statements. Except as otherwise indicated, none of these is expected to have a significant effect on the financial statements. Those which may be relevant to the Company.

The Company will adopt the following new and revised standards, amendments or improvements to standards in the respective effective dates:

*To be Adopted (No definite date - Originally January 1, 2015)*

- PFRS 9, *Financial Instruments* (2009), PFRS 9, *Financial Instruments* (2010) and PFRS 9, *Financial Instruments* (2013)

PFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under PFRS 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. PFRS 9 (2010) introduces additions relating to financial liabilities.

PFRS 9 (2013) introduces the following amendments:

- A substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements;
- Changes to address the so-called 'own credit' issue that were already included in PFRS 9, *Financial Instruments* to be applied in isolation without the need to change any other accounting for financial instruments; and
- Removes the January 1, 2015 mandatory effective date of PFRS 9, to provide sufficient time for preparers of financial statements to make the transition to the new requirements.

*To be Adopted on January 1, 2016*

- *Clarification of Acceptable Methods of Depreciation and Amortization (Amendments to PAS 16 and PAS 38)*. The amendments to PAS 38, *Intangible Assets* introduce a rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate. This presumption can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue.

The amendments to PAS 16, *Property, Plant and Equipment* explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. This is because such methods reflect factors other than the consumption of economic benefits embodied in the asset - e.g. changes in sales volumes and prices.

*To be Adopted on January 1, 2017*

- PFRS 15, *Revenue from Contracts with Customers*. This replaces most of the detailed guidance on revenue recognition that currently exists under PFRSs. The core principle of PFRS 15 is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Entities will apply a five-step model to determine when to recognize revenue, and at what amount. The new standard provides application guidance on numerous topics, including warranties and licenses. It also provides guidance on when to capitalize costs of obtaining or fulfilling a contract that are not addressed in other accounting standards - e.g. for inventory.



PFRS 15 is effective for annual periods beginning on or after April 1, 2017. Early adoption is permitted under PFRS. The standard may be adopted retrospectively, or as of the application date by adjusting retained earnings at that date and disclosing the effect of adoption on each line of profit or loss (the 'cumulative effect approach'). Practical expedients are available to those taking a retrospective approach.

### Financial Instruments

#### *Non-derivative Financial Instruments*

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

The Company recognizes a financial asset or a financial liability in the statements of financial position when it becomes a party to the contractual provisions of the instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using settlement date accounting.

Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The fair value of the consideration given or received is determined by reference to the transaction price or other market prices. If such market prices are not reliably determinable, the fair value of the consideration is estimated as the sum of all future cash payments or receipts, discounted using the prevailing market rate of interest for similar instruments with similar maturities. The initial measurement of financial instruments, except for those designated at FVPL, includes transaction cost.

Subsequent to initial recognition, the Company classifies its financial assets in the following categories: HTM investments, AFS financial assets, financial assets at FVPL, and loans and receivables; while the Company classifies its financial liabilities in the following categories: financial liabilities at FVPL and other financial liabilities. The classification depends on the purpose for which the investments are acquired and whether they are quoted in an active market. Management determines the classification of the Company's financial assets and financial liabilities at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

The Company has no financial assets at HTM investments, AFS financial assets, financial assets at FVPL and financial liabilities at FVPL.

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

*Loans and Receivables.* Loans and receivables are nonderivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not designated as AFS financial assets or financial asset at FVPL. Loans and receivables are carried at cost or amortized cost, less any allowance for impairment losses. Amortization is determined using the effective interest rate method. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through amortization process.

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

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

*Other Financial Liabilities.* This category pertains to nonderivative financial liabilities that are not held for trading or not designated at FVPL at the inception of the liability. They are initially measured at fair value plus transaction costs. Subsequently, these are measured at amortized cost, taking into account the impact of applying the effective interest rate method of amortization (or accretion) for any related premium, discount and any directly attributable transaction costs.

Included in this category are the Company's accounts payable and accrued expenses, due to related parties, refundable deposits, and other current liabilities except for output VAT payable and withholding taxes payable.

#### Offsetting Financial Assets and Liabilities

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

#### Derecognition of Financial Instruments

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

- the rights to receive cash flows from the asset have expired;
- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Company has transferred its rights to receive cash flows from the asset and either:  
(a) has transferred substantially all the risks and rewards of the asset; or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

*Financial Liabilities.* A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

#### Determination of Fair Values

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and nonfinancial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes, when necessary, based on the market values, being the estimated amount for which assets could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

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

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

#### Inventories

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

#### Investment in an Associate

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

Investment in an associate is accounted for under the equity method of accounting and is recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount is increased or decreased to recognize the Company's share of the profit or loss of the associate after the date of acquisition until such time the Company loses its significant influence. The Company's share of the profit or loss of the associate is recognized as "Equity in net income of an associate" in profit or loss.

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

#### Property and Equipment

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

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

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

The estimated useful lives are as follows:

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

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

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

#### Impairment of Assets

##### *Financial Assets*

Financial assets are reviewed for impairment at each reporting date.

*Assets Carried at Amortized Cost.* If there is objective evidence that an impairment loss on receivable carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced through the use of an allowance account and the amount of the loss is recognized in profit or loss. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Receivables together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral, if any, has been realized or has been transferred to the Company. If in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognized in profit or loss. Any subsequent reversal of an impairment loss is recognized in profit or loss, to the extent that the carrying amount of the asset does not exceed its amortized cost at the reversal date.

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in the collective assessment of impairment. For the purpose of specific evaluation of impairment, the Company assesses whether financial assets are impaired through assessment of collectability of financial assets considering the debtor's capacity to pay, history of payment, and the availability of other financial support. For the purpose of collective evaluation of impairment, if necessary, financial assets are grouped on the basis of such credit risk characteristics such as debtor type, payment history, past-due status and terms.

*Assets Carried at Cost.* If there is objective evidence that an impairment loss is incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

#### *Nonfinancial Assets*

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

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

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

#### Capital Stock

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

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

#### Treasury Stock

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

#### Retained Earnings

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

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

#### Revenue and Expense Recognition

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

*Room Revenue:* Revenue is recognized upon actual room occupancy.

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

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

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

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

Costs and expenses are recognized when incurred.

#### Foreign Currency Transactions

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

#### Operating Segments

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

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

Operating Leases - Company as Lessee

The Company leases the land it occupies from a related party under a long-term lease agreement. Management has determined that all significant risks and rewards of this property remain with the lessor. Accordingly, such lease is accounted for as operating lease.

Operating Leases - Company as Lessor

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

Taxes

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

*Current Tax*

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

*Deferred Tax*

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

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

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

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

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

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

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

#### Earnings Per Share

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

#### Related Parties

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

#### Employee Benefits

##### *Retirement Costs*

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

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



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

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

*Short-term Employee Benefits*

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

Provisions

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

Contingencies

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

Events After the Reporting Date

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

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**4. Cash and Cash Equivalents**

This account consists of:

	<i>Note</i>	2014	2013
Cash on hand and in banks		P69,719,296	P21,996,327
Short-term investments		167,358,767	183,894,328
	26	P237,078,063	P205,890,655

Cash in banks earns annual interest at the prevailing bank deposit rates. Short-term investments consist mainly of time deposits which earn annual interest ranging from 0.15% to 0.5% in 2014, 2013 and 2012. Interest income earned amounted to P669,592, P2,450,401 and P4,892,320 for the years ended December 31, 2014, 2013 and 2012, respectively.

## 5. Receivables

This account consists of:

	<i>Note</i>	2014	2013
<b>Trade:</b>			
Receivables from Philippine Amusement and Gaming Corporation (PAGCOR)		P232,582,149	P232,582,149
Charge customers	26	36,448,610	30,953,275
Others		9,788,887	10,309,653
		278,819,646	273,845,077
Interest	14	11,012,498	17,534,193
Utility charges		17,405,243	17,434,978
Others		10,185,498	13,350,795
		317,422,885	322,165,043
Less allowance for impairment losses on trade receivables	26	13,312,179	155,621
	26	P304,110,706	P322,009,422

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

Receivables from PAGCOR include billings for output value added tax (VAT) as at December 31, 2014 and 2013, respectively. The collection of this amount is still pending as PAGCOR is seeking clarification from the Bureau of Internal Revenue (BIR) whether PAGCOR is subject to VAT considering its status as a government corporation. The corresponding output VAT payable from the billings to PAGCOR is likewise not remitted to the BIR pending the clarification from the BIR (see Note 13).

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

In the middle of 2008, the Company received from the BIR a Final Decision on Disputed Assessment finding the Company liable for deficiency 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 Company 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 Company and its assets. On September 12, 2008, the Company 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 Company moved to have a preliminary hearing conducted to first resolve the legal issue of whether or not the services rendered by the Company to PAGCOR is subject to VAT at 10% rate. The CTA granted the motion and hearings were subsequently conducted. On February 18, 2011, the CTA ruled in favor of the Company and cancelled the VAT deficiency assessment in toto.

As mentioned in the CTA Resolution, in line with the decision of the Supreme Court (SC) in *Philippine Amusement and Gaming Corporation (PAGCOR) vs. The Bureau of Internal Revenue, et al.*, the CTA, in its decision dated February 18, 2011, cancelled the BIR's assessment against the Company for deficiency VAT in the amount of Php228.94 million for taxable years 1996 to 2001. In its resolution dated May 17, 2011, the CTA denied the Commissioner of the Bureau of Internal Revenue's Motion for Reconsideration of the CTA's decision rendered on February 18, 2011. According to the CTA, considering that the assessment against the Company for deficiency VAT has been cancelled, the CTA deemed it proper that the surety bond posted by the Company be discharged. The BIR shortly filed an appeal with the CTA En Banc.

On September 1, 2011, the CTA En Banc resolved to give course to BIR's appeal. The Company filed its Memorandum in October 2011. On July 27, 2012, the CTA En Banc resolved that consistent with the pronouncement of the SC in the cases of *BIR vs. Acesite Hotel Corporation* and *PAGCOR vs. BIR*, that services rendered to PAGCOR are exempt from VAT, BIR's petition has no leg to stand on and must necessarily fall. The BIR filed a Motion for Reconsideration.

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

On May 6, 2013, the Company filed its Comment/Opposition to the Petition for Review and is awaiting feedback from the SC. On October 17, 2013, the Company received a Notice from the SC directing BIR to file a reply within 10 days from receipt of Notice.

On October 8, 2014, the SC declared the petitioner's (BIR) Manifestation and Motion dated April 11, 2014 as unsatisfactory compliance with the Resolution dated January 28, 2013. The SC directed the BIR to comply with the Resolution by submitting within 5 days from notice the required documents.

On December 16, 2014, the Company filed a Manifestation and Motion to Dismiss the Petition by the BIR for non-compliance with the jurisdictional requirements. As at February 3, 2015, the Company is still waiting for the SC's decision.

The Company will continue to pursue its case with the SC and will file the necessary disclosure on the outcome thereof following the issuance of the judgment of the SC.

The Company's exposure to credit risks and impairment losses related to trade receivables from charge customers are disclosed in Note 26.

## 6. Inventories

This account consists of:

	Note	2014	2013
General supplies		P5,057,137	P4,065,362
Food		4,801,467	4,031,072
Engineering supplies		2,673,754	4,172,739
Beverage and tobacco		960,322	1,046,567
Others		500,549	266,707
	15	P13,993,229	P13,582,447

There was no write down of inventories to NRV in both 2014 and 2013.

## 7. Prepaid Expenses and Other Current Assets

This account consists of:

	2014	2013
Input value-added tax	P6,726,359	P11,200,062
Prepaid expenses	4,703,774	5,404,404
Prepaid income tax	-	1,124,718
Others	800,505	753,750
	P12,230,638	P18,482,934

Input value-added tax is current and can be applied against output value-added tax.

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

## 8. Investment in an Associate

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

This account consists of:

	2014	2013
Acquisition cost	P48,200,000	P48,200,000
Accumulated share in net earnings:		
Balance at beginning of year	267,138	(343,901)
Equity in net income of associate during the year	1,774,099	611,039
Balance at end of year	2,041,237	267,138
	P50,241,237	P48,467,138

A summary of the financial information of HLC follows:

	2014	2013
Total assets	P150,962,634	P152,860,101
Total liabilities	79,389,215	85,721,931
Total equity, net of subscriptions receivable of P54 million	71,573,419	67,138,170
Revenue	17,797,608	10,678,560
Net income	4,435,249	1,527,597

#### 9. Loan Receivable

This pertains to the loan granted to Rogo Realty Corporation (RRC), a company under common control, which is collateralized by RRC's investment in shares of stock of HLC with a carrying value of P72.3 million as at December 31, 2014 and 2013 and is payable on demand with interest rate of 5% per annum (see Note 14).

Interest income earned in 2014, 2013 and 2012 amounted to P775,000 for each year.

#### 10. Property and Equipment

The movements and balances in this account are as follows:

	Building and Building Improvements	Furniture Fixtures and Equipment	Transportation Equipment	Leasehold Improvements	Total
<b>Cost</b>					
Balance, January 1, 2013	P985,905,220	P370,711,558	P4,158,198	P385,157	P1,361,160,133
Additions	10,717,402	2,378,694	-	-	13,096,096
Balance, December 31, 2013	996,622,622	373,090,252	4,158,198	385,157	1,374,256,229
Additions	12,151,980	3,734,553	-	-	15,886,533
Balance, December 31, 2014	1,008,774,602	376,824,805	4,158,198	385,157	1,390,142,762
<b>Accumulated Depreciation and Amortization</b>					
Balance, January 1, 2013	387,903,561	297,875,230	4,158,198	385,157	690,322,146
Depreciation and amortization during the year	22,357,903	13,935,856	-	-	36,293,759
Balance, December 31, 2013	410,261,464	311,811,086	4,158,198	385,157	726,615,905
Depreciation and amortization during the year	24,237,529	14,626,668	-	-	38,864,197
Balance, December 31, 2014	434,498,993	326,437,754	4,158,198	385,157	765,480,102
<b>Carrying Amount</b>					
December 31, 2013	P586,361,158	P61,279,166	P -	P -	P647,640,324
December 31, 2014	P574,275,609	P50,387,051	P -	P -	P624,662,660

No impairment loss was recognized for the Company's property and equipment in 2014, 2013 and 2012.

### 11. Other Noncurrent Assets

This account consists of:

	<i>Note</i>	2014	2013
Lease deposit	14, 20, 26	P78,000,000	P78,000,000
Miscellaneous investments and deposits		5,085,791	5,085,791
Others		1,010,000	1,010,000
		P84,095,791	P84,095,791

Miscellaneous investments and deposits consist of utility and rent deposit.

### 12. Accounts Payable and Accrued Expenses

This account consists of:

	<i>Note</i>	2014	2013
Trade		P42,252,080	P43,608,896
Accrued payroll		19,420,513	16,254,895
Accrued utilities		10,663,237	14,940,930
Accrued other liabilities		4,767,671	1,946,158
Others		815,761	816,810
	26	P77,919,262	P77,567,689

The Company's exposure to liquidity risk related to trade and other payables are disclosed in Note 26.

During the year, the Company has reversed its accrual of payable to CDL Hotel (Phils.) Corporation (CDL), a related party, until March 2011 due to the liquidation of the latter which amounts to P14,767,900. The accrual pertains to the management and incentive fees arising from management contract with CDL.

Trade payables have normal terms of 30 to 45 days.

### 13. Other Current Liabilities

This account consists of:

	<i>Note</i>	2014	2013
Output VAT payable	5	P206,953,990	P206,505,652
Payable to employees	26	9,949,840	9,300,026
Withholding taxes payable		3,055,506	2,011,057
Others	26	10,802,377	9,369,815
		P230,761,713	P227,186,550

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

#### 14. Related Party Transactions

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

Category/ Transaction	Year	Note	Amount of the Transaction	Outstanding Balance		Terms	Conditions
				Due from Related Parties	Due to Related Parties		
<b>Associate</b>							
▪ Lease deposit	2014	20	P -	P78,000,000	P -	Required lease deposit on the leased land	Collectible upon termination of the contract
	2013		-	78,000,000	-	Required lease deposit on the leased land	Collectible upon termination of the contract
	2012		-	78,000,000	-	Required lease deposit on the leased land	Collectible upon termination of the contract
▪ Interest income	2014	14b	3,900,000	-	-	5% per annum of the lease deposit	Unsecured; no impairment
	2013		3,900,000	6,125,290	-	5% per annum of the lease deposit	Unsecured; no impairment
	2012		3,900,000	2,225,290	-	5% per annum of the lease deposit	Unsecured; no impairment
▪ Advances	2014	14a	24,550	350	-	Due and demandable; non interest bearing	Unsecured; no impairment
	2013		135,037	135,037	-	Due and demandable; non interest bearing	Unsecured; no impairment
▪ Rent expense	2014	17, 20	17,797,608	-	-	Due and demandable; non interest bearing	Unsecured
	2013		10,678,560	-	-	Due and demandable; non interest bearing	Unsecured
	2012		10,678,560	-	1,904,343	Due and demandable; non interest bearing	Unsecured
▪ Rent income	2014	14c, 20	90,000	96,300	-	Due and demandable; non interest bearing	Unsecured; no impairment
<b>Under Common Control</b>							
▪ Management and incentive fees	2014	14d	20,816,244	-	4,684,895	Due and demandable; non interest bearing	Unsecured
	2013		25,020,591	-	1,424,181	Due and demandable; non interest bearing	Unsecured
	2012		29,641,201	-	2,349,691	Due and demandable; non interest bearing	Unsecured
▪ Advances	2014	14a	1,233,015	-	1,405,348	Due and demandable; non interest bearing	Unsecured; no impairment
	2013		2,276,171	1,750,063	691,240	Due and demandable; non interest bearing	Unsecured; no impairment
	2012		15,763,656	2,128,022	2,389,452	Due and demandable; non interest bearing	Unsecured; no impairment

Forward

Category/ Transaction	Year	Note	Amount of the Transaction	Outstanding Balance		Terms	Conditions
				Due from Related Parties	Due to Related Parties		
• Loan	2014	14c	P -	P15,500,000	P -	Due and demandable; Interest bearing	Unsecured; no impairment
	2013		-	15,500,000	-	Due and demandable; interest bearing	Unsecured; no impairment
	2012		-	15,500,000	-	Due and demandable; interest bearing	Unsecured; no impairment
• Interest income	2014	14c	775,000	11,080,000	-	5% per annum of the loan receivable	Unsecured; no impairment
	2013		775,000	11,386,249	-	5% per annum of the loan receivable	Unsecured; no impairment
	2012		775,000	10,611,249	-	5% per annum of the loan receivable	Unsecured; no impairment
• Rent income	2014	14a	200,000	160,500	-	Due and demandable; non interest bearing	Unsecured; no impairment
<b>Key Management Personnel of the Entity</b>							
• Short term employee benefits	2014	14f	19,301,720	-	-		
	2013		19,293,747	-	-		
	2012		21,386,566	-	-		
<b>TOTAL</b>	<b>2014</b>			<b>P194,757,150</b>	<b>P6,090,243</b>		
<b>TOTAL</b>	<b>2013</b>			<b>P112,896,639</b>	<b>P2,115,421</b>		
<b>TOTAL</b>	<b>2012</b>			<b>P108,464,361</b>	<b>P6,843,486</b>		

Due from related parties are included in the following accounts:

	Note	2014	2013
Receivables - net	5, 9, 20	P11,256,800	P17,511,539
Loan receivable	9	15,500,000	15,500,000
Due from related parties		350	1,885,100
Other noncurrent assets	11, 20	78,000,0000	78,000,0000
		<b>P104,757,150</b>	<b>P112,896,639</b>

- In the normal course of business, the Company grants/obtains advances to/from related parties for working capital purposes. These advances are non-interest bearing, unsecured and are receivable/payable on demand.
- The interest receivable from HLC, its associate, represents the uncollected interest on the lease deposit of the Company to HLC at 5% a year (see Note 20). The related interest income amounted to P3.9 million for each of the years in the three-year period ended December 31, 2014.
- The interest receivable from RRC, an entity under common control, represents the uncollected interest on the loan granted by the Company to RRC at 5% a year (see Note 9). The related interest income amounted to P0.78 million for each of the years in the three-year period ended December 31, 2014.



d. The Company has a Management Agreement with Elite Hotel Management Services Pte. Ltd - Philippine Branch (Elite), an entity under control, under which the latter provides management, technical and administrative services. In return, the Company pays monthly basic management and incentive fees based on a percentage of the hotel's revenue (2%) and gross operating profit (7%) starting April 2011.

e. The rent income from HLC, RRC and Elite, its associate and under common control, represents the sub-lease portion of an office space consisting of 30 square meters, 25 square meters and 65 square meters, respectively, located at the Hotel. The lease covers a period of 2.5 years until December 31, 2016, renewable upon written agreement of both parties.

f. Transactions with Key Management Personnel

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

	2014	2013	2012
Directors of hotel operations	P2,732,760	P3,671,418	P3,053,604
Executive officers	16,568,960	15,622,329	18,332,962
	P19,301,720	P19,293,747	P21,386,566

The Company does not provide post-employment and equity-based compensation benefits to its Board of Directors and Expatriates.

#### 15. Cost of Sales and Services

This account consists of:

	Note	2014	2013	2012
Inventories at beginning of year	6	P13,582,447	P14,560,701	P12,590,052
Purchases		56,696,788	58,771,715	67,105,572
Available for sale and use		70,279,235	73,332,416	79,695,624
Inventories at end of year	6	(13,993,229)	(13,582,447)	(14,560,701)
		P56,286,006	P59,749,969	P65,134,923

## 16. Selling Expenses

This account consists of:

	<i>Note</i>	2014	2013	2012
Salaries, wages and employee benefits:	<i>21</i>			
Food and beverage		P32,252,688	P34,125,259	P40,214,428
Rooms		30,393,903	29,707,598	27,921,985
Other operating departments		1,285,659	1,272,489	1,300,854
		<b>63,932,250</b>	<b>65,105,346</b>	<b>69,437,267</b>
Property operation, maintenance, energy and conservation		98,794,538	103,083,894	104,829,993
Guest supplies		9,602,307	9,984,630	9,769,726
Commission		8,423,737	6,231,033	3,313,766
Transport charges		6,490,719	6,931,548	8,516,011
Laundry and dry cleaning		5,097,076	5,186,222	5,494,644
Kitchen fuel		2,652,540	2,841,429	4,153,321
Printing and stationery		2,105,581	2,358,083	2,525,723
Housekeeping expense - night cleaning		1,539,193	1,344,239	-
Music and entertainment		1,078,670	1,003,012	959,495
Operating supplies		1,028,138	1,186,414	1,681,695
Cleaning supplies		644,809	775,512	779,811
Permits and licenses		606,050	350,633	331,556
Miscellaneous		9,633,066	8,152,015	6,231,022
		<b>P211,628,674</b>	<b>P214,534,010</b>	<b>P218,024,030</b>

## 17. Administrative Expenses

This account consists of:

	<i>Note</i>	2014	2013	2012
Hotel overhead departments				
Salaries, wages and employee benefits:				
Administrative and general	21	P35,637,618	P35,176,442	P32,318,676
Engineering		12,792,037	8,727,296	9,071,697
Sales and marketing		7,972,648	7,857,115	6,006,970
Human resources		1,423,807	2,743,667	2,633,855
		57,826,110	54,504,520	50,031,198
Management and incentive fees	14	20,816,244	25,020,591	29,641,201
Credit card commission		6,265,220	5,918,815	5,563,850
Dues and subscription		3,893,774	3,071,583	2,231,370
Data processing		2,166,924	2,438,617	1,425,280
Telecommunications		1,174,547	2,070,823	1,411,073
Entertainment		905,428	867,063	848,183
Advertising		790,253	1,240,189	1,077,385
Awards and social activities		702,428	686,714	557,943
Miscellaneous		2,861,583	4,162,326	1,589,080
		97,402,511	99,981,241	94,376,563
Corporate office				
Depreciation and amortization	10	38,864,197	36,293,759	37,563,273
Leased land rental	14, 20	17,797,608	10,678,560	10,678,560
Impairment losses on receivables		13,156,558	27,260	-
Taxes and licenses		12,227,976	8,680,760	1,698,192
Property tax		9,265,761	9,265,681	9,265,681
Insurance		9,071,572	12,620,164	11,491,995
Corporate office payroll and related expense		7,409,803	3,584,995	4,412,330
Professional fees		6,977,782	7,446,688	7,262,330
Directors' fees		1,311,151	1,494,626	2,111,285
Office supplies		972,205	1,033,836	1,255,902
Transportation and travel		704,986	131,533	388,636
Utility charges		-	7,464,596	-
Miscellaneous		1,973,529	824,609	829,378
		119,733,128	99,547,067	86,957,562
		P217,135,639	P199,528,308	P181,334,125

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**18. Earnings Per Share**

Basic and diluted earnings per share are computed as follows:

	2014	2013	2012
Weighted average number of common shares:			
Balance at beginning of year	P54,702,219	P57,551,552	P59,927,511
Weighted average number of shares acquired during the year	(539,141)	(1,560,672)	(1,484,974)
	<u>P54,163,078</u>	<u>P55,990,880</u>	<u>P58,442,537</u>
	2014	2013	2012
Net income for the year	P393,898	P85,576,676	P165,366,636
Divided by weighted average number of outstanding shares	<u>54,163,078</u>	<u>55,990,880</u>	<u>58,442,537</u>
	<u>P0.01</u>	<u>P1.53</u>	<u>P2.83</u>

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

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**19. Refundable Deposits**

This account consists of:

	Note	2014	2013
PAGCOR	20	P25,349,438	P25,349,438
Others		<u>30,770,381</u>	<u>3,771,352</u>
		56,119,819	29,120,790
Less: Current portion		<u>23,997,300</u>	-
		<u>P32,122,519</u>	<u>P29,120,790</u>

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

In October 2014, the Company has a potential tenant who will occupy the previously space rented by PAGCOR. The potential tenant paid the lease deposit amounting to P23.99 million upon signing the Memorandum of Agreement.

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**20. Leases****Company as Lessor**

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

The lease agreements with the third parties required the latter to give the Company lease deposits which amounted to a total of P50,731,770 and P26,734,470 as at December 31, 2014 and 2013, respectively, and are shown as part of "Refundable deposits" in the statements of financial position. Rent income amounted to P2,209,159 and P75,556,780 in 2014 and 2013, respectively, and is shown as "Others" under Revenue in the statements of profit or loss.

On March 31, 2011, the Company and PAGCOR, agreed to amend and include additional spaces in the Contract of Lease. The amended lease contract is binding until July 10, 2013.

On February 15, 2012, the BOD of PAGCOR has decided not to renew the contract of lease which ended on July 10, 2013. Refundable deposit from PAGCOR is not yet returned to the latter pending reconciliation of account between both parties.

Company as Lessee

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

- a. Annual rental on the land of P10,678,560;
- b. Required lease deposit (shown as part of "Other noncurrent assets" in the statements of financial position) of P78 million; and
- c. Interest rate of 5% per annum on the lease deposit which the lessor is obligated to pay to the Company.

On August 11, 2014, the Company and HLC agreed to amend the lease contract to increase the fee from P10,678,560 to P17,797,608 starting January 1, 2014 and to extend the lease contract from 2015 to 2040 for a period of another 25 years with no escalation of fee for the first 5 years but on the 6<sup>th</sup> year, HLC will propose a revision depending on market condition.

The rent expense on the land amounted to P17.80 million, P10.68 million and P10.68 million as shown as part of leased rental under "Administrative expenses" account in 2014, 2013 and 2012.

Future minimum rental obligations on the land are as follows:

	2014	2013	2012
Due within one year	P17,797,608	P10,678,560	P10,678,560
After one year but not more than five years	88,988,040	-	10,678,560
More than 5 years	338,154,552	-	-
	P444,940,200	P10,678,560	P21,357,120

## 21. Retirement Cost

The Company has an unfunded, noncontributory, defined benefit retirement plan covering substantially all of its employees, except for its Board of Directors and Expatriates. It provides a retirement benefit equal to eighty-six (86%) of monthly salary per year of services payable to an employee who retires at age of 60 with at least 5 years in service. Annual cost is determined using the projected unit credit method. The Company's latest valuation date is December 31, 2014.

The recognized liability representing the present value of the defined benefit obligation presented as "Accrued retirement benefits liability" in the Company's statements of financial position amounted to P26,634,668 and P21,914,777 as at December 31, 2014 and 2013, respectively.

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

	2014	2013
Balance at January 1	P21,914,777	P23,428,474
<b>Included in Profit or Loss</b>		
Current service cost	1,988,063	1,442,564
Interest cost	964,250	1,382,280
	<b>2,952,313</b>	<b>2,824,844</b>
<b>Included in OCI</b>		
Remeasurements loss:		
Actuarial loss (gain) arising from:		
Financial assumptions	(1,144,185)	3,501,119
Experience adjustment	3,128,766	(2,031,135)
	<b>1,984,581</b>	<b>1,469,984</b>
<b>Others</b>		
Benefits paid	(217,003)	(5,808,525)
<b>Balance at December 31</b>	<b>P26,634,668</b>	<b>P21,914,777</b>

The amounts of retirement benefits cost which are included under "Salaries, wages and employee benefits" under operating expenses in the statements of profit or loss for the years ended December 31 are as follows:

	2014	2013	2012
Current service cost	P1,988,063	P1,442,564	P1,894,478
Interest cost	964,250	1,382,280	1,981,887
<b>Retirement benefits cost</b>	<b>P2,952,313</b>	<b>P2,824,844</b>	<b>P3,876,365</b>

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

	2014	2013	2012
Cumulative actuarial gain at the beginning of the year	P8,693,207	P10,163,191	P4,653,539
Actuarial (loss) gain arising from:			
Financial assumptions	1,144,185	(3,501,119)	5,993,430
Experience adjustment	(3,128,766)	2,031,135	(483,778)
Retirement benefits cost	P6,708,626	P8,693,207	P10,163,191

The net accumulated actuarial gains, net of deferred tax amounted to P4,696,038, P6,085,245 and P7,114,234 as at December 31, 2014, 2013 and 2012, respectively, as presented in the statements of changes in equity.

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

	2014	2013	2012
Discount rate	5%	5%	6%
Future salary increases	3%	3%	3%

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

*Sensitivity Analysis*

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

	Increase	Decrease
Discount rate (1% movement)	(P2,667,348)	P3,116,315
Future salary increase rate (1% movement)	2,998,221	(2,616,459)

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

These defined benefit plans expose the Company to actuarial risks, such as longevity risk, interest rate risk, and market (investment) risk.

The weighted-average duration of the defined benefit obligation is 13 years as at December 31, 2014 and 2013.

Maturity analysis of the benefit payments:

	2014				
	Carrying Amount	Contractual Cash Flows	Less than 5 Years	5 Years but Less than 10 Years	More than 10 Years
Retirement benefits liability	P26,634,568	P132,635,407	P11,844,199	P9,331,494	P111,459,714

The Company is not required to pre-fund the future defined benefits payable under the Retirement Fund before they become due. For this reason, the amount and timing of contributions to the Retirement Fund are at the Company's discretion. However, in the event a benefit claim arises, the Company will be liable to pay its employees.

22. Income Tax

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

	2014	2013	2012
Current tax expense	P9,802,073	P34,405,405	P70,467,505
Deferred tax expense (benefit)	(6,230,909)	3,798,738	(1,895,945)
	P3,571,164	P38,204,143	P68,571,560

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

	2014	2013	2012
Income before income tax	P3,965,062	P123,780,819	P233,938,196
Income tax expense at statutory tax rate (30%)	P1,189,519	P37,134,246	P70,181,459
Additions to (reductions in) income tax resulting from the tax effects of:			
Income subjected to final tax	(200,879)	(735,123)	(1,467,696)
Equity in net income of an associate	(532,230)	(183,312)	(136,577)
Non deductible expense (nontaxable income)	3,114,754	1,988,332	(5,626)
	P3,571,164	P38,204,143	P68,571,560



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

	Assets		Liabilities		Net	
	2014	2013	2014	2013	2014	2013
Accrued retirement benefits liability	P10,002,988	P9,182,395	P -	P -	P10,002,988	P9,182,395
Allowance for impairment losses on receivables	3,993,653	46,686	-	-	3,993,653	46,686
Unrealized foreign exchange loss (gain)	414,086	-	-	(1,049,263)	414,086	(1,049,263)
Actuarial gain on defined benefit plan	-	-	(2,012,588)	(2,607,962)	(2,012,588)	(2,607,962)
	P14,410,727	P9,229,081	(P2,012,588)	(P3,657,225)	P12,398,139	P5,571,856

### 23. Appropriation of Retained Earnings

The Company has appropriated the amounts of P49,242,500, P142,466,650 and P118,797,950 in 2014, 2013 and 2012, respectively, to finance the acquisition of treasury stock during those years.

### 24. Share Capital

#### a. Capital Stock

	2014	2013
Authorized - 115,000,000 shares at 10 par value shares		
Issued	87,318,270	87,318,270
Less treasury stock	(33,600,901)	(32,616,051)
Total issued and outstanding	53,717,369	54,702,219

#### b. Treasury Stock

The movement of treasury stock as at December 31 are as follows:

	2014	2013	2012
Balance at beginning of year	32,616,051	29,766,718	27,390,759
Acquisition of treasury stock during the year	984,850	2,849,333	2,375,959
	33,600,901	32,616,051	29,766,718

### 25. Dividend Declaration

On May 15, 2012, the Board of Directors of the Company declared cash dividends equivalent to P119,855,022 out of the unrestricted retained earnings as at December 31, 2011 payable on or before June 22, 2012 to the stockholders of record as of May 29, 2012. No dividends were declared in 2014 and 2013. As at December 31, 2014 and 2013, there were no dividends payable.

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## 26. Financial Risk and Capital Management Objectives and Policies

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

- Credit Risk
- Liquidity Risk
- Market Risk

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

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

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

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

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

### Credit Risk

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

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

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

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

The carrying amount of financial assets as of December 31, 2014 and 2013 represents the maximum credit exposure. The maximum exposure to credit risk at the reporting dates is as follows:

	<i>Note</i>	2014	2013
Cash and cash equivalents (excluding cash on hand)	4	P236,282,563	P205,293,155
Receivables - net	5, 14	304,110,706	322,009,422
Loan receivable	9, 14	15,500,000	15,500,000
Due from related parties	14	350	1,885,100
Lease deposit	11	78,000,000	78,000,000
		P633,893,619	P622,687,677

Details of trade receivables from charge customers as at December 31, 2014 and 2013 by type of customer are as follows:

	<i>Note</i>	2014	2013
PAGCOR		P8,936,199	P8,936,199
Credit cards		4,158,078	5,394,442
Airlines		7,310,132	4,960,973
Corporations		5,216,038	4,313,158
Travel agencies		3,389,789	4,223,105
Others		7,438,374	3,125,398
	5	36,448,610	30,953,275
Less allowance for impairment losses on trade receivables - charge customers	5	387,679	155,621
		P36,060,931	P30,797,654

The Company's most significant customer, PAGCOR, accounts for 24.52% and 28.87% of the trade receivables from charge customers as at December 31, 2014 and 2013, respectively. Revenues from PAGCOR approximately amounted to P98,193,426 and P202,933,825 in 2013 and 2012, respectively, and represent 17% and 30% of the Company's total revenues, respectively. As mentioned in Note 20, PAGCOR has decided not to renew the contract of lease which ended on July 10, 2013.

The aging of trade receivables from charge customers as at December 31, 2014 and 2013 is as follows:

	2014		2013	
	Gross Amount	Impairment	Gross Amount	Impairment
Current	P17,083,679	P -	P14,792,658	P -
Over 30 days	7,006,072	-	5,982,920	-
Over 60 days	2,908,643	-	795,860	-
Over 90 days	9,450,216	387,679	9,381,837	155,621
	<b>P36,448,610</b>	<b>P387,679</b>	<b>P30,953,275</b>	<b>P155,621</b>

Receivables from PAGCOR amounting to P8,936,199 included in over 90 days are still collectible based on management's assessment of collection history, thus no impairment was provided. In addition, any amount outstanding from PAGCOR can be offset against the deposit received from it as discussed in Note 20.

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

	Amount
Balance at January 1, 2013	P128,361
Provision in 2013	27,260
Balance at December 31, 2013	155,621
Provision in 2014	13,156,558
Balance at December 31, 2014	<b>P13,312,179</b>

The allowance for impairment losses on trade receivables as of December 31, 2014 and 2013 of P13,312,179 and P155,621, respectively, relates to outstanding accounts of customers that are more than 90 days past due and portion of receivable from PAGCOR account.

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

	As at December 31, 2014			Total
	Grade A	Grade B	Grade C	
Cash in banks and cash equivalents	P236,282,563	P -	P -	P236,282,563
Receivables - net	36,388,353	35,140,204	232,582,149	304,110,706
Loan receivable	-	15,500,000	-	15,500,000
Due from related parties	350	-	-	350
Lease deposit	78,000,000	-	-	78,000,000
	<b>P350,671,266</b>	<b>P50,640,204</b>	<b>P232,582,149</b>	<b>P633,893,619</b>

	As at December 31, 2013			Total
	Grade A	Grade B	Grade C	
Cash in banks and cash equivalents	P205,293,155	P -	P -	P205,293,155
Receivables - net	32,239,657	54,675,306	235,094,459	322,009,422
Loan receivable	-	15,500,000	-	15,500,000
Due from related parties	-	1,885,100	-	1,885,100
Lease deposit	78,000,000	-	-	78,000,000
	P315,532,812	P72,060,406	P235,094,459	P622,687,677

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

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

#### Liquidity Risk

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

The Company's total current liabilities as at December 31, 2014 and 2013 amounted to P316,573,695 and P306,869,660, respectively, which are less than its total current assets of P582,912,986 and P577,350,558, respectively. Thus, the Company has sufficient funds to pay for its current liabilities and has minimal liquidity risk.

#### Market Risk

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

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

#### Room Rates

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

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

#### *Interest Rate Risk*

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

#### *Foreign Currency Risk*

Financial assets and financing facilities extended to the Company were mainly denominated in Philippine peso and have minimal transactions in foreign currency. Net foreign exchange gain from the revaluation of the Company's cash and cash equivalent amounted to P180,991 and P7,126,239 for the years ended December 31, 2014 and 2013, respectively. As such, the Company's foreign currency risk is minimal.

#### Fair Values

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

	2014		2013	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and cash equivalents	P237,078,063	P237,078,063	P205,890,655	P205,890,655
Receivables - net	304,110,706	304,110,706	322,009,422	322,009,422
Loan receivable	15,500,000	15,500,000	15,500,000	15,500,000
Due from related parties	350	350	1,885,100	1,885,100
Lease deposit	78,000,000	78,000,000	78,000,000	78,000,000
Accounts payable and accrued expenses	77,919,262	77,919,262	77,567,689	77,567,689
Due to related parties	6,090,243	6,090,243	2,115,421	2,115,421
Other current liabilities*	20,752,217	20,752,217	18,669,841	18,669,841

\*Excluding payables to government

#### *Estimation of Fair Values*

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

#### *Cash*

The fair value of cash approximates its carrying amount due to the short-term nature of this asset.

#### *Receivables/Due from Related Parties/Loan Receivable/Accounts Payable and Accrued Expenses/Due to Related Parties/Other Current Liabilities Except for Output VAT Liability and Withholding Taxes Payables, and Deferred Rental*

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

#### *Short-term Investments/Other Noncurrent Assets*

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

### Capital Management

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

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

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

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

As at December 31, 2014 and 2013, the Company is compliant with the minimum public float requirement by the Philippine Stock Exchange (PSE).

The Company has 115,000,000 shares registered with the SEC as at December 31, 2014 and 2013. As at December 31, 2014 and 2013, the Company issue/offer price is P25 and P45 based on the Philippine Stock Exchange (PSE) website. The total number of shareholders is 506 as at December 31, 2014 and 2013.

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### **27. Contingencies**

The Company, in the ordinary course of business, is a party to certain assessment, claims and litigation. The outcome of these assessments, claims and litigation cannot be presently determined. In the opinion of management and the Company's legal counsel, the eventual liability arising from these assessments, claims and litigation, if any, will not have a material effect on the Company's financial position or results of operations.

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

In addition to the disclosures mandated under PFRSs, and such other standards and/or conventions as may be adopted, companies are required by the BIR to provide in the notes to the financial statements, certain supplementary information for the taxable year. The amounts relating to such information may not necessarily be the same with those amounts disclosed in the financial statements which were prepared in accordance with PFRSs. The following is the tax information required for the taxable year ended December 31, 2014:

**I. Based on Revenue Regulations (RR) No. 19-2011****A. Sales/Receipts/Fees**

	Regular/ Normal Rate
Sale of services	P325,929,967
Sale of goods	141,017,832
	<u>P466,947,799</u>

**B. Cost of Sales/Services**

	Regular/ Normal Rate
Cost of sales	
Merchandise/finished goods inventory, beginning	P13,582,447
Add: Purchases of merchandise/cost of goods manufactured	<u>56,696,788</u>
Total goods available for sale	70,279,235
Less: Merchandise/finished goods inventory, end	<u>(13,993,229)</u>
	<u>P56,286,006</u>

**C. Non-Operating and Taxable Other Income**

	Regular/ Normal Rate
Interest income	P4,674,995
Others	<u>19,826,718</u>
	<u>P24,501,713</u>



**D. Itemized Deductions (if Company did not avail of the Optional Standard Deduction)**

	Regular/ Normal Rate
Salaries and allowances	P126,432,853
Repairs and maintenance-materials and supplies	98,794,538
Depreciation	38,864,197
Management and consultancy fee	20,816,244
Office supplies	14,864,096
Insurance	9,071,572
Commissions	14,688,957
Taxes and licenses	11,717,275
Rental	17,797,608
Professional fees	6,977,782
Transportation and travel	7,195,705
Dues and subscription	3,893,774
Fuel and oil	2,652,540
Data processing	2,166,924
Representation and entertainment	1,984,098
Directors fee	1,311,151
Advertising	790,253
Other hotel expenses	22,470,366
	<b>P402,489,933</b>

**II. Based on RR No. 15-2010**

**A. Value Added Tax (VAT)**

<b>1. Output VAT</b>	<b>P55,009,243</b>
<i>Account title used:</i>	
Basis of the Output VAT:	
Vatable sales	P458,410,362
Exempt sales	2,689,321
Zero rated sales	5,848,116
	<b>P466,947,799</b>
<b>2. Input VAT</b>	
Beginning of the year	P11,200,062
Current year's domestic purchases:	
a. Goods for resale/manufacture or further processing	7,627,134
b. Services lodged under other accounts	21,394,456
Less: Applied input VAT during the year	33,495,293
Balance at the end of the year	<b>P6,726,359</b>

**B. Withholding Taxes**

Tax on compensation and benefits	P20,805,321
Creditable withholding taxes	8,274,623
Final withholding taxes	72,583
	<b>P29,152,527</b>

**C. All Other Taxes (Local and National)**

<i>Other taxes paid during the year recognized under "Taxes and licenses" account under Operating Expenses</i>	
Real estate taxes	P9,265,761
License and permit fees	1,748,246
Others	703,268
	<b>P11,717,275</b>

**D. Deficiency Tax Assessments**

Period Covered	Amount*
2001	P765,104
2002	228,943,589
2008	262,576,825
2010	1,656,322
	<b>P493,941,840</b>

*\*Amount of basic deficiency tax assessments, whether protested or not.*

**E. Tax Cases**

As at December 31, 2014, the Company has the following tax cases:

- a. 2001 - Settled basic tax due of P403,130 on March 2010, as agreed on the Letter of Abatement filed. Request to waive the interest and surcharges of P346,140 is still for approval at BIR LTS.
- b. 2002 - PAGCOR VAT case filed against the Company.
- c. 2008 - The Company's management, with the assistance of its tax counsel, is studying further administrative and/or legal remedies in relation to the Company's request for re-investigation and re-computation for alleged tax liability.

# COVER SHEET

for  
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

1	6	6	8	7	8				
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Company Name

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

Principal Office (No./Street/Barangay/City/Town)Province)

1	0	t	h	F	l	o	o	r	,	T	h	e	H	e	r	i	t	a	g	e	H	o	t	e	l	
M	a	n	i	l	a	,	E	D	S	A	c	o	r	n	e	r										
R	o	x	a	s	B	o	u	l	e	v	a	r	d	,	P	a	s	a	y	C	i	t	y			

Form Type

A	A	F	S
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Department requiring the report

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Secondary License Type, if Applicable

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### COMPANY INFORMATION

Company's Email Address

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Company's Telephone Number/s

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Mobile Number

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No. of Stockholders

506
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Annual Meeting Month/Day

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Fiscal Year Month/Day

December 31
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### CONTACT PERSON INFORMATION

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

Name of Contact Person

Mr. Yam Kit Sung
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Email Address

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Telephone Number/s

854-8838
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Mobile Number

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Contact Person's Address

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

**SECURITIES AND EXCHANGE COMMISSION**  
**SEC FORM - ACGR**  
**ANNUAL CORPORATE GOVERNANCE REPORT**

Deleted: 2013

1. Report is Filed for the Year ..... 2014
2. Exact Name of Registrant as Specified in its Charter ... GRAND PLAZA HOTEL CORPORATION
3. 10/F, The Heritage Hotel Manila, Roxas Blvd. cor. EDSA Ext., Pasay City ..... 1300 .....  
Address of Principal Office ..... Postal Code
4. SEC Identification Number 168878 ..... 5  (SEC Use Only)  
Industry Classification Code
6. BIR Tax Identification Number ..... 000-460-602-000 .....
7. (832) 854-8638  
Issuer's Telephone number, including area code  
.....
8. Former name or former address, if changed from the last report

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**A. BOARD MATTERS**

**1) Board of Directors**

Number of Directors per Articles of Incorporation	7
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Actual number of Directors for the year	7 (reduced to 6 as of 10 October 2014, following the resignation of Michele Dee-Santos)
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**(a) Composition of the Board**

Complete the table with information on the Board of Directors:

Director's Name	Type [Executive (ED), Non-Executive (NED) or Independent Director (ID)]	If nominee, identify the principal	Nominator in the last election (if ID, state the relationship with the nominator)	Date first elected	Date last elected (if ID, state the number of years served as ID)	Elected when (Annual/Special Meeting)	No. of years served as director
Wong Hong Ren	ED	The Philippine Fund Limited ("TPFL")	Open floor nomination	15 May 1996	15 May 2014	Annual	19
Bryan Cockrell	NED	TPFL	Open floor nomination	15 May 1997	15 May 2014	Annual	18
Michele Dee-Santos <sup>1</sup> (Resigned as of 10 October 2014)	NED	RCBC Trust	Open floor nomination	7 February 2006	15 May 2014	Annual	9
Angello Imperio	ID	N.A.	Zatrio Pte. Ltd.; No relation	5 August 1992	15 May 2014; Served as ID 2001-2004, and 2008 to present	Annual	21
Eddie Yeo	ED	TPFL	Open floor nomination	13 Jan 2005	15 May 2014	Annual	10
Eddie C. T. Lau	NED	TPFL	Open floor nomination	17 Jan 2005	15 May 2014	Annual	10
Mia Gentugaya	ID	N.A.	The Philippine Fund Limited;	5 Aug 1992	15 May 2014;	Annual	21

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<sup>1</sup> Michele Dee-Santos resigned as a member of the Board of Directors effective 10 October 2014. As disclosed previously by the Corporation, the reason for Ms. Dee-Santos' resignation is that she has been given other assignments by RCBC Trust & Investments Division ("RCBC Trust"). Ms. Dee-Santos represented the shares held by RCBC Trust in the Corporation. Ms. Dee-Santos was also a member of the Audit Committee and Nomination Committee of the Corporation.

		No relation		Served as ID 2005 - present	
--	--	-------------	--	-----------------------------------	--

- (b) Provide a brief summary of the corporate governance policy that the board of directors has adopted. Please emphasize the policy/ies relative to the treatment of all shareholders, respect for the rights of minority shareholders and of other stakeholders, disclosure duties, and board responsibilities.

The Corporation has adopted its own Revised Corporate Governance Manual ("CG Manual"), which is aimed to institutionalize the principles of good corporate governance in the entire organization. As a policy, the Board of Directors ("Board"), Management, employees and shareholders of the Corporation believe that good corporate governance is a necessary component of what constitutes sound strategic business management and undertakes to create and maintain awareness within the organization.

*Shareholders* - The CG Manual ensures that shareholders are afforded rights and that minority shareholders' interests are protected.

*Minority shareholders* - the CG Manual emphasizes that the minority shareholders should be allowed to participate in determination of corporate acts. Specifically, the Board should give minority stockholders the right to propose the holding of meetings and the items for discussion in the agenda that relate directly to the business of the Corporation. The By-Laws of the Corporation provides that shareholders representing at least ten percent (10%) of the outstanding capital stock of the Corporation may request the holding of a special shareholders' meeting.

*Disclosure duties* - Under the CG Manual, the Corporation has adopted a policy that requires management to disclose related-party transactions. Also, Item 5 of the CG Manual requires the disclosure of all material information about the Corporation which could adversely affect its viability or the interests of the stockholders. This includes:

- earnings results
- acquisition or disposition of assets
- remuneration

*Board Responsibilities* - It is the general responsibility of the Board to foster the long-term success of the Corporation and secure its sustained competitiveness in a manner consistent with its fiduciary responsibility, which it shall exercise in the best interest of the Corporation and its shareholders. The Board shall conduct itself with utmost honesty and integrity in the discharge of its duties, functions and responsibilities.

- (c) How often does the Board review and approve the vision and mission?

The Corporation has no fixed period set for the Board's review of the vision and mission.

#### Directorship in Other Companies

##### Directorship in the Corporation's Group

Identify, as and if applicable, the members of the company's Board of Directors who hold the office of director in other companies within its group:

Director's Name	Corporate Name of the Group Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
Wong Hong Ren	ATOS Holding AG	Director
	Beijing Fortune Hotel Co., Ltd.	Director
	Birkenhead Holdings Pty. Ltd.	Legal Representative Director



	Birkenhead Investments Pty. Ltd.	Director
	CDL Entertainment & Leisure Pte Ltd	Director
	CDL Hotels (Korea) Ltd.	Director Chairman
	CDL Hotels (Labuan) Limited	Director
	CDL Hotels (Singapore) Pte Ltd	Director
	CDL Hotels Holdings New Zealand Limited	Director
	CDL Hotels Japan Pte. Ltd.	Director
	CDL Investments New Zealand Limited	Director Chairman
	CDL Land New Zealand Limited	Director
	CDLHT MTN PTE. LTD.	Director
	Chancery Limited	Director
	City Hotels Pte. Ltd.	Director
	Copthorne Orchid Hotel Singapore Pte Ltd	Director
	First Sponsor Capital Limited	Director
	First Sponsor Group Limited	Director
	Grand Plaza Hotel Corporation	Director/Chairman/President
	Harbour Land Corporation	Director
	Harrow Entertainment Pte Ltd	Director
	Hospitality Holdings Pte. Ltd.	Director
	Hotelcorp New Zealand Pty Ltd	Director
	Idea Valley Group Limited	Director
	International Design Link Pte Ltd	Director
	KIN Holdings Limited	Director
	Kingsgate Holdings Pty. Ltd.	Director
	Kingsgate Hotel Pty. Ltd.	Director
	Kingsgate International Corporation Limited	Non-Executive Director
	Kingsgate International Pty Ltd.	Director
	Kingsgate Investments Pty. Ltd.	Director
	London Britannia Hotel Limited	Director
	M&C (India) Holdings Pte. Ltd.	Director
	M&C (Mauritius) Holdings Limited	Director
	M&C Business Trust Management Limited	Non-Executive Director Chairman
	M&C Holdings (Thailand) Ltd.	Director
	M&C Hospitality Holdings (Asia) Limited	Director
	M&C Hospitality International Limited	Director
	M&C Hotel Enterprises (Asia) Limited	Director
	M&C Hotel Investments Pte. Ltd.	Director
	M&C Hotels Holdings Japan Pte. Ltd.	Director
	M&C Hotels Holdings Limited	Director
	M&C Hotels Holdings USA Limited	Director
	M&C Hotels Japan Pte. Ltd.	Director
	M&C REIT Management Limited	Non-Executive Director Chairman
	Millennium & Copthorne Hotel Holdings (Hong Kong) Limited	Director
	Millennium & Copthorne Hotels (Hong Kong) Limited	Director
	Millennium & Copthorne Hotels New Zealand Limited	Director Chairman
	Millennium & Copthorne Hotels plc	Director Executive Director CEO
	Millennium & Copthorne Hotels Pty Ltd	Director
	Millennium & Copthorne International Limited	Director
	Millennium & Copthorne Middle East Holdings Limited	Director
	Newbury Investments Pte Ltd	Director

	PT Millennium Hotels & Resorts	President Commissioner
	PT. Millennium Sirih Jakarta Hotel	Commissioner
	Quantum Limited	Director
	Republic Hotels Suzhou Pte Ltd	Director
	Republic Iconic Hotel Pte. Ltd.	Director
	RHR Capital Pte. Ltd.	Director
	Rogo Realty Corporation	Director
	The Philippine Fund Limited	Director & President
	TOSCAP Limited	Director
	Zatrio Pte Ltd	Director
	Zillion Holdings Limited	Director

(II) Directorship in Other Listed Companies

Identify, as and if applicable, the members of the company's Board of Directors who are also directors of publicly-listed companies outside of its Group:

Director's Name	Name of Listed Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman)
Bryan K. Cockrell	(1) Southeast Asia Cement Holdings Inc. (2) Republic Cement Corp.	(1) Chairman (2) Director (3) Director

(III) Relationship within the Company and its Group

Provide keen details, as and if applicable, of any relation among the members of the Board of Directors, which links them to significant shareholders in the company and/or in its group:

Director's Name	Name of the Significant Shareholder	Description of the Relationship
Wong Hong Ren	TPFL	Principal-nominee
Bryan Cockrell	TPFL	Principal-nominee
Michele Dee-Santos (Resigned as of 10 October 2014)	RCBC Trust	Principal-nominee
Eddie Yeo	TPFL	Principal-nominee
Eddie C. T. Lau	TPFL	Principal-nominee

(iv) Has the company set limit on the number of Board Seats in other companies (publicly listed, ordinary and companies with secondary license) that an individual director of CEO may hold simultaneously? In particular, is the limit of five board seats in other publicly listed companies imposed and observed? If yes, briefly describe other guidelines:

	Guidelines	Maximum Number of Directorship in other companies
Executive Director	According to the CG Manual, the following guidelines shall govern the determination of number of directorships for the Board: <ul style="list-style-type: none"> <li>The nature of the business of the corporations of which he is a director</li> </ul>	The CG Manual does not provide a particular limit; however, it provides that executive directors shall submit themselves to a reasonable number of directorships in other companies and that in any case, the capacity of each director to diligently and efficiently perform his duties as board member shall not be compromised.
Non-Executive Director	<ul style="list-style-type: none"> <li>Age of the director</li> <li>Number of directorships/ active</li> </ul>	The same limitation applies to independent, non-executive directors who serve as full-time executives in other companies.

CEO	memberships and official positions held in other corporations or organizations, provided that directorships in affiliates, subsidiaries or other corporations related to the Corporation shall not be counted <ul style="list-style-type: none"> <li>• Possible conflict of interest</li> </ul> The optimum number shall be related to the capacity of a director to efficiently and diligently perform their duties to the boards they serve.	The same limit applies.
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**Shareholding In the Company**

Complete the following table on the members of the company's Board of Directors who directly and indirectly own share in the company:

Name of Director	Number of Direct Shares	Number of indirect shares / Through (name of record owner)	% of Capital Stock
Wong Hong Ren	1	0	Less than 1%
Bryan Cockrell	1	0	Less than 1%
Michele Dee-Santos (Resigned effective 10 October 2014)	1	0	Less than 1%
Angelito Imperio	1	0	Less than 1%
Eddie Yeo	1	0	Less than 1%
Eddie Lau	1	0	Less than 1%
Mia Gentugaya	1	0	Less than 1%
<b>Total</b>	<b>7</b>	<b>0</b>	<b>Less than 1%</b>

**2) Chairman and CEO**

(a) Do different persons assume the role of Chairman of the Board of Directors and CEO? If No, describe the checks and balances laid down to ensure that the Board gets the benefits of independent views.

Yes  No

Generally, the Board is the governing body of the Corporation, and all corporate acts are approved by the Board. There are adequate checks and balances in the corporate governance structure of the Corporation to ensure that there is an appropriate balance of power, increased accountability and better capacity for independent decision-making by the Board (e.g. board review, internal control, and Audit Committee).

Firstly, there is a proper delineation of the functions of Chair and CEO provided by the Corporation's By-Laws:

- Article V, Section 6 - defines the position of Chairman of the Board
- Article V, Section 7 - defines the position of President/ CEO

Secondly, the CG Manual contains provisions to ensure that the Board has mechanisms to ensure proper checks and balances in the management and operation of the Corporation. These include:

- Sections 2.2.1.3 (vi) to (ix) and Section 2.2.1.4 (iv) - on the powers, duties and responsibilities of the Board and a director
- Section 2.2.2.1 - on the creation and functions of the Audit Committee

- Section 2.5 - which requires the Board to provide stockholders with a balanced and comprehensible assessment of the Corporation's performance, position and prospects on a quarterly basis, including interim and other reports that could adversely affect its business, as well as reports to regulators that are required by law.
- Section 2.6 - requires the Management to provide adequate and timely information to the Board, acknowledges the Board's access to Management and the Corporate Secretary, and the Board's discretion to make further inquiries on Management action and not to rely solely in information provided by Management
- Section 7.4 - Board's self-rating system to assess Board and Management performance

Under Sec. 2.2.1 of the CG Manual of the Corporation, the Board is primarily responsible for the governance of the Corporation. Corollary to setting the policies for the accomplishment of the corporate objectives, it shall provide an independent check on Management.

Thirdly, the Corporation has an Audit Committee and its own Audit Committee Charter ("Charter"), which provides for the duties and responsibilities of the Audit Committee and lays down the rules and procedures that govern the conduct and performance of the duties of the Audit Committee. The powers, duties, and responsibilities of the Audit Committee include access to auditors and management, review of audit procedures, and oversight of financial management functions.

Identify the Chair and CEO:

Chairman of the Board	Wong Hong Ren
CEO/ President	Wong Hong Ren

**(b) Roles, Accountabilities and Deliverables**

Define and clarify the roles, accountabilities and deliverables of the Chairman and CEO.

	Chairman	Chief Executive Officer
<b>Roles</b>	According to the Corporation's By-Laws, the Chairman, if present, presides at all meetings of the stockholders and of the Board. The Chairman also performs all other duties as from time to time may be assigned to him by the Board.	The President Acts as the Chief Executive Officer of the Corporation. He presides over meetings in the absence of the Chairman. He also performs all duties incident to the office of the President and such other duties as may from time to time be assigned to him by the Board or as prescribed by the By-Laws.
<b>Accountabilities</b>		He is responsible for the general care and supervision of the business and affairs of the Corporation. Corporate acts and contracts outside of day-to-day operations generally require Board approval.
<b>Deliverables</b>		He signs with the Corporate Secretary or Assistant Corporate Secretary certificates of stock of the Corporation. He also provides the stockholders and the Board such reports, memoranda, accounts and data which may be required of him. He also signs off on the periodic filings and reports of the Corporation (e.g., Annual Report, Information Statement, Financial Statements, etc.) submitted to regulatory agencies and the PSE.

Explain how the board of directors plan for the succession of the CEO/Managing Director/President and the top key management positions?

The CEO/President and other key officers of the Corporation under its By-Laws, are elected every year in the organizational meeting of the Board. Except for the CEO/President of the Corporation (who is not covered by an employment contract with the Corporation), the key officers of the Corporation are also on two-year employment contracts that may be renewed for another two years upon mutual of the parties.

Furthermore, under Article VI, Section 2 of the Corporation's By-Laws, the Chairman, President, Vice-President(s), the General Manager, the Secretary, and Treasurer shall hold office until his successor is elected and qualified in his stead, or until he shall have resigned or shall have been removed in the manner as provided in the By-Laws.

**3) Other Executive, Non-Executive and Independent Directors**

**Does the company have a policy of ensuring diversity of experience and background of directors in the board? Please explain.**

According to Section 2.2.1.3 of the CG Manual, it is a policy of the Corporation that the Board has a duty to implement a process for the selection of Directors who can add value and contribute independent judgment for the formulation of sound corporate strategies and policies.

Furthermore, 2 out of the 7 directors, or approximately 28.6%, are required to be independent directors as defined by the CG Manual.

**Does it ensure at least one non-executive director has an experience in the sector or industry the company belongs to? Please explain.**

Yes. According to the CG Manual, Sec. 2.2.1.5, in addition to the qualifications required by law for all directors, the Corporation also requires that the non-executive director be a member in good standing in a relevant industry, business, or professional organizations. More particularly, Section 2.2.1.1. of the CG Manual mandates that the non-executive director should possess such qualifications and stature that would enable them to effectively participate in the deliberations of the Board.

The CG Manual also provides that a director should devote sufficient time to familiarize himself with the Corporation's business. He should be constantly aware of and knowledgeable with the Corporation's operations to enable him to meaningfully contribute to the Board's work. He should attend and actively participate in Board and committee meetings, review meeting materials and, if called for, ask questions or seek explanation. A director should have a working knowledge of the statutory and regulatory requirements that affect the Corporation, including its articles of incorporation and by-laws, the rules and regulations of the SEC and, where applicable, the requirements of relevant regulatory agencies. A director should also keep abreast with industry developments and business trends in order to promote the Corporation's competitiveness.

**Define and clarify the roles, accountabilities and deliverables of the Executive, Non-Executive and Independent Directors:**

The Corporation's corporate governance documents do not expressly provide for the roles, accountabilities, and deliverables of the executive, non executive, and independent directors. However, the By-Laws and CG Manual of the Corporation provide for the powers, duties, and responsibilities of the Board and of each director of the Corporation.

	<b>Executive</b>	<b>Non-Executive</b>	<b>Independent Director</b>
<b>Roles</b>	Article IV, Section 1 of the By-Laws of the Corporation provides that unless otherwise provided by law, the powers, business and property of the Corporation shall be exercised, conducted and controlled by the Board.	Article IV, Section 1 of the By-Laws of the Corporation provides that unless otherwise provided by law, the powers, business and property of the Corporation shall be exercised, conducted and controlled by the Board.	Article IV, Section 1 of the By-Laws of the Corporation provides that unless otherwise provided by law, the powers, business and property of the Corporation shall be exercised, conducted and controlled by the Board.
<b>Accountabilities</b>	Under Sec. 2.2.1 of the CG Manual, the Board is primarily responsible for the governance of the Corporation.	Under Sec. 2.2.1 of the CG Manual, the Board is primarily responsible for the governance of the Corporation. Corollary to	Under Sec. 2.2.1 of the CG Manual, the Board is primarily responsible for the governance of the Corporation. Corollary to

	<p>Corollary to setting the policies for the accomplishment of the corporate objectives, it shall provide an independent check on Management.</p> <p>Under Sec. 2.2.1.2 of the CG Manual, it shall be the Board's responsibility to foster the long-term success of the Corporation and secure its sustained competitiveness in a manner consistent with its fiduciary responsibility, which it shall exercise in the best interest of the Corporation and its shareholders. The Board shall conduct itself with utmost honesty and integrity in the discharge of its duties, functions and responsibilities. The Board shall formulate the Corporation's vision, mission, strategic objectives, policies and procedures that shall guide its activities, including the means to effectively monitor Management's performance.</p> <p>Sec. 2.2.1.4 of the CG Manual provides that a director's office is one of trust and confidence. A director should act in the best interest of the Corporation in a manner characterized by transparency, accountability and fairness. He should also exercise leadership, prudence and integrity in directing the Corporation towards sustained progress.</p>	<p>setting the policies for the accomplishment of the corporate objectives, it shall provide an independent check on Management.</p> <p>Under Sec. 2.2.1.2 of the CG Manual, it shall be the Board's responsibility to foster the long-term success of the Corporation and secure its sustained competitiveness in a manner consistent with its fiduciary responsibility, which it shall exercise in the best interest of the Corporation and its shareholders. The Board shall conduct itself with utmost honesty and integrity in the discharge of its duties, functions and responsibilities. The Board shall formulate the Corporation's vision, mission, strategic objectives, policies and procedures that shall guide its activities, including the means to effectively monitor Management's performance.</p> <p>Sec. 2.2.1.4 of the CG Manual provides that a director's office is one of trust and confidence. A director should act in the best interest of the Corporation in a manner characterized by transparency, accountability and fairness. He should also exercise leadership, prudence and integrity in directing the Corporation towards sustained progress.</p>	<p>setting the policies for the accomplishment of the corporate objectives, it shall provide an independent check on Management.</p> <p>Under Sec. 2.2.1.2 of the CG Manual, it shall be the Board's responsibility to foster the long-term success of the Corporation and secure its sustained competitiveness in a manner consistent with its fiduciary responsibility, which it shall exercise in the best interest of the Corporation and its shareholders. The Board shall conduct itself with utmost honesty and integrity in the discharge of its duties, functions and responsibilities. The Board shall formulate the Corporation's vision, mission, strategic objectives, policies and procedures that shall guide its activities, including the means to effectively monitor Management's performance.</p> <p>Sec. 2.2.1.4 of the CG Manual provides that a director's office is one of trust and confidence. A director should act in the best interest of the Corporation in a manner characterized by transparency, accountability and fairness. He should also exercise leadership, prudence and integrity in directing the Corporation towards sustained progress.</p>
Deliverables	Under Sec. 2.2.1.7 of the CG Manual, the members of the Board should attend its regular and special meetings in	Under Sec. 2.2.1.7 of the CG Manual, the members of the Board should attend its regular and special meetings in person or	Under Sec. 2.2.1.7 of the CG Manual, the members of the Board should attend its regular and special meetings in person or through

<p>person or through teleconferencing conducted in accordance with the rules and regulations of the SEC.</p> <p>Sec. 2.5 of the CG Manual requires the Board to provide stockholders with a balanced and comprehensible assessment of the Corporation's performance, position and prospects on a quarterly basis, including interim and other reports that could adversely affect its business, as well as reports to regulators that are required by law.</p>	<p>through teleconferencing conducted in accordance with the rules and regulations of the SEC.</p> <p>Sec. 2.5 of the CG Manual requires the Board to provide stockholders with a balanced and comprehensible assessment of the Corporation's performance, position and prospects on a quarterly basis, including interim and other reports that could adversely affect its business, as well as reports to regulators that are required by law.</p>	<p>teleconferencing conducted in accordance with the rules and regulations of the SEC.</p> <p>Sec. 2.5 of the CG Manual requires the Board to provide stockholders with a balanced and comprehensible assessment of the Corporation's performance, position and prospects on a quarterly basis, including interim and other reports that could adversely affect its business, as well as reports to regulators that are required by law.</p> <p>Independent directors should always attend Board meetings. The Board may require the presence of at least one independent director in all Board meetings. However, the absence of an independent director will not affect the quorum requirement.</p>
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Provide the company's definition of "independence" and describe the company compliance to the definition.

The Corporation's Guidelines for Selection of Candidates for Independent Director ("Guidelines") provides the following definition:

*Definition of Independent Director* - An independent director is a person other than an officer or employee of the corporation, its parent or subsidiaries, or any other individual having a financial or other interest in the business of the Corporation, its parent or subsidiaries, or any other individual having a relationship with the corporation which would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. It refers to a person who, apart from his fees and shareholdings, is independent of management and free from any business or other relationship that could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director of the corporation. It includes, among others, any person who:

- (i) Is not a director or officer or substantial stockholder of the Corporation or of its related companies or any of its substantial shareholders (other than as an independent director of any of the foregoing);
- (ii) Is not a relative of any director, officer, or substantial shareholder of the Corporation, any of its related companies, or any of its substantial shareholders, for this purpose, relatives includes spouse, parent, child, brother, sister, and the spouse of such child, brother or sister.
- (iii) Is not acting as a nominee or representative of a substantial shareholder of the Corporation, any of its related companies or by any of its substantial shareholders within the last five years.
- (iv) Has not been employed in any executive capacity by the Corporation, any of its related companies or by any of its substantial shareholders within the last five years.
- (v) Is not retained as professional adviser by the Corporation, any of its related companies or any of its substantial shareholders within the last five years, either personally or through his firm;
- (vi) Has not engaged and does not engage in any transaction with the Corporation or with any of its related companies or with any of its substantial shareholders, whether by himself or with any other persons or through a firm of which he is a partner or a company of which he is a director or substantial shareholder other than transactions which are conducted at arms length and are immaterial or insignificant.

In compliance with this definition, only the candidates whose nominations are confirmed by the Nomination Committee to be in accordance with such rules, guidelines and criteria to govern the conduct of the nomination shall be eligible to be elected as independent directors.

As such, both Atty. Gentugaya and Atty. Imperio, the incumbent independent directors, have no relation whatsoever to their nominators, TPFL and Zatrio Pte Ltd, respectively.

Does the company have a term limit of five consecutive years for independent directors? If after two years, the company wishes to bring back an independent director who had served for five years, does it limit the term for no more than four additional years? Please explain.

The Corporation complies with SEC Memorandum No. 9, Series of 2011 ("SEC MC 9-11"), providing for term limits of independent directors to be reckoned from the terms commencing after 2 January 2013. Thus, the Corporation's independent directors can serve as such for five consecutive years. After the completion of the five-year service period, an independent director shall be ineligible for election as such, unless the independent director has undergone a "cooling off" period of two years. After the "cooling off" period, the independent director can serve for another five consecutive years. After serving as independent director for 10 years, the independent director shall be perpetually barred from being elected as such in the same company. All the previous terms served by existing independent directors shall not be included in the application of the term limits. Thus, the independent directors of the Corporation shall be eligible for reelection as independent directors for the next five consecutive years from 15 May 2012, subject to the "cooling off" period provided in SEC MC 9-11.

**4) Changes in the Board of Directors (Executive, Non-Executive and Independent Directors)**

**(a) Resignation/Death/Removal**

Indicate any change in the composition of the Board of Directors that happened during the period:

Name	Position	Date of Cessation	Reason
N.A.			

**(b) Selection/Appointment, Re-election, Disqualification, Removal, Reinstatement and Suspension**

Describe the procedures for the selection/appointment, re-election, disqualification, removal, reinstatement and suspension of the members of the Board of Directors. Provide details of the processes adopted (including the frequency of election) and the criteria employed in each procedure:

Procedure	Process Adopted	Criteria
<b>a. Selection/ Appointment</b>		
(i) Executive Directors	<p>The By-Laws provide that all directors shall be elected annually and shall hold office until the annual meeting held next to his election and until his successor shall have been elected and shall have qualified, or until his death or until he shall resign or shall have been removed</p> <ul style="list-style-type: none"> <li>Annual meeting: held on the 15th of May every year</li> <li>If the election is not held on the annual meeting, then it shall be held at a special meeting as soon as thereafter as the same may be conveniently held</li> <li>Notice: at least 15 days before the meeting</li> <li>Quorum: the holders of at least the majority of the outstanding capital stock entitled to vote should be present personally or by proxy</li> <li>Nomination: Stockholders</li> </ul>	<ol style="list-style-type: none"> <li>He shall have at least one share of stock of the Corporation;</li> <li>He shall be at least a college graduate or he shall have been engaged or exposed to the business of the corporation for at least five years;</li> <li>He shall possess integrity/probity;</li> <li>He shall be at least 21 years old;</li> <li>He shall be assiduous;</li> <li>He must have a college education or equivalent academic degree;</li> <li>He must have a practical understanding of the business of the Corporation;</li> <li>He must be a member in good standing in relevant industry, business or professional organizations; and</li> <li>He must possess previous business experience.</li> </ol>
(ii) Non-Executive Directors		



	<p>nominating candidates for election shall show proof that such candidates have all the qualifications and none of the disqualifications</p> <ul style="list-style-type: none"> <li>• Deliberations of the Nomination Committee: At least a majority of the members of the Committee shall attend and they shall determine if one is qualified. Only those qualified based on their determination may be elected.</li> <li>• Voting: cumulative voting</li> </ul>	
(iii) Independent Directors	<p>Under the Corporation's By-Laws, the Corporation shall elect such number of independent director(s) as the relevant laws or regulations may require.</p> <p>At least three (3) months before the annual stockholders' meeting in which an independent director(s) shall be elected, or at such time as the relevant law or regulation may from time to time prescribe, the incumbent Board shall meet to appoint a Nomination Committee.</p> <p>The Nomination Committee shall consist of at least three (3) members, one of whom shall be an incumbent independent director.</p> <p>The Nomination Committee shall prepare the list of candidates for independent director(s) based upon qualified candidates nominated by the stockholders. The Nomination Committee, subject to the approval by the Board, shall promulgate the rules, guidelines and criteria to govern the conduct of the nomination. Only the candidates whose nominations are confirmed by the Nomination Committee to be in accordance with such rules, guidelines and criteria to govern the conduct of the nomination. No other nomination shall be entertained after the list of candidates has been finalized and submitted to the Chairman. No further nomination shall be entertained or allowed on the floor during the stockholders' meeting.</p> <p>The Chairman of the Board, or in his or her absence, the designated chairman of the stockholders' meeting, shall inform the stockholders attending the stockholders' meeting of the mandatory requirement of electing Independent director(s). In case of failure to elect an independent director, the Chairman shall call a separate election during the</p>	<ol style="list-style-type: none"> <li>i. He shall have at least one share of stock of the Corporation;</li> <li>ii. He shall be at least a college graduate or he shall have been engaged or exposed to the</li> <li>iii. business of the corporation for at least five years;</li> <li>iv. He shall possess integrity/probity;</li> <li>v. He shall be at least 21 years old;</li> <li>vi. He shall be assiduous;</li> <li>vii. He must have a college education or equivalent academic degree;</li> <li>viii. He must have a practical understanding of the business of the Corporation;</li> <li>ix. He must be a member in good standing in relevant industry, business or professional organizations; and</li> <li>x. He must possess previous business experience.</li> <li>xi.</li> </ol>

	same meeting to fill the vacancy.	
<b>b. Re-appointment</b>		
(i) Executive Directors	<p>The By-Laws provide that all directors shall be elected annually and shall hold office until the annual meeting held next to his election and until his successor shall have been elected and shall have qualified, or until his death or until he shall resign or shall have been removed</p> <ul style="list-style-type: none"> <li>• Annual meeting: held on the 15th of May every year</li> <li>• If the election is not held on the annual meeting, then it shall be held at a special meeting as soon as thereafter as the same may be conveniently held</li> <li>• Notice: at least 15 days before the meeting</li> <li>• Quorum: the holders of at least the majority of the outstanding capital stock entitled to vote should be present personally or by proxy</li> <li>• Voting: cumulative voting applies</li> </ul>	<ol style="list-style-type: none"> <li>i. He shall have at least one share of stock of the Corporation;</li> <li>ii. He shall be at least a college graduate or he shall have been engaged or exposed to the</li> <li>iii. business of the corporation for at least five years;</li> <li>iv. He shall possess integrity/probity;</li> <li>v. He shall be at least 21 years old;</li> <li>vi. He shall be assiduous;</li> <li>vii. He must have a college education or equivalent academic degree;</li> <li>viii. He must have a practical understanding of the business of the Corporation;</li> <li>ix. He must be a member in good standing in relevant industry, business or professional organizations; and</li> <li>x. He must possess previous business experience.</li> </ol>
(ii) Non-Executive Directors	<p>The By-Laws provide that all directors shall be elected annually and shall hold office until the annual meeting held next to his election and until his successor shall have been elected and shall have qualified, or until his death or until he shall resign or shall have been removed</p> <ul style="list-style-type: none"> <li>• Annual meeting: held on the 15th of May every year</li> <li>• If the election is not held on the annual meeting, then it shall be held at a special meeting as soon as thereafter as the same may be conveniently held</li> <li>• Notice: at least 15 days before the meeting</li> <li>• Quorum: the holders of at least the majority of the outstanding capital stock entitled to vote should be present personally or by proxy</li> <li>• Voting: cumulative voting applies</li> </ul>	<ol style="list-style-type: none"> <li>i. He shall have at least one share of stock of the Corporation;</li> <li>ii. He shall be at least a college graduate or he shall have been engaged or exposed to the</li> <li>iii. business of the corporation for at least five years;</li> <li>iv. He shall possess integrity/probity;</li> <li>v. He shall be at least 21 years old;</li> <li>vi. He shall be assiduous;</li> <li>vii. He must have a college education or equivalent academic degree;</li> <li>viii. He must have a practical understanding of the business of the Corporation;</li> <li>ix. He must be a member in good standing in relevant industry, business or professional organizations; and</li> <li>x. He must possess previous business experience.</li> </ol>
(iii) Independent Directors	<p>The By-Laws provide that all directors shall be elected annually and shall hold office until the annual meeting held next to his election and until his successor shall have been elected and shall have</p>	<ol style="list-style-type: none"> <li>i. He shall have at least one share of stock of the Corporation;</li> <li>ii. He shall be at least a college graduate or he shall have been engaged or exposed to the</li> </ol>

	<p>qualified, or until his death or until he shall resign or shall have been removed</p> <ul style="list-style-type: none"> <li>• Annual meeting: held on the 15th of May every year</li> <li>• If the election is not held on the annual meeting, then it shall be held at a special meeting as soon as thereafter as the same may be conveniently held</li> <li>• Notice: at least 15 days before the meeting</li> <li>• Quorum: the holders of at least the majority of the outstanding capital stock entitled to vote should be present personally or by proxy</li> <li>• Voting: cumulative voting applies</li> </ul> <p>In compliance with MC 9-11, the Corporation's Independent directors are covered by a term limit of five consecutive years, subject to the "cooling-off" period of two years as provided in MC 9-11.</p>	<ul style="list-style-type: none"> <li>iii. business of the corporation for at least five years;</li> <li>iv. He shall possess integrity/probity;</li> <li>v. He shall be at least 21 years old;</li> <li>vi. He shall be assiduous;</li> <li>vii. He must have a college education or equivalent academic degree;</li> <li>viii. He must have a practical understanding of the business of the Corporation;</li> <li>ix. He must be a member in good standing in relevant industry, business or professional organizations; and</li> <li>x. He must possess previous business experience.</li> </ul>
<p><b>c. Permanent Disqualification</b></p>		
<ul style="list-style-type: none"> <li>(i) Executive Directors</li> <li>(ii) Non-Executive Directors</li> <li>(iii) Independent Directors</li> </ul>	<p>The By-Laws provide that any director may be removed, either with or without cause, at any time, by the affirmative vote of 2/3 of the outstanding capital stock entitled to vote at a regular meeting or at a special meeting called for the purpose and held after due notice. The vacancy in the Board caused by any such removal may be filled by the stockholders at such meeting without further notice, or at any regular or special meeting called for the purpose after due notice.</p>	<p>Furthermore, the CG Manual provides the following additional disqualifications:</p> <ul style="list-style-type: none"> <li>i. Any person who has been finally convicted by a competent judicial or administrative body of the following: (i) any crime involving purchase of securities, (ii) any crime arising out of the person's conduct as an underwriter, broker, dealer, investment company, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, floor broker; and (iii) any crime arising out of his relationship with a bank, quasi-bank, trust company, investment house or as an affiliated person of any of them.</li> <li>ii. Any person who, by reason of any misconduct, after hearing or trial, is permanently or temporarily enjoined by order, judgment or decree of the SEC or any court or other administrative body of competent jurisdiction from: (i) acting as an underwriter, broker, dealer, investment company, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, floor broker; (ii) acting as a director or officer of a bank, quasi-bank, trust company, investment house, investment company or an affiliated person of any</li> </ul>

of them; (iii) engaging in or continuing any conduct or practice in connection with any such activity or willfully violating laws governing securities, and banking activities. Such disqualification shall also apply when such person is currently subject to an effective order of the SEC or any court or other administrative body refusing, revoking, or suspending any registration, license, or permit issued under the Corporation Code, Securities Regulation Code, or any other law administered by the SEC of the BSP, or under any rule or regulation promulgated by the SEC of BSP, or otherwise restrained to engage in any activity involving securities and banking. Such person is also disqualified when he is currently subject to an effective order of a self-regulatory organization suspending or expelling him from membership or participation or from associating with a member or participant of the organization.

- ii. Any person finally convicted judicially or administratively of an offense involving moral turpitude, fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false oath, perjury or other fraudulent act or transgressions
- iv. Any person finally found by the SEC or a court or other administrative body to have willfully violated, or willfully aided, abetted, counseled, induced, or procured the violation of, any provision of the Securities Regulation code, the Corporation Code, or any other law administered by the SEC or BSP, or any rule, regulation or order of the SEC or BSP, or who has filed a materially false or misleading application, report or registration statement required by the SEC, or any rule, regulation or order of the SEC.
- v. Any person judicially declared to be insolvent.
- vi. Any person finally found guilty by a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct listed above
- vii. Any affiliated person who is ineligible, by reason of paragraphs (i) to (v) above to serve or act in the capacities listed in those paragraphs
- viii. Any person convicted by final judgment

		of an offense punishable by imprisonment for a period exceeding 6 years, or a violation of the Corporation Code, committed within 5 years prior to the date of his election or appointment
<b>d. Temporary Disqualification</b>		
(i) Executive Directors	A temporarily disqualified director shall, within 60 business days from such disqualification, take the appropriate action to remedy or correct the disqualification. If he fails or refuses to do so for unjustified reasons, the disqualification shall become permanent.	Under the CG Manual, any of the following shall be a ground for temporary disqualification of a director:  i. Refusal to comply with the disclosure requirements of the Securities Regulation Code and its Implementing Rules and Regulations. The disqualification shall be in effect as long as the refusal persists.  ii. Absence in more than fifty (50) percent of all regular and special meetings of the Board during his incumbency, or any twelve (12) month period during the said incumbency, unless the absence is due to illness, death in the immediate family or serious accident. The disqualification shall apply for purposes of the succeeding election.  iii. Dismissal or termination for cause as director of any corporation covered by the Code. The disqualification shall be in effect until he has cleared himself from any involvement in the cause that gave rise to his dismissal or termination.  iv. If any of the judgments or orders cited in the grounds for permanent disqualification has not yet become final.
(ii) Non-Executive Directors		
(ii) Independent Directors	A temporarily disqualified director shall, within 60 business days from such disqualification, take the appropriate action to remedy or correct the disqualification. If he fails or refuses to do so for unjustified reasons, the disqualification shall become permanent.  In compliance with MC 9-11, the Corporation's independent directors are covered by a term limit of five consecutive years, subject to the "cooling-off" period of two years as provided in MC 9-11.	According to the CG Manual, in addition to the above-mentioned disqualifications, an independent director shall also be disqualified if his beneficial equity ownership in the Corporation or its subsidiaries and affiliates exceeds 2% of its subscribed capital stock, the disqualification shall be lifted or later complied with.
<b>e. Removal</b>		
(i) Executive Directors	The By-Laws provide that any director may be removed, either with or without cause, at any time, by the affirmative	May be with or without cause. An example of a removal for cause is provided for by Section 8 the CG Manual, which mandates
(ii) Non-Executive Directors		

(iii) Independent Directors	<p>vote of 2/3 of the outstanding capital stock entitled to vote at a regular meeting or at a special meeting called for the purpose and held after due notice. The vacancy in the Board caused by any such removal may be filled by the stockholders at such meeting without further notice, or at any regular or special meeting called for the purpose after due notice.</p> <p>The Compliance Officer decides whether or not any violation of the CG Manual has been committed, and shall recommend to the Chairman the Imposable penalty for such violation, for further review and approval by the Board. This is subject to the requirements of due process, notice and hearing.</p>	removal of the director for a third violation of the CG Manual.
<b>f. Re-Instatement</b>		
(i) Executive Directors	<p>The By-Laws provide that any vacancy caused by disqualification may be filled by the majority vote of the remaining directors then in office, constituting a quorum, and each director so elected shall hold office for a term to expire at the next annual election of directors, and until his successors shall be duly elected and qualified, or until his death, until he shall resign or shall have been removed in the manner herein provided.</p>	<p>Under Sec. 2.2.1.5 of the CG Manual, a temporarily disqualified director shall, within sixty (60) business days from such disqualification, take the appropriate action to remedy or correct the disqualification. If he fails or refuses to do so for unjustified reasons, the disqualification shall become permanent.</p>
(ii) Non-Executive Directors		
(iii) Independent Directors		
<b>g. Suspension</b>		
(i) Executive Directors	<p>According to the CG Manual, the Compliance Officer decides whether or not any violation of the CG Manual has been committed, and shall recommend to the Chairman the Imposable penalty for such violation, for further review and approval by the Board. This is subject to the requirements of due process, notice and hearing.</p>	<p>A director shall be suspended from office for a second violation of the provisions of the CG Manual.</p>
(ii) Non-Executive Directors		
(iii) Independent Directors		

**Voting Result of the last Annual General Meeting**

Name of Director	Votes Received
Wong Hong Ren	<p>To facilitate the conduct of the proceedings of the annual stockholders' meeting, the stockholders adopted a system of voting whereby a motion to elect the directors was presented and the meeting was advised that if there is no objection to a nomination or motion to approve a proposed resolution regarding the nomination,</p>
Bryan Cockrell	
Eddie Lau	
Eddie Yeo	

Michele Dee-Santos	It will be understood that the stockholders present or represented in today's meeting vote in favor of the nomination. Based on this system of voting, the five regular directors and the two independent directors, being the only nominees to the Board, were unanimously elected in the last annual stockholders' meeting.
Angelito Imperio (Independent Director)	
Mia Gentugays (Independent Director)	

**5) Orientation And Education Program**

a) Disclose details of the company's orientation program for new directors, if any.

A director, before assuming his role as such, is required to attend a seminar on corporate governance conducted by a duly recognized private or government institute. Furthermore, Section 4 of the CG Manual allows the Board to allocate funds for the purpose of conducting an orientation program or workshop with regard to the requirements of the CG Manual.

b) State any in-house training and external courses attended by Directors and Senior Management for the past three (3) years:

On 15 May 2014, SyCip Gorres Velayo & Co. conducted a corporate governance seminar at the Corporation's Boardroom, which was attended by Mr. Wong Hong Ren (Chairman and President/CEO), Bryan Cockrell (Director), Angello Imperlo (Independent Director), Eddie Yeo (General Manager of the Hotel, Director, Management Committee member, Assistant Compliance Officer), Eddie Lau (Director), Mr. Yam Kit Sung (General Manager, CFO, Compliance Officer, and Chief Audit Executive), and Alain Charles Veloso (Assistant Corporate Secretary).

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On 21 October 2014, Ms. Maria Christina J. Macasat-Acaban, the Corporate Secretary of the Corporation, attended the Securities and Exchange Commission-Philippine Stock Exchange Corporate Governance Forum at the Rizal Ballroom of the Makati Shangri-La Hotel.

c) Continuing education programs for directors: programs and seminars and roundtables attended during the year.

Name of Director/ Officer	Date of Training	Program	Name of Training Institution
Wong Hong Ren	15 May 2014	Corporate Governance Seminar	SyCip Gorres Velayo & Co.
Bryan Cockrell	15 May 2014	Corporate Governance Seminar	SyCip Gorres Velayo & Co.
Eddie Yeo	15 May 2014	Corporate Governance Seminar	SyCip Gorres Velayo & Co.
Angello C. Imperlo	15 May 2014	Corporate Governance Seminar	SyCip Gorres Velayo & Co.
Mia G. Gentugaya	2-3 March 2009	Orientation Course on Corporate Governance	Institute of Corporate Directors
Michele D. Santos	22 March 2014	Corporate Governance Training	SyCip Gorres Velayo & Co.

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Deleted: 6 December 2005

Deleted: Institute of Corporate Directors / Insurance Institute for Asia and the Pacific

Deleted: Orientation Course

**B. CODE OF BUSINESS CONDUCT & ETHICS**

1. Discuss briefly the company's policies on the following business conduct or ethics affecting directors, senior management and employees:

Business Conduct & Ethics	Directors	Senior Management	Employees
(a) Conflict of Interest	He should avoid situations that may compromise his impartiality; requires full disclosure for any actual or potential conflict of interest, as well as inhibition from participating in decision-making. If there is a continuing material conflict of interest, he should seriously consider resignation.	The Corporation adheres to the policies of the Group (Millennium & Copthorne Hotels plc) which outline the standards of behavior required of all employees when acting on the Group's behalf which include acting professionally, with honesty, integrity, objectivity and in compliance with all applicable legal and regulatory requirements.	Engaging in competitive business operation is considered a grave offense.



(b) Conduct of Business and Fair Dealings	The basic principle is that a director should not use his position to profit or gain some benefit or advantage for himself and/ or his related interests.	The Board of Directors has implemented an anti-bribery policy which prohibits the offering, the giving, the solicitation or the acceptance of any bribe, whether cash or other inducement.	Engaging in competitive business operations with The Heritage Hotel ("Hotel") premises is a grave offense.
		It is the Company's and the Group's policy to agree the terms of payment with suppliers at the commencement of the trading or contractual relationship and to operate within such terms subject to satisfactory completion of the suppliers' obligations. It does not follow any particular guidelines established by third parties.	Unauthorized foreign currency dealings is considered a grave offense
			Merchandising or engaging in any kind of personal business or activity during working hours or while inside the Hotel premises and/or anywhere within its vicinity is considered a minor offense.
(c) Receipt of gifts from third parties	A director should not use his position to profit or gain some benefit or advantage for himself and/or his related interests. He should avoid situations that may compromise his impartiality. If an actual or potential conflict of interest may arise on the part of a director, he should fully and immediately disclose it and should not participate in the decision-making process. A director who has a continuing material conflict of interest should seriously consider resigning from his position.	The Board of Directors has implemented an anti-bribery policy which prohibits the offering, the giving, the solicitation or the acceptance of any bribe, whether cash or other inducement.	Borrowing or receiving money commissions, promises or soliciting material favors or any other consideration from suppliers, customers or other persons with which the company has an existing business relationship for the purpose of personal gain or benefit is a grave offense.
			Soliciting and collection any form of contributions or donations for any purpose not authorized by the Management is a minor offense.
(d) Compliance with Laws & Regulations	A director is required to have a working knowledge of the statutory and regulatory requirements that affect the Corporation, including its articles of incorporation and by-laws, the rules and regulations of the SEC, and, where applicable, the requirements of relevant regulatory agencies.	The Corporation adheres to the policies of the Group which outline the standards of behavior required of all employees when acting on the Group's behalf which include acting professionally, with honesty, integrity, objectivity and in compliance with all applicable legal and regulatory requirements.	Engaging or conniving in any anomalous transactions not covered in any other rule of the Hotel Code of Conduct ("Code of Conduct") is a grave offense.
		The Board of Directors has implemented an anti-bribery policy which prohibits the offering, the giving, the solicitation or the acceptance of any bribe, whether cash or other inducement.	Inducing, encouraging, or abetting any employee to engage in prohibited acts or/any practice in violation of company policies is a major offense.
			Criminal conviction in any court of law or commission of a crime during working hours but within the Hotel's premises is a grave offense.

(e) Respect for Trade Secrets/Use of Non-public Information	A director is required to keep secure and confidential all non-public information that he may acquire or learn by reason of this position as director. He should not reveal confidential information to unauthorized persons without authority of the Board.	The Corporation adheres to the policies of the Group which outline the standards of behavior required of all employees when acting on the Group's behalf which include acting professionally, with honesty, integrity, objectivity and in compliance with all applicable legal and regulatory requirements.	Leaking one's salary information or that of another is a major offense.  Leaking out Hotel Trade Secrets or confidential information to unauthorized persons is a grave offense
(f) Use of company Funds, Assets and Information	Except for reasonable per diems, directors are entitled only to the compensation as may be granted by them by the vote of majority of the stockholders representing at least a majority of the outstanding capital stock.	The Corporation adheres to the policies of the Group which outline the standards of behavior required of all employees when acting on the Group's behalf which include acting professionally, with honesty, integrity, objectivity and in compliance with all applicable legal and regulatory requirements.	A number of provisions in the Code of Conduct consider unauthorized use of company assets for one's benefit as a major offense. Moreover, unauthorized access to computer files by breaking passwords is a grave offense. Misappropriation of company funds also a grave offense.
(g) Employment & Labor Laws & Policies	A director is required to have a working knowledge of the statutory and regulatory requirements that affect the Corporation, including its articles of incorporation and by-laws, the rules and regulations of the SEC and, where applicable, the requirements of relevant regulatory agencies.	The Corporation adheres to the policies of the Group which outline the standards of behavior required of all employees when acting on the Group's behalf which include acting professionally, with honesty, integrity, objectivity and in compliance with all applicable legal and regulatory requirements.	Inciting, instigating, provoking or participating in any riots, disorders, or any concerted activities as slow downs or any other act that intends to sabotage the operations and business of the Hotel is a grave offense.
(h) Disciplinary action	<p>For violations of the CG Manual:</p> <p>(1) First violation: reprimand (2) Second violation: suspension (3) Third violation: removal</p> <p>Under the Corporation Code, and prevailing jurisprudence, a director of a corporation may be held liable for damages for the acts of the corporation, under the following circumstances:</p> <p>(1) He willfully and knowingly vote for or assent to patently unlawful acts of the corporation; (2) He is guilty of gross negligence or bad faith in directing the affairs of the corporation; (3) He acquires any personal or pecuniary interest in conflict with their duty as such directors; (4) He consents to the issuance of watered stocks or who, having</p>	Any violation of the policies of the Group which outline the standards of behavior required of all employees may be a ground for disciplinary action (i.e., reprimand, suspension, or removal) of a senior management officer.	<p>Issuing statements inimical to the reputation of the corporation is a major offense.</p> <p>Minor Offenses</p> <ul style="list-style-type: none"> <li>• 1st offense - Verbal Warning</li> <li>• 2nd - Written Warning</li> <li>• 3rd - 1 week suspension</li> <li>• 4th - dismissal</li> </ul> <p>Major Offenses</p> <ul style="list-style-type: none"> <li>• 1st - 1 week suspension</li> <li>• 2nd - 2 weeks suspension</li> <li>• 3rd - dismissal</li> </ul> <p>Grave Offense</p> <ul style="list-style-type: none"> <li>• 1st - dismissal</li> </ul>

	<p>knowledge hereof, does not forthwith file with the corporate secretary his written objection thereto;</p> <p>(5) He agrees to hold himself personally and solidarily liable with the corporation; or</p> <p>(6) He is made, by a specific provision of law, to personally answer for his corporate action.</p>		
(i) Whistle Blower	<p>To enable the members of the Board to properly fulfill their duties and responsibilities, Management should provide them with complete, adequate and timely information about the matters to be taken in their meetings.</p> <p>Reliance on information volunteered by Management would not be sufficient in all circumstances and further inquiries may have to be made by a member of the Board to enable him to properly perform his duties and responsibilities. Hence, the members should be given independent access to Management and the Corporate Secretary.</p> <p>The information may include the background or explanation on matters brought before the Board, disclosures, budgets, forecasts and internal financial documents.</p> <p>The members, either individually or as a Board, and in furtherance of their duties and responsibilities, should have access to independent professional advice that directly relate to their functions and responsibilities as directors of the Corporation, at such reasonable cost to be borne by the Corporation.</p>	<p>Whistle-blowing procedures are in place to enable employees to raise concerns about any activity they consider to be unlawful, is a breach of authority, falls below accepted standards or practice, amounts to improper conduct or could damage the Group's reputation.</p>	<p>Refusal to answer inquiries or participate in any investigation authorized by the Hotel, provided such answers or participation will not violate constitutional rights is considered a major offense.</p>
(j) Conflict Resolution	<p>It is the duty of the Board to establish and maintain an alternative dispute resolution to amicably settle conflicts between the Corporation and stockholders or third parties or regulatory authorities.</p>	<p>The Corporation adheres to the policies of the Group which outline the standards of behavior required of all employees when acting on the Group's behalf which include acting professionally, with honesty, integrity, objectivity and in compliance with all applicable legal and regulatory requirements.</p>	<p>Disciplinary procedures are governed by the following steps:</p> <ol style="list-style-type: none"> <li>1. Submission of incident report</li> <li>2. Written explanation from offender</li> <li>3. Investigation by department head</li> <li>4. Accomplishment of Offense Subject to Corrective Action ("OSCA") form</li> <li>5. Submission of OSCA form to HR department</li> <li>6. Disciplinary interview</li> </ol>

2. Has the code of ethics or conduct been disseminated to all directors, senior management and employees?  
 Yes.

3. Discuss how the company implements and monitors compliance with the code of ethics or conduct.

**For Directors**

The CG Manual provides for the appointment of the Compliance Officer who is responsible for monitoring compliance with the provisions and requirements, as well as violations, of the CG Manual and the Revised Code of Corporate Governance, and issues a certification regarding the level of compliance of the Corporation.

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

Section 7.2 of the CG Manual provides that the CG Manual shall be reviewed quarterly unless the Board provides otherwise. Moreover, the Audit Committee of the Corporation reports regularly to the Board its quarterly review of the financial performance of the Corporation.

*Implementation of the Revised Code of Corporate Governance*

In compliance with Article 9 of the SEC Memorandum Circular No. 6, Series of 2009 or the Revised Code of Corporate Governance, the Board, in a meeting held on 29 October 2009, approved the amendment of the CG Manual. The amendment of the Corporation's Manual on Corporate Governance was made to establish and implement the Corporation's corporate governance rules in accordance with the Revised Code of Corporate Governance. For the year 2012, the Corporation, its directors, officers and employees substantially complied, and has taken reasonable action towards complying with the leading practices and principles on good corporate governance as embodied in the Corporation's Manual on Corporate Governance, and in the Revised Code of Corporate Governance.

*Annual Corporate Governance Report for Listed Companies*

The Corporation annually updates its Annual Corporate Governance Report, which is posted on the Corporation's website.

**For Senior Management and other employees**

The Code of Conduct provides for penalties for any transgression of the Code of Conduct, ranging from verbal warning to dismissal. It is the immediate Supervisor/ Head who is duty-bound to inform the Corporation of such a transgression committed by his subordinate by filing an incident report to his Department head within 24 hours. The offender will then be required by the said department head to issue a written explanation. After investigation, the Department head accomplishes an OSCA report which contains his recommendation, and then submits it to the Human Resources Department for the implementation of the penalty.

**4. Related Party Transactions**

**Policies and Procedures**

Describe the company's policies and procedures for the review, approval or ratification, monitoring and recording of related party transaction between and among the company and its parent, joint ventures, subsidiaries, associates, affiliates, substantial stockholders, officers and directors, including their spouses, children and dependent siblings and parents and of interlocking director relationships of members of the Board:

Related Party Transaction	Policies and Procedures
(1) Parent Company	<p>The Corporation's CG Manual requires information including related party transactions to be publicly and timely disclosed through the appropriate mechanisms of the PSE and submitted to the SEC.</p> <p>In compliance with the Amended Implementing Rules and Regulations of the Securities Regulation Code ("SRC Rules"), the Corporation must disclose the following details for a related party contract:</p> <p>a. the nature of the related party relationship;</p>
(2) Joint Ventures	
(3) Subsidiaries	
(4) Entities Under Common Control	
(5) Substantial Stockholders	

(6) Officers including spouse/children/siblings/parents	b. the type of transaction (e.g. supply or services contract, loans, guarantees); c. the total amounts payable and receivable in the transaction from or to the related party;
(7) Directors including spouse/children/siblings/parents	d. the elements of the transaction necessary to understand the listed company's financial statements.
(8) Interlocking director relationship of Board	<p>The Corporation must also disclose its transactions in which related persons, such as directors, officers, substantial shareholders or any of their immediate families have a direct material interest, such as the related person's beneficial ownership of the counter party or share in the profits, bonus, or commissions out of the transaction.</p> <p>No disclosure is needed for any transaction where:</p> <ol style="list-style-type: none"> <li>The transaction involves services at rates or charges fixed by law or governmental authority;</li> <li>The transaction involves services as a bank depository of funds, transfer agent, registrar, trustee under a trust indenture, or similar services;</li> <li>The amount involved in the transaction or a series of similar transactions has an aggregate value of less than PhP2,500,000; or</li> <li>The interest of the person arises solely from the ownership of securities of the registrant and the person receives no extra or special benefit that was not shared equally (pro rata) by all holders of securities of the class.</li> </ol> <p>In compliance with the provisions of the Corporation Code, a contract of the Corporation with one or more of its directors or officers must be ratified by the vote of the stockholders representing at least two-thirds (2/3) of the outstanding capital stock if any of the following conditions are absent:</p> <ol style="list-style-type: none"> <li>The presence of such director in the board meeting in which the contract was approved was not necessary to constitute a quorum for such meeting.</li> <li>The vote of such director was not necessary for the approval of the contract.</li> </ol> <p>Full disclosure of the adverse interest of the directors or officers involved must be made at the stockholders' meeting and the contract must be fair and reasonable under the circumstances.</p> <p>Furthermore, the Corporation must comply with the provision of the Corporation Code which requires a contract between two or more corporations having interlocking directors, where (i) the interest of the interlocking director in one corporation is substantial and his interest in the other corporation is merely nominal, and (ii) any of the following conditions are absent:</p> <ol style="list-style-type: none"> <li>The presence of such director in the board meeting in which the contract was approved was not necessary to constitute a quorum for such meeting.</li> <li>The vote of such director was not necessary for the approval of the contract.</li> </ol> <p>to be ratified by the vote of the stockholders representing at least two-thirds (2/3) of the outstanding capital stock of the corporation where the interlocking director's interest is nominal. Similarly, full disclosure of the adverse interest of the interlocking director/s involved must be made at the stockholders' meeting and the contract must be fair and reasonable under the circumstances. Stockholdings exceeding twenty (20%) percent of the outstanding capital stock shall be considered substantial for purposes of interlocking directors.</p>

**Conflict of Interest**

**(I) Directors/Officers and 5% or more Shareholders**

Identify any actual or probable conflict of interest to which directors/officers/5% or more shareholders may be involved.

	Details of Conflict of Interest (Actual or Probable)
Name of Director/s	None
Name of Officer/s	None
Name of Significant Shareholders	None

**(II) Mechanism**

Describe the mechanism laid down to detect, determine and resolve any possible conflict of interest between the company and/or its group and their directors, officer and significant shareholders.

	Directors/Officers/Significant Shareholders
Corporation	The Corporation has adopted a policy that requires management to disclose related-party transactions. Item 5 of the CG Manual requires the disclosure of all material information about the Corporation which could adversely affects its viability or the interests of the stockholders. This includes: <ul style="list-style-type: none"> <li>• earnings results</li> <li>• acquisition or disposition of assets</li> <li>• related party transactions</li> <li>• remuneration</li> </ul>
Group	Please see above.

**5. Family, Commercial and Contractual Relations**

(a) Indicate, if applicable, any relation of a family, commercial, contractual or business nature that exists between the holders of significant equity (5% or more), to the extent that they are known to the company:

Names of Related Significant Shareholders	Type of Relationship	Brief Description of the Relationship
N.A.		

(b) Indicate, if applicable, any relation of a commercial, contractual or business nature that exist between the holders of significant equity (5% or more) and the company:

Names Related Significant Shareholders	Type of Relationship	Brief Description
Millennium & Copthorne Hotels pic	Indirect beneficial owner of more than 5% of the outstanding shares of the Corporation (through its indirect shareholdings in TPFL)	The Corporation has entered into a Management Agreement with Elite Hotel Management Services Pte. Ltd.'s Philippines Branch for the latter to act as the Hotel's administrator. Under the terms of the agreement, the Corporation is required to pay monthly basic management and incentive fees based on a certain percentage of revenue and gross operating profit.

(c) Indicate any shareholder agreements that may impact on the control, ownership and strategic direction of the company:

Names Shareholders	% of Capital Stock affected (Parties)	Brief Description of the Transaction
N.A.		

**6) Alternative Dispute Resolution**

Describe the alternative dispute resolution system adopted by the company for the last three (3) years in amicably settling conflicts or differences between the corporation and its stockholders, and the corporation and third parties, including regulatory authorities.

Alternative Dispute Resolution System	
Corporation & Stockholders	The CG Manual empowers the Board to establish and maintain an alternative dispute resolution system in the Corporation that can amicably settle conflicts or differences between the Corporation and its stockholders, and the Corporation and third parties, including the regulatory authorities. The Board has yet to have the opportunity to adopt an alternative dispute resolution system.
Corporation & Third Parties	
Corporation & Regulatory Authorities	

**C. BOARD MEETINGS & ATTENDANCE**

**1) Are Board of Directors' meetings scheduled before or at the beginning of the year?**

Regular meetings of the Board are held at the end of each quarter, and at such times as the Board shall from time to time by resolution determine. Special meetings shall be held when called by the Chairman, the President, or by the Secretary at the request of any 1 of the directors.

**2) Attendance of Directors**

Board	Name	Date of Election	No. of Meetings Held during the year (i.e., from 1 January 2014 to 31 December 2014)	No. Of Meetings Attended	%
Chairman	Wong Hong Ren	15 May 2014	7	7	100%
Member	Bryan Cockrell	15 May 2014	7	6	85.71%
Member	Michele Dee-Santos (Resigned effective 10 October 2014)	15 May 2014	6	5	83.33%
Member	Eddie Lau	15 May 2014	7	6	85.71%
Member	Eddie Yeo	15 May 2014	7	7	100%
Independent	Angello Imperio	15 May 2014	7	6	85.71%
Independent	Mia Gentugaya	15 May 2014	7	5	100%

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Do non-executive directors have a separate meeting during the year without the presence of any executive? If yes, how many times?

No.

Is the minimum quorum requirement for Board decisions set at two-thirds of board members? Please explain

No. In line with the requirements of the Corporation Code, majority of the directors shall constitute a quorum for the transaction of business

**4) Access to Information**

**(a) How many days in advance are Board papers for Board of Directors meetings provided to the Board?**

No particular period by which Board papers should be provided to the Board is required. Nonetheless, the CG Manual requires Management to provide the members of the Board with complete, adequate, and timely information about the matters to be discussed in the meetings. Usually, Board papers for Board meetings are provided to the Board at least a week before the date of the meeting.

**(b) Do board members have independent access to Management and the Corporate Secretary?**

Yes. The CG Manual expressly provides Management should provide the Board with complete, adequate and timely information, and that directors be given direct access to Management and the Corporate Secretary. It also provides that such information may include the background or explanation on matters brought before the Board, disclosures, budgets, forecasts, and internal financial documents.

**(c) State the policy of the role of the company secretary. Does such role include assisting the Chairman in preparing the board agenda, facilitating training of directors, keeping directors updated regarding any relevant statutory and regulatory changes, etc.**

Part of the duties of the Corporate Secretary, as provided for by the CG Manual, is to be responsible for the safekeeping and preservation of the integrity of the minutes of the meetings of the Board and its committees, as well as the other official records of the Corporation, and to inform all members of the Board of the agenda of meetings and to ensure that the members have before them accurate information that will enable them to arrive at intelligent decisions. Furthermore, he is required by the CG Manual to be aware of the laws and regulations necessary in the performance of his duties and to use such knowledge to ensure that all Board procedures, rules and regulations are strictly followed by the members; and to ensure that all Board procedures, rules and regulations are strictly followed by the members.

The Corporate Secretary is required to attend all Board meetings, unless justifiable causes prevent him from doing so. Moreover, the Corporation also has an Assistant Corporate Secretary who is required to attend such meetings in the absence or unavailability of the Corporate Secretary. As such, the Board members have easy access to the services of the Corporate Secretary.

**(d) Is the company secretary trained in legal, accountancy or company secretarial practices? Please explain should the answer be in negative.**

Yes. The Corporate Secretary, Ms. Christina Macasaet-Acaban is a partner of the law firm of Quisumbing Torres, specializing in corporate and commercial law. The Assistant Corporate Secretary, Mr. Alain Charles Veloso, is a senior associate also of the law firm Quisumbing Torres; he also specializes in corporate and commercial law and securities law. In addition, Mr. Veloso is also a Certified Public Accountant.

Both Ms. Macasaet-Acaban and Mr. Veloso also serve as corporate secretary or assistant corporate secretary of various private companies.

**(e) Committee Procedures**

Disclose whether there is a procedure that Directors can avail of to enable them to get information necessary to be able to prepare in advance for the meetings of different committees:

Yes No

Committee	Details of the Procedures
Executive	N/A
Audit	<p>The Charter requires the General Manager of the Corporation to render to the Audit Committee an annual report on the activities, purpose, authority, responsibility, and performance of the internal audit department of the Corporation.</p> <p>The Audit Committee shall have unlimited direct access to the internal and external auditors of the Corporation, as well as to the</p>



	<p>management and staff of the Corporation, particularly the Chief Executive Officer and the Chief Financial Officer. In this connection, the Audit Committee may request the auditors and the management of the Corporation to be present at such meetings of the Audit Committee as the Audit Committee may require.</p> <p>Under the CG Manual, the Internal Auditor is required to submit to the Audit Committee and Management an annual report on the internal audit department's activities, responsibilities and performance relative to the audit plans and strategies as approved by the Audit Committee. The annual report should include significant risk exposures, control issues and such other matters as may be needed or requested by the Board and Management.</p>
Nomination	The Nomination Committee, subject to the approval of the Board, shall promulgate the rules, guidelines and criteria to govern the conduct of the nomination. Only the candidates whose nominations are confirmed by the Nomination Committee to be in accordance with such rules, guidelines and criteria shall be eligible to be elected as independent directors.
Remuneration	The Hotel Management Executive Committee of the Corporation, which performs the functions of the Remuneration Committee, gathers and reviews market information on salary or compensation of other hotels in making its decisions and recommendations.
Others(specify)	N.A.

In addition to the foregoing, the Secretary is required to inform the members of the Board, in accordance with the by laws, of the agenda of their meetings and ensure that the members have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval.

Under the CG Manual, to enable the members of the Board to properly fulfill their duties and responsibilities, Management is required to provide them with complete, adequate and timely information about the matters to be taken in their meetings.

Reliance on information volunteered by Management would not be sufficient in all circumstances and further inquiries may have to be made by a member of the Board to enable him to properly perform his duties and responsibilities. Hence, the members should be given independent access to Management and the Corporate Secretary.

The information may include the background or explanation on matters brought before the Board, disclosures, budgets, forecasts and internal financial documents.

The members, either individually or as a Board, and in furtherance of their duties and responsibilities, should have access to independent professional advice that directly relate to their functions and responsibilities as directors of the Corporation, at such reasonable cost to be borne by the Corporation.

#### 5) External Advice

Indicate whether or not a procedure exists whereby directors can receive external advice and, if so, provide details:

Procedures	Details
Management provides information to the Board	To enable the members of the Board to properly fulfill their duties and responsibilities, Management provides them with complete, adequate and timely information about the matters to be taken in their meetings.
The Board has access to independent professional advice	The members, either individually or as a Board, and in furtherance of their duties and responsibilities, has access to independent professional advice that directly relate to their functions and responsibilities as directors of the Corporation, at such reasonable cost to be borne by the Corporation.

Internal Auditor reports to the Audit Committee	The Audit Committee is required to establish and identify the reporting line of the Internal Auditor to enable him to properly fulfill his duties and responsibilities. He shall functionally report directly to the Audit Committee.  The Audit Committee shall ensure that, in the performance of the work of the Internal Auditor, he shall be free from interference by outside parties.
Internal Auditor has access to information and personnel	Pursuant to the conduct of the internal audit, the internal auditors has free and full access to all relevant information, data, records, properties and personnel.
Audit Committee has access to auditors and Management	The Audit Committee has unlimited direct access to the Internal and external auditors of the Corporation, as well as to the management and staff of the Corporation, particularly the Chief Executive Officer and the Chief Financial Officer. In this connection, the Audit Committee may request the auditors and the management of the Corporation to be present at such meetings of the Audit Committee as the Audit Committee may require.

**6) Change/s in existing policies**

Indicate, if applicable, any change/s introduced by the Board of Directors (during its most recent term) on existing policies that may have an effect on the business of the company and the reason/s for change:

Existing Policies	Changes	Reason
N.A.		

**D. REMUNERATION MATTERS**

**1) Remuneration Process**

Process	CEO	Top 4 Highest Paid Management Officers
(1) Fixed remuneration	Under the By-Laws, the Board fixes the salaries and bonuses of all officers of the Corporation.	Under the By-Laws, the Board fixes the salaries and bonuses of all officers of the Corporation.
(2) Variable remuneration	None	none
(3) Per diem allowance	None	none
(4) Bonus	Fixed by the Board as well.	Fixed by the Board as well.
(5) Stock Options and other financial instruments	none	none
(6) Others (specify)	None	none

Disclose the process used for determining the remuneration of the CEO and the four (4) most highly compensated management officers: The Chairman and President/CEO does not receive remuneration from the Corporation. The remuneration of other executives / management officers are based on their employment contract and bonus are based on the Corporation's performance and their individual performance.

The CG Manual provides the following process and policy for the remuneration of directors and officers (including the CEO

and Management officers):

The Board shall fix the salaries and bonuses of all officers. The fact that an officer is also a director shall not preclude him from receiving a salary or bonus.

The levels of remuneration of the Corporation should be sufficient to be able to attract and retain the services of qualified and competent directors and officers.

Except for reasonable per diems, directors shall be entitled only compensation as may be granted to them, as such, by the vote of the stockholders representing at least a majority of the outstanding capital stock at a regular or special meeting of stockholders. No director should participate in deciding on his remuneration.

In no case shall the total yearly compensation of directors, as such, exceed ten percent (10%) of the net income before income tax of the Corporation during the preceding year.

The Corporation's annual reports and information and proxy statements shall include a clear, concise and understandable disclosure of all fixed and variable compensation that may be paid, directly or indirectly, to its directors and top four (4) management officers during the preceding fiscal year.

The Hotel Management Executive Committee is appointed annually by the Board to perform the functions of the Remuneration and Compensation Committee, which is to establish a formal and transparent procedure for developing a policy on remuneration of directors and officers to ensure that their compensation is consistent with the corporation's culture, strategy and the business environment in which it operates.

**2) Remuneration Policy and Structure for Executive and Non-Executive Directors**

**Disclose the company's policy of remuneration and the structured of its compensation package. Explain how the compensation of Executive and Non-Executive Directors is calculated.**

	Remuneration Policy	Structure of Compensation Packages	How Compensation is Calculated
<b>Executive Directors</b>	<p>The By- Laws/ CG Manual state that except for reasonable per diems, directors, as such, shall be entitled only to the compensation as may be granted to them by the vote of the stockholders representing at least a majority of the outstanding at a regular or special meeting. In no case shall the total yearly compensation of all directors, as such, exceed 10% of the net income before tax of the Corporation during the preceding year.</p> <p>In addition, the Board fixes the salaries and bonuses of all officers. The fact that an officer is also a director shall not preclude him from receiving a salary or bonus.</p>	<p>The executive officers of the Corporation, as such, are paid a monthly fixed salary with variable bonus depending on performance.</p> <p>In addition, they receive compensation as one-time director's fees in their capacity as directors.</p>	<p>Remuneration as executive directors: fixed and approved by the Board.</p> <p>Remuneration as directors: the proposed remuneration will be presented to the stockholders for approval at the annual stockholder's meeting.</p>
<b>Non-Executive</b>	The By- Laws/ CG Manual	The compensation of the	Remuneration as directors: the

Directors	states that except for reasonable per diems, directors, as such, shall be entitled only to the compensation as may be granted to them by the vote of the stockholders representing at least a majority of the outstanding at a regular or special meeting. In no case shall the total yearly compensation of all directors, as such, exceed 10% of the net income before tax of the Corporation during the preceding year.	directors are one-time director's fees and do not involve any other form of remuneration. There are no arrangements, such as compensatory plan or arrangement or consulting contracts, pursuant to which any director of the Corporation is to be compensated, directly or indirectly.  There are no arrangements, such as compensatory plan or arrangement or consulting contracts, pursuant to which any director of the Corporation was compensated, or is to be compensated, directly or indirectly, during the Corporation's last completed fiscal year, and the ensuing year, for any service provided as director.	proposed remuneration will be presented to the stockholders for approval at the annual stockholder's meeting.
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Do stockholders have the opportunity to approve the decision on total remuneration (fees, allowances, benefits-in-kind and other emoluments) of board of directors? Provide details for the last (3)three years.

Yes. The Board presented the proposed remuneration to the stockholders for their approval at the annual stockholder's meeting.

Remuneration Scheme	Date of Stockholders Approval
Year 2013	15 May 2014
Year 2012	15 May 2013
Year 2011	15 May 2012

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### 3) Aggregate Remuneration

Complete the following table on the aggregate remuneration accrued during the most recent year:

Remuneration Item	Executive Directors	Non-Executive Directors (other than Independent directors)	Independent Directors
(a) Fixed Remuneration	USD5,000 (net of withholding taxes / director)	USD5,000 (net of withholding taxes / director)	USD5,200 (net of withholding taxes / director)
(b) Variable Remuneration			
(c) Per Diem Allowance			
(d) Bonuses			
(e) Stock Options and/or other financial instruments			
(f) Other (specify)			
Total	USD5,000 (net of withholding taxes / director)	USD5,000 (net of withholding taxes / director)	USD5,200 (net of withholding taxes / director)

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Other Benefits	Executive Directors	Non-Executive Director (other than Independent Directors)	Independent Directors
1) Advances	none	none	none
2) Credit Granted	none	none	none
3) Pension Plan/s Contributions	none	none	none
(d) Pension Plans Obligations Incurred	none	none	none
(e) Life Insurance Premium	none	none	none
(f) Hospitalization Plan	none	none	none
(g) Car Plan	none	none	none
(h) Others (specify)	none	none	none
Total	0	0	0

**4) Stock Rights, Options and Warrants**

**(a) Board of Directors**

Complete the following table, on the members of the company's Board of Directors who own or are entitled to stock rights, options or warrants over the company's shares:

Director's Name	Number of Direct Options/Rights/Warrants	Number of Indirect Option/Rights/Warrants	Number of equivalent shares	Total % from Capital Stock
N.A.				

**b) Amendments of Incentive Programs**

Incentive Program	Amendments	Date of Stockholders Approval
N.A.		

Indicate any amendments and discontinuation of any incentive programs introduced, including the criteria used in the creation of the program. Disclose whether these are subject to approval during the annual Stockholders Meeting:

**5) Remuneration of Management**

Identify the five (5) members of management who are not at the same time executive directors and indicate the total remuneration received during the financial year:

Name of Officer/Position	Total Remuneration

Yam Kit Sung  
 Giol Gaw (Director of Sales and Marketing)  
 Catherine Serrano (Director of Finance)  
 Mary Grace Magasalin (Director of HR) (Passed away on 22 August 2014)  
 Domingo Naz Jr. (Chief Engineer)

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Deleted: Johnny Yap - Executive Manager of the Hotel

Deleted: Alex Cheong - Executive Chef of the Hotel

#### E. BOARD COMMITTEES

##### 1) Number of Members, Functions and Responsibilities

Provide details on the number of members of each committee, its functions, key responsibilities and the power/authority delegated to it by the Board:

Committee	No. Of Members			Committee Charter	Functions	Key Responsibilities	Power
	ED	NED	ID				
Audit	0	2	1	Yes	<p>CG Manual:</p> <p>(1) Assists the Board in oversight responsibility for the financial reporting process, system of internal control, audit process, and monitoring of compliance with applicable laws, rules and regulations;</p> <p>(2) Provide oversight over Management's activities in managing credit, market, liquidity and other risks</p> <p>(3) Oversight functions over the Corporation's Internal and external auditors; to ensure that such auditors act independently from each other and that both auditors are given unrestricted access to all records, etc.</p> <p>(4) Review the annual internal audit plan to ensure its conformity with the Corporation's objectives</p> <p>(5) Prior to commencement of the audit, to discuss with the external auditor the nature,</p>	<p>Charter:</p> <p>(1) Review and approve the scope and frequency of the audit of the Corporation and the annual internal audit plan that management shall propose</p> <p>(2) Review the progress and status of all internal audit and external audit recommendations and their implementation</p> <p>(3) Monitor and evaluate the adequacy effectiveness of the Corporation's internal control system</p> <p>(4) Check all financial reports with respect to the proper compliance of the financial management handbook and pertinent accounting standards and regulatory requirements.</p> <p>(5) Review the Financial Management Handbook and perform oversight financial management functions, particularly in areas of managing credit, market, liquidity, operational, legal and other risks of</p>	<p>(1) Unlimited direct access to the internal and external auditors of the Corporation, as well as to the management and staff, particularly the CEO and CFO</p> <p>(2) May require the auditors and the management to be present in meetings of the Audit Committee</p> <p>(3) Free full and access to all relevant information, data, records, properties and personnel</p> <p>(4) The Audit Committee shall recommend to the stockholders who shall act as the external auditor of the Corporation</p>

					<p>scope, and expenses of the audit, and ensure proper coordination if more than one audit firm is involved in the activity</p> <p>(6) Monitor and evaluate the adequacy and effectiveness of the Corporation's internal control system, including financial reporting control and information technology security</p> <p>(7) Review the reports submitted by the internal and external auditors</p> <p>(8) Review the quarterly, half year and annual financial statements before their submission to the Board</p> <p>(9) Coordinate, monitor and facilitate compliance with laws, rules and regulations</p> <p>(10) Evaluate and determine the non-audit work, if any, of the external auditor</p> <p>(11) Establish and identify the reporting line of the Internal Auditor to enable him to properly fulfill his duties and responsibilities</p> <p>(12) Ensure that in the performance of the work of the Internal Auditor, he shall be free from any interference from outside parties</p> <p>(13) Lay down the proper checks and balances to ensure that the Board gets the benefit of independent views and perspectives</p>	<p>the corporation, as well as crisis management.</p> <p>(6) Elevate to international standards the accounting and auditing processes, practices and methodologies of the Corporation. The Audit Committee shall determine whether the accounting system of the Corporation is fully compliant with International Accounting Standards. If the Audit Committee determines that is not fully compliant, the Audit Committee shall provide for an accountability statement that shall specifically identify the officers and personnel responsible for the different tasks required to raise to International Accounting Standards the accounting system of the Corporation. The Audit Committee shall also provide for a definite timetable within which the accounting system shall become fully compliant with International Accounting Standards.</p>
Nomination	1	3	1	None	<p>The Nomination Committee prepares the list of candidates for independent directors based upon qualified candidates nominated by the stockholders.</p> <p>It also promulgates rules, guidelines and criteria to govern the conduct of</p>	

					nomination, subject to the approval of the Board.  In addition, the Nomination Committee may also review and evaluate the qualifications of all persons nominated to the Board and other appointments that require Board approval.
Remuneration and Compensation		1		None	The Hotel Management Executive Committee is appointed annually by the Board to perform the functions of the Remuneration and Compensation Committee, which is to establish a formal and transparent procedure for developing a policy on remuneration of directors and officers to ensure that their compensation is consistent with the corporation's culture, strategy and the business environment in which it operates.
Others (specify)					

## 2) Committee Members

### (a) Executive Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
N.A.						

### b) Audit Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (ID)	Mia Gentugaya	15 May 2014	4	4	100%	11 years
Member (NED)	Bryan Cockrell	15 May 2014	4	4	100%	13 years
Member (NED)	Michele Dee-Santos (Resigned effective 31 December 2014)	15 May 2014	3	2	66.66%	3 years

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### c) Nomination Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	Wong Hong Ren	15 May 2014	2	1	50%	12 years
Member (NED)	Bryan Cockrell	15 May 2014	2	2	100%	12 years
Member (NED)	Michele Dee-Santos (Resigned effective 31 December 2014)	15 May 2014	2	1	50%	2 years
Member (ID)	Angelito Imperia	15 May 2014	2	2	100%	11 years
Member (NED)	Eddie Lau	15 May 2014	2	2	100%	9 years

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d) Remuneration and Compensation Committee (this function is performed by The Hotel Management Executive Committee)

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	Yam Kit Sung	15 May 2014	0	N.A.	N.A.	12 years
Member (ED)	Eddie Yeo	15 May 2014	0	N.A.	N.A.	12 years
Member	Geraldine Nono Gaw	15 May 2014	0	N.A.	N.A.	5 years
Member	Mary Grace Magsalin (Passed away on 22 August 2014)	15 May 2014	0	N.A.	N.A.	9 years
Member	Catherine Serrano	15 May 2014	0	N.A.	N.A.	2 year

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e) Others (Specify)

Provide the same information on all other committees constituted by the Board of Directors:

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Member (ED)	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Member (NED)	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Member (ID)	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Member	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.

3) Changes in Committee Members

Indicate any changes in committee membership that occurred during the year and the reason for the changes:

Name of Committee	Name	Reason
Executive	N.A.	N.A.
Audit	N.A.	N.A.
Nomination	N.A.	N.A.
Remuneration	N.A.	N.A.
Others (specify)	N.A.	N.A.

4) Work Done and Issues Addressed

Describe the work done by each committee and the significant issues addressed during the year.

Name of Committee	Work Done	Issues Addressed
Executive	N.A.	N.A.
Audit	The Audit Committee performed the following functions:  (1) Assisted the Board in oversight responsibility for the financial reporting process, system of	The Audit Committee was able to address the following issues, among others:  (1) Reviewed the quarterly, half-year and annual financial statements before their submission to the Board, with particular focus on the following

Internal control, audit process, and monitoring of compliance with applicable laws, rules and regulations;

(2) Provided oversight over Management's activities in managing credit, market, liquidity and other risks

(3) Performed oversight functions over the Corporation's internal and external auditors; to ensure that such auditors act independently from each other and that both auditors are given unrestricted access to all records, etc.

(4) Reviewed the annual audit plan to ensure its conformity with the Corporation's objectives

(5) Prior to commencement of the audit, discussed with the external auditor the nature, scope, and expenses of the audit, and ensure proper coordination if more than one audit firm is involved in the activity

(6) Monitored and evaluated the adequacy and effectiveness of the Corporation's internal control system, including financial reporting control and information technology security

(7) Reviewed the reports submitted by the internal and external auditors

(8) Reviewed the quarterly, half year and annual financial statements before their submission to the Board

(9) Coordinated, monitored and facilitated compliance with laws, rules and regulations

(10) Evaluated and determined the non-audit work, if any, of the external auditor

(11) Conducted a self-assessment of the practices of the Audit Committee, in relation to the best practices and standards.

matters:

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

(2) Ensured that the performance of the work of the auditors are free from any interference from outside parties

(3) Laid down the proper checks and balances to ensure that the Board gets the benefit of independent views and perspectives

(4) Identified areas of improvement in the practices of the Audit Committee, in relation to the best practices and standards

Nomination	<p>The Nomination Committee performed the following functions:</p> <p>(1) Promulgated rules, guidelines and criteria to govern the conduct of nomination of independent directors, subject to the approval of the Board</p> <p>(2) Prepared the list of candidates for independent directors based upon qualified candidates nominated by the stockholders</p> <p>(3) Reviewed and evaluated the qualifications of all persons nominated to the Board and other appointments that require Board approval</p>	<p>The Nomination Committee was able to review and evaluate the qualifications of nominees for independent directors and persons nominated to the Board and other appointments that require Board approval.</p>
Remuneration and Compensation Committee	<p>The Hotel Management Executive Committee, acting as the Remuneration and Compensation Committee, recommended the remuneration of the regular directors and the independent directors of the Corporation.</p>	<p>The Remuneration and Compensation Committee was able to ensure that the compensation of the directors is consistent with the Corporation's culture, strategy and the business environment in which it operates.</p>
Others (specify)	N.A.	N.A.

**5) Committee Program**

Provide a list of programs that each committee plans to undertake to address relevant issues in the improvement or enforcement of effective governance for the coming year.

Name of Committee	Planned Program	Issues to be Addressed
Executive	N.A.	N.A.
Audit	<p>The Audit Committee plans to continue performing its functions and responsibilities, as provided in its Charter and the CG Manual.</p>	<p>The Audit Committee will continue to address the following issues, among others:</p> <p>(1) Review the quarterly, half-year and annual financial statements before their submission to the Board, with particular focus on the following matters:</p> <ul style="list-style-type: none"> <li>• Any change/s in accounting policies and practices</li> <li>• Major judgmental areas</li> <li>• Significant adjustments resulting from the audit</li> <li>• Going concern assumptions</li> <li>• Compliance with accounting standards</li> <li>• Compliance with tax, legal and regulatory requirements.</li> </ul> <p>(2) Oversight for the financial reporting process, system of internal control, audit process, and monitoring of compliance with applicable laws, rules and regulations;</p>

		<p>(3) Oversight over Management's activities in managing credit, market, liquidity and other risks</p> <p>(4) Oversight over the Corporation's internal and external auditors; to ensure that such auditors act independently from each other and that both auditors are given unrestricted access to all records</p> <p>(5) Ensure that the performance of the work of the auditors are free from any interference from outside parties</p> <p>(6) Lay down the proper checks and balances to ensure that the Board gets the benefit of independent views and perspectives</p> <p>(7) Identify areas of improvement in the practices of the Audit Committee, in relation to the best practices and standards</p>
Nomination	The Nomination Committee plans to continue performing its functions and responsibilities, as provided in the CG Manual.	The Nomination Committee will continue to review and evaluate the qualifications of nominees for independent directors and persons nominated to the Board and other appointments that require Board approval.
Remuneration	The Remuneration and Compensation Committee plans to continue performing its functions and responsibilities, as provided in the CG Manual.	The Remuneration and Compensation Committee will continue to ensure that the compensation of the directors is consistent with the Corporation's culture, strategy and the business environment in which it operates.
Others (specify)	N.A.	N.A.

#### F. RISK MANAGEMENT SYSTEM

##### 1) Disclose the following:

- (a) Overall risk management philosophy of the company;
- (b) A statement that the directors have reviewed the effectiveness of the risk management system and commenting on the adequacy thereof;
- (c) Period covered for the review;
- (d) How often the risk management system is reviewed and the directors' criteria for assessing its effectiveness; and
- (e) Where no review was conducted during the year, an explanation why not.

##### Overall Risk Management Philosophy and Review

The CG Manual provides that it is the duty of the Board to identify key risk areas and to monitor this factors with due diligence to enable the Corporation to anticipate and prepare for possible threats to its operational and financial viability.

These risks have been identified as: liquidity risk, credit risk, and market risk.

The Board has overall responsibility for the establishment and oversight of the Corporation's risk management framework. The Board is responsible for developing and monitoring the Corporation's risk management policies. The Board identifies all issues affecting the operations of the Corporation.

The Corporation's risk management policies are established to identify and analyze the risks faced by the Corporation, 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 Corporation's activities. All risks faced by the Corporation 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 Corporation's operations and detriment forecasted results. The Corporation, 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 Board constituted the Corporation's Audit Committee to assist the Board in fulfilling its oversight responsibility for the Corporation's corporate governance process relating to the: a) quality and integrity of the Corporation's financial statements and financial reporting process and the Corporation's systems of internal accounting and financial controls; b) performance of the internal auditors; c) annual independent audit of the Corporation's financial statements, the engagement of the independent auditors and the evaluation of the independent auditors' qualifications, independence and performance; d) compliance by the Corporation with legal and regulatory requirements, including the Corporation's disclosure control and procedures; e) evaluation of management's process to assess and manage the Corporation's enterprise risk issues; and f) fulfillment of the other responsibilities set out by the Board. The Audit Committee shall also prepare the reports required to be included in the Corporation's annual report.

**2) Risk Policy**

**(a) Corporation**

Give a general description of the company's risk management policy setting out and assessing the risk/s covered by the system (ranked according to policy), along with the objective behind the policy for each kind of risk:

Risk Exposure	Risk Management Policy	Objective
Credit Risk	Credit risk represents the risk of loss the Corporation would incur if credit customers and counterparties fail to perform their contractual obligations. The Corporation's credit risk arises principally from the Corporation's trade receivables.	The investment of the Corporation's cash resources is managed so as to minimize risk while seeking to enhance yield.
Liquidity Risk	Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation 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.
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 Corporation's income or the value of its holdings of financial instruments.  The Corporation is subject to various market risks, including risks from changes in room rates, interest rates and currency exchange rates.	The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

(b) Group

Give a general description of the Group's risk management policy, setting out and assessing the risk/s covered by the system (ranked according to priority), along with the objective behind the policy for each kind of risk:

Risk Exposure	Risk Management Policy	Objective
Events that adversely impact domestic or international travel	<p>Sustained levels of occupancy and room rates can be adversely affected by events that reduce domestic or international travel. Such events may include acts of terrorism, war or perceived increased risk of armed conflict, epidemics, natural disasters, increased cost of travel and industrial action. These events may be localized to a particular country, region or could have a wider international perspective, especially where a large airport, for example, is a major hub for worldwide travel. Reduced demand will impact on revenues and operational profitability.</p> <p>The Group has in place contingency and recovery plans to enable it to respond to major incidents or crises.</p>	Contingency and recovery plans are put in place to enable the Group to respond to major incidents or crises.
Political and economic developments	<p>Major events affecting either economic or political stability on a global and regional level represent an exposure to the Group. Economic events could include recessionary pressures which would have an impact on the Group's revenues, operating costs and profitability. Political risks include changes in the regulatory environment in which the Group's business activities operate, including restrictions on the repatriation of funds or control over the ownership of assets.</p> <p>Many of these risks are beyond the control of the Group and the time-frames for developing appropriate risk management approaches can often be very short. Management is continually vigilant to political and economic developments and seeks to identify emerging risks at the earliest opportunity. The Group implements ownership structures, internal controls and takes such steps available to it to minimize these exposures to the greatest extent possible.</p>	Management is continually vigilant to political and economic developments and seeks to identify emerging risks at the earliest opportunity. The Group implements ownership structures, internal controls and takes such steps available to it to minimize these exposures to the greatest extent possible.
The hotel industry, supply and demand cycle	<p>The hotel industry operates in an inherently cyclical market place. A weakening of demand, or an increase in market room supply, may lead to downward pressure on room rates which in turn would lead to a negative effect on operating performance.</p> <p>The Group has management systems in place designed to create flexibility in the operating cost base so as to optimize</p>	Management systems put in place are designed to create flexibility in the operating cost base so as to optimize operating profits in volatile trading conditions, such as the profit protection plans initiated during previous market down-turns.

	operating profits in volatile trading conditions, such as the profit protection plans initiated during previous market down-turns.	
<b>Human resources</b>	<p>Execution of the Group's strategy depends on its ability to attract, develop and retain employees with the appropriate skills, experience and aptitude.</p> <p>The Group has a strong service culture supported by recognition systems, compensation and benefits arrangements, training and development programmes. The Group has appropriate systems for recruitment, reward and compensation and performance management. Labor relations are actively managed on a regional and local basis.</p>	The Group has appropriate systems for recruitment, reward and compensation and performance management. Labor relations are actively managed on a regional and local basis.
<b>Management agreements</b>	An element of the Group's strategy is to selectively increase the number of management contracts to operate hotels owned by third-parties, primarily focusing on the Middle East region. In this regard, the Group faces competition from established global and regional brands. Successful execution of this strategy will depend on the Group's ability to identify suitable management opportunities, secure contracts on suitable contractual terms and ensure that contractual commitments are met and retained going forward.	The Group has developed a management team in the Middle East region that has the necessary skills and resources to pursue this element of the Group's strategy. A structured process for acquiring new contracts has been implemented and a priority is to ensure that the critical roles are filled and operational management is integrated into the Group system.
<b>Joint ventures and subsidiaries with minority shareholders</b>	<p>The Group has entered into a number of joint ventures in certain markets and is therefore subject to the risk of non-performance on the part of the minority partners especially when the strategic objectives of the partners are not fully aligned.</p> <p>For these joint ventures, the Group has appointed representatives who are assigned responsibilities to manage the relationship with the joint venture partners in order to enhance the alignment of business objectives.</p>	Manage the relationship with the joint venture partners in order to enhance the alignment of business objectives.
<b>Treasury risk</b>	The Group trades in numerous international currencies but reports its financial results in sterling. Fluctuations in currency exchange rates may either be accretive or dilutive to the Group's reported trading results and the Group's net asset value. Unhedged interest rate exposures pose a risk to the Group when interest rates rise, resulting in increased costs of funding and an impact on overall financial performance. Credit risk arises from the risk of financial loss if a financial counterparty fails to meet its contractual obligations in respect of its	Manage foreign currency transactions exposure, interest rate risk, and credit risk.

	<p>deposits or short-term investments.</p> <p>Foreign currency transactions exposure is primarily managed through funding of purchases from operating income streams arising in the same currency. Interest rate hedges are used to manage interest rate risk to the extent that the perceived cost is considered to outweigh the benefit from the flexibility of variable rate borrowings. The Group actively monitors the need and timing of such hedges. Investments in short-term instruments are with counterparties approved by the Board taking into account the counterparty's credit rating and a maximum limit as to the amount that may be deposited.</p>	
<b>Tax risk</b>	<p>The Group's businesses operate in numerous tax jurisdictions. Changes in tax laws in any of those jurisdictions may have adverse consequences on the Group's profits. Similarly the Group's interpretation and application of various tax laws may be challenged. Tax authorities in many jurisdictions are increasing their focus on corporate tax affairs in order to maximize tax receipts.</p> <p>The Group seeks to minimize tax risk by ensuring that appropriate accounting systems, processes and internal controls are in place to ensure that taxes are calculated accurately and paid on a timely basis, in compliance with tax legislation. A co-operative approach is undertaken in respect of provision of information to tax authorities during tax audits and investigations, and external tax advisors are engaged in each tax jurisdiction where necessary to advise on such matters, and to give guidance on the implementation of any changes in tax legislation. Full review of tax implications is carried out prior to undertaking any transactions involving new activities or structural changes, and external tax planning advice is obtained where appropriate. The Board and Audit Committee receive regular updates on tax management issues.</p>	Minimize tax risk.
<b>Compliance and litigation</b>	<p>The Group operates in many jurisdictions and is exposed to the risk of non-compliance with increasingly complex statutory and regulatory requirements. In addition the Group may be at risk of litigation from various parties with which it interacts, either through direct contractual arrangements or from the provision of services. In certain countries where the Group operates, particularly in emerging markets, local practices and the legal environment may be such that it</p>	<p>Monitor changes in the regulatory environment in which it operates, identify its compliance obligations and implement appropriate compliance programmes and has processes in place to manage the risks associated with its various contractual relationships.</p>



	<p>is sometimes difficult for the Group to enforce its legal rights.</p> <p>The Group continues to monitor changes in the regulatory environment in which it operates, identify its compliance obligations and implement appropriate compliance programmes and has processes in place to manage the risks associated with its various contractual relationships. These include comprehensive policies for ethics and business conduct, anti-corruption and bribery, gifts and hospitality and charitable donations. There is training for relevant staff.</p>	
<b>Safety, health and environment</b>	<p>As a significant property owner and operator of hotels in multiple jurisdictions, the Group is exposed to a wide range of regulatory requirements and obligations concerning the health and safety of employees, visitors and guests. Failure to implement and maintain sufficient controls regarding health and safety issues could expose the Group to significant sanctions, both civil and criminal, financial penalties and reputational damage.</p> <p>The Group has established and maintains health and safety and environmental management systems that are aligned with the requirements of ISO 14001 and OHSAS 18001. By working to British standards, the Group is committed to working to the highest standards of health and safety and to an internationally accredited system.</p>	Work to the highest standards of health and safety and to an internationally accredited system.
<b>Intellectual property rights and brands</b>	<p>Future development will, in part, be dependent on the recognition of the Group's brands and perception of the values inherent in those brands. Consistent delivery of product quality is vitally important to influencing consumer preference and creating and maintaining value perception. Historically the Group has mainly operated properties which it owns. The trend towards managing third-party properties, primarily in the Middle East region increases the risk that product quality may not be delivered in accordance with the Group's standards. This may increase the Group's exposure to litigation, increase risks to reputation, reduce revenues and become an inhibiting factor on ongoing development.</p> <p>Substantial investment continues to be made in protecting the Group's brands from misuse and infringement, by way of trade mark registration and domain name protection. Management seeks to ensure</p>	Protect the Group's brands from misuse and infringement, by way of trade mark registration and domain name protection and ensure maintenance of standards by developing strong working relationships with hotel owners and undertaking regular monitoring of service delivery.

	<p>maintenance of standards by developing strong working relationships with hotel owners and undertaking regular monitoring of service delivery.</p>	
<p><b>Property ownership</b></p>	<p>The Group's strategy is to be both owner and manager of hotel properties. Growth of the Group's portfolio of owned assets is dependent on the availability of suitable development sites, acquisitions and access to funding. A limit on such opportunities may have a negative impact on future operational profitability. Property ownership requires ongoing investment in the form of preventative maintenance, refurbishment, significant capital expenditure and product development. There is also the possible loss of capital due to uninsured events and reductions in asset values as a result of demographic changes in the markets in which the properties are located.</p>	<p>The Group continues to develop property specific asset management plans which focus on the capital requirements of each property in terms of regular maintenance and product enhancement. The Group has rigorous management systems to monitor major capital projects to ensure they are properly managed and delivered on time and within budgeted parameters.</p>
<p><b>Insurance</b></p>	<p>Not all risks are insured, either because the cover is not available in the market or that cover is not available on commercially viable terms. The Group is exposed to the risk of cover not being continually available. Availability may be influenced by factors outside the Group's control, which could reduce the market's underwriting capacity, breadth of policy coverage or simply make the cost of cover too expensive. The Group could be exposed to uninsured third-party claims, loss of revenue or reduction of fixed asset values which may, in turn, have an adverse effect on Group profitability, cash flows and ability to satisfy banking covenants.</p> <p>The Group's insurance requirements are regularly reviewed to ensure that the cover obtained is appropriate to its risk profile and after taking into account the level of retained risk the Board considers to be appropriate, relative to the cost of cover available in the market place. Insurance covers are arranged with a variety of insurers to ensure that arrangements are not overly concentrated on a limited number of carriers. Choice of insurance carriers is dependent on satisfaction of a number of relevant factors including a review of the insurers' security ratings.</p>	<p>The Group's insurance requirements are regularly reviewed to ensure that the cover obtained is appropriate to its risk profile.</p> <p>Insurance covers are arranged with a variety of insurers to ensure that arrangements are not overly concentrated on a limited number of carriers.</p>
<p><b>Information Technology systems and infrastructure</b></p>	<p>In order to maintain its competitiveness within the market place the Group will need to ensure its IT systems deliver the necessary trading platforms and provide management with accurate and timely</p>	<p>The Group invests in systems that are tried and tested so that as much operational resilience as possible, cost considerations permitting, can be obtained. Investment is made in robust</p>

	information.	infrastructure technology to provide a reliable operating platform. Crisis management and disaster recovery plans are in place for business critical systems. Management regularly reviews IT requirements and risks to prioritize implementation of changes and improvements.
Data privacy	A significant proportion of the Group's operating revenue is received from customers through credit card transactions and the Group has an obligation to keep secure customers' credit card and other personal details. Non-compliance with data privacy regulations, which differ by jurisdiction, could result in fines and/or other damages being incurred. Additionally, the payment card industry requires the Group to comply with data security standards (PCI-DSS) as a condition in credit card merchant agreements. Failure to comply with these standards could result in contractual penalties and withdrawal of credit card payment facilities.	During the last year the Group has committed significant resources to achievement and maintenance of the necessary IT infrastructure, operating controls and training associated with data privacy and PCI-DSS.

(c) Minority Shareholders

Indicate the principal risk of the exercise of controlling shareholders' voting power.

Risk to Minority Shareholders
Although there are certain corporate governance measures in place, the combined shareholdings of the principal stockholders will be able to elect a majority of the directors, control the management and policies through the Board and effect corporate transactions without the concurrence of the minority stockholders, except in limited circumstances provide in the Corporation's Articles of Incorporation or, By-Laws, and CG Manual pursuant to laws requiring minority shareholder approval for certain transactions.

3) Control System Set Up

(a) Company

Briefly describe the control systems set up to assess, manage and control the main issue/s faced by the company:

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management Control (Structures, Procedures, Actions Taken)
Credit Risk	<p>Exposure to credit risk is monitored on an ongoing basis. Credit checks are being performed on all clients requesting credit over certain amounts.</p> <p>Credit is not extended beyond authorized limits, established where appropriate through consultation with a professional credit vetting organization.</p> <p>Credit granted is subject to regular review, to ensure it remains consistent with the clients' current credit worthiness and appropriate to</p>	<p>The Corporation's holding of cash and money market placements expose the Corporation to credit risk of the counterparty if the counterparty is unwilling or unable to fulfill its obligations and the Corporation consequently suffers financial loss. Credit risk management involves entering into financial transactions only with counterparties with acceptable credit rating. The treasury policy sets aggregate credit limits of any one counterparty and management annually reviews the exposure limits and credit ratings of the counterparties.</p> <p>Receivable balance is being monitored on a regular</p>

	the anticipated volume of business.	basis to ensure timely execution of necessary intervention efforts.
Liquidity Risk		Management closely monitors the Corporation's future and contingent obligations and sets up required cash reserves as necessary in accordance with internal requirements.
Market Risk	<p><b>(1) Room Rates</b> The risk from room rate changes relates to the Corporation'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.</p> <p><b>(2) Interest Rate Risk</b> The Corporation has no interest-bearing debt obligations to third parties. As such, the Corporation has minimal interest rate risk.</p> <p><b>(3) Foreign Currency Risk</b> Financial assets and financing facilities extended to the Corporation were mainly denominated in Philippine peso and have minimal transactions in foreign currency. As such, the Corporation's foreign currency risk is minimal.</p>	<p><b>(1) Room Rates</b> The Corporation minimizes its exposure to risks in changes in room rates by signing contracts with short period of expiry so this gives the Corporation the flexibility to adjust its room rates in accordance to market conditions. Also, there are minimal changes in room rates in the hotel industry.</p> <p><b>(2) Interest Rate Risk</b> The Corporation has no interest-bearing debt obligations to third parties.</p> <p><b>(3) Foreign Currency Risk</b> The Corporation's foreign currency risk is minimal.</p>

**(b) Group**

Briefly describe the control systems set up to assess, manage and control the main issue/s faced by the company:

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management Control (Structures, Procedures, Actions Taken)
Events that adversely impact domestic or international travel	Sustained levels of occupancy and room rates can be adversely affected by events that reduce domestic or international travel. Such events may include acts of terrorism, war or perceived increased risk of armed conflict, epidemics, natural disasters, increased cost of travel and industrial action. These events may be localized to a particular country, region or could have a wider international perspective, especially where a large airport, for example, is a major hub for worldwide travel. Reduced demand will impact on revenues and operational profitability.	The Group has in place contingency and recovery plans to enable it to respond to major incidents or crises.
Political and economic developments	Major events affecting either economic or political stability on a global and regional level represent an exposure to the Group. Economic events could include recessionary pressures which would have an impact on the Group's revenues, operating costs and profitability. Political risks include changes in the regulatory environment in which the Group's business activities operate, including	Many of these risks are beyond the control of the Group and the time-frames for developing appropriate risk management approaches can often be very short. Management is continually vigilant to political and economic developments and seeks to identify emerging risks at the earliest opportunity. The Group implements ownership structures, internal controls and takes

	restrictions on the repatriation of funds or control over the ownership of assets.	such steps available to it to minimize these exposures to the greatest extent possible.
<b>The hotel industry supply and demand cycle</b>	The hotel industry operates in an inherently cyclical market place. A weakening of demand, or an increase in market room supply, may lead to downward pressure on room rates which in turn would lead to a negative effect on operating performance.	The Group has management systems in place designed to create flexibility in the operating cost base so as to optimize operating profits in volatile trading conditions, such as the profit protection plans initiated during previous market down-turns.
<b>Human resources</b>	Execution of the Group's strategy depends on its ability to attract, develop and retain employees with the appropriate skills, experience and aptitude.	The Group has a strong service culture supported by recognition systems, compensation and benefits arrangements, training and development programmes. The Group has appropriate systems for recruitment, reward and compensation and performance management. Labor relations are actively managed on a regional and local basis.
<b>Management agreements</b>	An element of the Group's strategy is to selectively increase the number of management contracts to operate hotels owned by third-parties, primarily focusing on the Middle East region. In this regard, the Group faces competition from established global and regional brands. Successful execution of this strategy will depend on the Group's ability to identify suitable management opportunities, secure contracts on suitable contractual terms and ensure that contractual commitments are met and retained going forward.	The Group has developed a management team in the Middle East region that has the necessary skills and resources to pursue this element of the Group's strategy. A structured process for acquiring new contracts has been implemented and a priority is to ensure that the critical roles are filled and operational management is integrated into the Group system.
<b>Joint ventures and subsidiaries with minority shareholders</b>	The Group has entered into a number of joint ventures in certain markets and is therefore subject to the risk of non-performance on the part of the minority partners especially when the strategic objectives of the partners are not fully aligned.	For these joint ventures, the Group has appointed representatives who are assigned responsibilities to manage the relationship with the joint venture partners in order to enhance the alignment of business objectives.
<b>Treasury risk</b>	The Group trades in numerous international currencies but reports its financial results in sterling. Fluctuations in currency exchange rates may either be accretive or dilutive to the Group's reported trading results and the Group's net asset value. Unhedged interest rate exposures pose a risk to the Group when interest rates rise, resulting in increased costs of funding and an impact on overall financial performance. Credit risk arises from the risk of financial loss if a financial counterparty fails to meet its contractual obligations in respect of its deposits or short-term investments.	Foreign currency transactions exposure is primarily managed through funding of purchases from operating income streams arising in the same currency. Interest rate hedges are used to manage interest rate risk to the extent that the perceived cost is considered to outweigh the benefit from the flexibility of variable rate borrowings. The Group actively monitors the need and timing of such hedges. Investments in short-term instruments are with counterparties approved by the Board taking into account the counterparty's credit rating and a maximum limit as to the amount that may be deposited.
<b>Tax risk</b>	The Group's businesses operate in numerous tax jurisdictions. Changes in tax laws in any of those jurisdictions may have adverse consequences on the Group's profits. Similarly the Group's interpretation and application of various tax laws may be challenged. Tax	The Group seeks to minimize tax risk by ensuring that appropriate accounting systems, processes and internal controls are in place to ensure that taxes are calculated accurately and paid on a timely basis, in compliance with tax legislation. A co-operative approach is

	authorities in many jurisdictions are increasing their focus on corporate tax affairs in order to maximize tax receipts.	undertaken in respect of provision of information to tax authorities during tax audits and investigations, and external tax advisors are engaged in each tax jurisdiction where necessary to advise on such matters, and to give guidance on the implementation of any changes in tax legislation. Full review of tax implications is carried out prior to undertaking any transactions involving new activities or structural changes, and external tax planning advice is obtained where appropriate. The Board and Audit Committee receive regular updates on tax management issues.
<b>Compliance and litigation</b>	The Group operates in many jurisdictions and is exposed to the risk of non-compliance with increasingly complex statutory and regulatory requirements. In addition the Group may be at risk of litigation from various parties with which it interacts, either through direct contractual arrangements or from the provision of services. In certain countries where the Group operates, particularly in emerging markets, local practices and the legal environment may be such that it is sometimes difficult for the Group to enforce its legal rights.	The Group continues to monitor changes in the regulatory environment in which it operates, identify its compliance obligations and implement appropriate compliance programmes and has processes in place to manage the risks associated with its various contractual relationships. These include comprehensive policies for ethics and business conduct, anti-corruption and bribery, gifts and hospitality and charitable donations. There is training for relevant staff.
<b>Safety, health and environment</b>	As a significant property owner and operator of hotels in multiple jurisdictions, the Group is exposed to a wide range of regulatory requirements and obligations concerning the health and safety of employees, visitors and guests. Failure to implement and maintain sufficient controls regarding health and safety issues could expose the Group to significant sanctions, both civil and criminal, financial penalties and reputational damage.	The Group has established and maintains health and safety and environmental management systems that are aligned with the requirements of ISO 14001 and OHSAS 18001. By working to British standards, the Group is committed to working to the highest standards of health and safety and to an internationally accredited system. Details of progress made in improving the Group's management systems are contained in the Corporate Social Responsibility report on pages 29 to 31.
<b>Intellectual property rights and brands</b>	Future development will, in part, be dependent on the recognition of the Group's brands and perception of the values inherent in those brands. Consistent delivery of product quality is vitally important to influencing consumer preference and creating and maintaining value perception. Historically the Group has mainly operated properties which it owns. The trend towards managing third-party properties, primarily in the Middle East region increases the risk that product quality may not be delivered in accordance with the Group's standards. This may increase the Group's exposure to litigation, increase risks to reputation, reduce revenues and become an inhibiting factor on ongoing development.	Substantial investment continues to be made in protecting the Group's brands from misuse and infringement, by way of trade mark registration and domain name protection. Management seeks to ensure maintenance of standards by developing strong working relationships with hotel owners and undertaking regular monitoring of service delivery.
<b>Property ownership</b>	The Group's strategy is to be both owner and manager of hotel properties. Growth of the Group's portfolio of owned assets	The Group continues to develop property specific asset management plans which focus on the capital requirements of each

	<p>is dependent on the availability of suitable development sites, acquisitions and access to funding. A limit on such opportunities may have a negative impact on future operational profitability. Property ownership requires ongoing investment in the form of preventative maintenance, refurbishment, significant capital expenditure and product development. There is also the possible loss of capital due to uninsured events and reductions in asset values as a result of demographic changes in the markets in which the properties are located.</p>	<p>property in terms of regular maintenance and product enhancement. The Group has rigorous management systems to monitor major capital projects to ensure they are properly managed and delivered on time and within budgeted parameters.</p>
Insurance	<p>Not all risks are insured, either because the cover is not available in the market or that cover is not available on commercially viable terms. The Group is exposed to the risk of cover not being continually available. Availability may be influenced by factors outside the Group's control, which could reduce the market's underwriting capacity, breadth of policy coverage or simply make the cost of cover too expensive. The Group could be exposed to uninsured third-party claims, loss of revenue or reduction of fixed asset values which may, in turn, have an adverse effect on Group profitability, cash flows and ability to satisfy banking covenants.</p>	<p>The Group's insurance requirements are regularly reviewed to ensure that the cover obtained is appropriate to its risk profile and after taking into account the level of retained risk the Board considers to be appropriate, relative to the cost of cover available in the market place. Insurance covers are arranged with a variety of insurers to ensure that arrangements are not overly concentrated on a limited number of carriers. Choice of insurance carriers is dependent on satisfaction of a number of relevant factors including a review of the insurers' security ratings.</p>
Information Technology systems and Infrastructure	<p>In order to maintain its competitiveness within the market place the Group will need to ensure its IT systems deliver the necessary trading platforms and provide management with accurate and timely information.</p>	<p>The Group invests in systems that are tried and tested so that as much operational resilience as possible, cost considerations permitting, can be obtained. Investment is made in robust infrastructure technology to provide a reliable operating platform. Crisis management and disaster recovery plans are in place for business critical systems. Management regularly reviews IT requirements and risks to prioritize implementation of changes and improvements.</p>
Data privacy	<p>A significant proportion of the Group's operating revenue is received from customers through credit card transactions and the Group has an obligation to keep secure customers' credit card and other personal details. Non-compliance with data privacy regulations, which differ by jurisdiction, could result in fines and/or other damages being incurred. Additionally, the payment card industry requires the Group to comply with data security standards (PCI-DSS) as a condition in credit card merchant agreements. Failure to comply with these standards could result in contractual penalties and withdrawal of credit card payment facilities.</p>	<p>During the last year the Group has committed significant resources to achievement and maintenance of the necessary IT infrastructure, operating controls and training associated with data privacy and PCI-DSS.</p>

(c) Committee

Identify the committee or any other body of corporate governance in charge of laying down and supervising these control mechanisms, and give details of its functions:

Committee/Unit	Control Mechanism	Details of Its Function
Board of Directors	<p>The CG Manual provides that it is the duty of the Board to identify key risk areas and to monitor this factors with due diligence to enable the Corporation to anticipate and prepare for possible threats to its operational and financial viability.</p> <p>These risks have been identified as: liquidity risk, credit risk, and market risk.</p> <p>The Board has overall responsibility for the establishment and oversight of the Corporation's risk management framework. The Board is responsible for developing and monitoring the Corporation's risk management policies. The Board identifies all issues affecting the operations of the Corporation.</p>	<p>The Corporation's risk management policies are established to identify and analyze the risks faced by the Corporation, 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 Corporation's activities. All risks faced by the Corporation 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 Corporation's operations and detriment forecasted results. The Corporation, 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.</p>
Audit Committee	<p>The Board constituted the Corporation's Audit Committee to assist the Board in fulfilling its oversight responsibility for the Corporation's corporate governance process, including evaluation of management's process to assess and manage the Corporation's enterprise risk issues.</p>	<p>The Board constituted the Corporation's Audit Committee to assist the Board in fulfilling its oversight responsibility for the Corporation's corporate governance process relating to the: a) quality and integrity of the Corporation's financial statements and financial reporting process and the Corporation's systems of internal accounting and financial controls; b) performance of the internal auditors; c) annual independent audit of the Corporation's financial statements, the engagement of the independent auditors and the evaluation of the independent auditors' qualifications, independence and performance; d) compliance by the Corporation with legal and regulatory requirements, including the Corporation's disclosure control and procedures; e) evaluation of management's process to assess and manage the Corporation's enterprise risk issues; and f) fulfillment of the other responsibilities set out by the Board. The Audit Committee shall also prepare the reports required to be included in the Corporation's annual report.</p>

G. INTERNAL AUDIT AND CONTROL

1) Internal Control System

Disclose the following information pertaining to the internal control system of the company:



- (a) Explain how the internal control system is defined for the company;
- (b) A statement that the directors have reviewed the effectiveness of the internal control system and whether they consider them effective and adequate;
- (c) Period covered by the review;
- (d) How often internal controls are reviewed and the directors' criteria for assessing the effectiveness of the internal control system; and
- (e) Where no review was conducted during the year, an explanation why not.

For the Corporation, internal control means having an effective system of control that will ensure the integrity of the financial reports and protection of the assets of the Corporations. According to the CG Manual, this is one of the duties of the Management, which, in turn, is under the supervision of the Audit Committee. The Audit Committee, in turn, evaluates the adequacy and effectiveness of the Corporation's internal control system as formulated by the Management.

The following are the factors to be considered, for the organizational and procedural controls of the Corporation, are the following:

- a. nature and complexity of the business and the business culture
- b. volume, size and complexity of transactions
- c. degree of risk
- d. degree of centralization and delegation of authority
- e. the extent of effectiveness of information technology
- f. the extent of regulatory compliance

Moreover, the Charter mandates that the Corporation shall have in place an internal audit function which shall be performed by an internal auditor through which the Board, senior management, and shareholders shall be provided with reasonable assurance that its key organizational and procedural controls are effective, appropriate and complied with.

Under the CG Manual, Management should formulate, under the supervision of the Audit Committee, the rules and procedures on financial reporting and internal control in accordance with the following guidelines:

- The extent of its responsibility in the preparation of the financial statements of the Corporation, with the corresponding delineation of the responsibilities that pertain to the external auditor, should be clearly explained;
- An effective system of internal control that will ensure the integrity of the financial reports and protection of the assets of the Corporation should be maintained;
- On the basis of the approved audit plans, internal audit examinations should cover, at the minimum, the evaluation of the adequacy and effectiveness of controls that cover the Corporation's governance, operations and information systems, including the reliability and integrity of financial and operational information, effectiveness and efficiency of operations, protection of assets, and compliance with contracts, laws, rules and regulations;
- The Corporation should consistently comply with the financial reporting requirements of the SEC;
- The Internal Auditor should submit to the Audit Committee and Management an annual report on the internal audit department's activities, responsibilities and performance relative to the audit plans and strategies as approved by the Audit Committee. The annual report should include significant risk exposures, control issues and such other matters as may be needed or requested by the Board and Management.

The minimum internal control mechanisms for management operational responsibility shall center on the on the CEO, being ultimately accountable for the organizational and procedural controls of the Corporation. On the basis of approved audit plans, the internal audit examinations cover, at the minimum, the evaluation of the adequacy and effectiveness of controls that cover the Corporation's governance, operations and information systems, including the reliability and integrity of financial and operational information, effectiveness and efficiency of operations, protection of assets, and compliance with contracts, laws, rules and regulations.

The Group's internal Auditor conducts an internal audit review of the Corporation annually. The formal audit report is submitted to the Audit Committee and to the Board. Based on the result of the internal audit review, key controls and management environment are effective. Audit findings are few and indicate low risks to the business overall.

2) Internal Audit

Role, Scope and Internal Audit Function

Give a general description of the role, scope of the internal audit work and other details of the internal audit function.

Role	Scope	Indicate whether in-house or Outsource Internal Audit Function	Name of Chief Internal Auditor/Auditing Firm	Reporting process
<p>An internal auditor or a group of internal auditors, through which the Board, senior management, and shareholders shall be provided with reasonable assurance that its key organizational and procedural controls are effective, appropriate, and complied with. The internal audit activities shall be conducted in accordance with the Standards for the Professional Practice of Internal Auditing.</p>	<p>The scope of the internal audit shall at least cover the following:</p> <ol style="list-style-type: none"> <li>(1) an evaluation of the adequacy and effectiveness of controls pertaining to the governance, operations and information systems of the Corporation, including the reliability and integrity of financial and operational information,</li> <li>(2) effectiveness and efficiency of operations,</li> <li>(3) safeguarding of assets; and</li> <li>(4) compliance with contracts, laws, rules and regulations.</li> </ol>	<p>In-house. The Board annually appoints a Chief Audit Executive who oversees the Internal audit of the Corporation.</p>	<p>The internal audit function of the Corporation is currently being performed by Millennium &amp; Copthorne International Limited ("MCI"), which is based in Singapore, although MCI is not engaged directly by the Corporation. Mr. Yam Kit Sung, the Chief Finance Officer ("CFO") and Compliance Officer has been designated as the Chief Audit Executive of the Corporation, and is responsible for overseeing the service contract with MCI (as Internal Auditor), and the overall quality assurance of the internal audit activities, reporting to senior management and the Board regarding internal audit activities, and follow-up of engagement results.</p>	<p>The Charter requires the Internal Auditor to submit status reports which summarizes the recommendations of the Internal auditor, the officers responsible for the implementation of the recommendations, and the dates when such recommendations shall be implemented and accomplished.</p> <p>In addition, the CG Manual requires the Internal Auditor to submit to the Audit Committee and Management and annual report on the internal audit department's activities, responsibilities and performance relative to the audit plans and strategies as approved by the Audit Committee. The annual report should include significant risk exposures, control issues and such other matters as may be needed or requested by the Board and Management.</p> <p>The Internal Auditor should certify that he conducts his activities in accordance with the International standards on the Professional Practice of Internal Auditing. If he does not, he shall disclose to the Board and Management the reasons why he has not fully complied with the said standards.</p>

**Do the appointment and/or removal of the Internal Auditor or the accounting/auditing firm or corporation to which the internal audit function is outsourced require the approval of the audit committee?**

No. It is the Board which appoints the Chief Audit Executive who oversees the internal audit function of the Corporation. The appointment and/or removal of the Chief Audit Executive or the accounting/auditing firm or corporation to which the internal audit function is outsourced does not require the approval of the audit committee.

**Discuss the internal auditor's reporting relationship**

Under the CG Manual, the Chief Audit Executive should submit to the Audit Committee and Management an annual report on the internal audit department's activities, responsibilities and performance relative to the audit plans and strategies, as approved by the Audit Committee.

In addition, the Charter requires the Internal auditor to submit status reports which summarizes the recommendations of the internal auditor. The internal audit function is outsourced to MCI. The internal audit examinations cover, at the minimum, the evaluation of the adequacy and effectiveness of controls that cover the Corporation's governance, operations and information systems, including the reliability and integrity of financial and operational information, effectiveness and efficiency of operations, protection of assets, and compliance with contracts, laws, rules and regulations.

**Resignation, Re-assignment and Reasons**

Disclose any resignation/s or re-assignment of the internal audit staff (including those employed by the third party auditing firm) and the reason/s for them.

Name of Audit Staff	Reason
N.A.	

Other than the Chief Audit Executive, the Corporation does not have its own internal audit staff, as the internal audit function is outsourced to MCI.

**Progress against Plans, Issues, Findings, and Examination Trends**

State the internal audit's progress against plans, significant findings and examination trends.

Progress against Plans	Internal audit work is carried out on an annual basis by the Group Internal Audit from Millennium & Copthorne Hotels International Limited.
Issues	No significant issues have been identified.
Findings	No significant findings such as fraud.
Examination Trends	Internal audit carried out full audit cycle which covered cash, sales, purchases, health and safety and others.

[The relationship among progress, plans, issues and findings should be viewed as an internal control review cycle which involves the following step-by-step activities:

- 1) Preparation of an audit plan inclusive of a timeline and a milestones;
- 2) Conduct of examination based on the plan;
- 3) Evaluation of the progress in the implementation of the plan;
- 4) Documentation of issues and findings as a result of the examination;

- 5) Determination of the persuasive issues and findings ('examination trends') based on single year result and/or year-to-year results;
- 6) Conduct of the foregoing procedures on a regular basis.]

**Audit Control Policies and Procedures**

Disclose all internal audit controls, policies, and procedures that have been established by the company and the result of an assessment as to whether the established controls, policies and procedures have been implemented under column 'Implementation.'

Policies & Procedures	Implementation
<p>The Charter mandates that the Corporation shall have in place an internal audit function which shall be performed by an internal auditor through which the Board, senior management, and shareholders shall be provided with reasonable assurance that its key organizational and procedural controls are effective, appropriate and complied with.</p> <p>Under the CG Manual, Management should formulate, under the supervision of the Audit Committee, the rules and procedures on financial reporting and internal control in accordance with the following guidelines:</p> <p>(1) The extent of its responsibility in the preparation of the financial statements of the Corporation, with the corresponding delineation of the responsibilities that pertain to the external auditor, should be clearly explained;</p> <p>(2) An effective system of internal control that will ensure the integrity of the financial reports and protection of the assets of the Corporation should be maintained;</p> <p>(3) On the basis of the approved audit plans, internal audit examinations should cover, at the minimum, the evaluation of the adequacy and effectiveness of controls that cover the Corporation's governance, operations and information systems, including the reliability and integrity of financial and operational information, effectiveness and efficiency of operations, protection of assets, and compliance with contracts, laws, rules and regulations;</p> <p>(4) The Corporation should consistently comply with the financial reporting requirements of the SEC;</p> <p>(5) The Internal Auditor should submit to the Audit Committee and Management an annual report on the internal audit department's activities, responsibilities and performance relative to the audit plans and strategies as approved by the Audit Committee. The annual report should include significant risk exposures, control issues and such other matters as may be needed or requested by the Board and Management.</p>	<p>The Group's Internal Auditors, supervised by the Chief Audit Executive, conduct an internal audit review of the Corporation annually. The formal audit report is submitted to the Audit Committee and to the Board. Based on the result of the internal audit review, key controls and management environment are effective. Audit findings are few and indicate low risks to the business overall.</p>

**Mechanism and Safeguards**

State the mechanism established by the company to safeguard the independence of the auditors, financial analyst, investment banks and rating agencies (example, restriction on trading in the company's

shares and imposition of internal approval procedures for these transactions, limitation on the non-audit services that an external auditor may provide in the company);

Auditors (Internal and External)	Financial Analysts	Investment Banks	Rating Agencies
<p>(1) The Audit Committee shall evaluate and determine the non-audit work, if any, of the external auditor, and review periodically the non-audit fees paid to the external auditor in relation to their significance to the total annual income of the external auditor and to the Corporation's overall consultancy expenses. The committee shall disallow any non-audit work that will conflict with his duties as an external auditor or may pose a threat to his independence. The non-audit work, if allowed, should be disclosed in the Corporation's annual report;</p> <p>(2) The Audit Committee shall ensure that, in the performance of the work of the Internal Auditor, he shall be free from interference by outside parties.</p> <p>(3) The Board, after consultations with the Audit Committee, shall recommend to the stockholders an external auditor duly accredited by the SEC who shall undertake an Independent audit of the Corporation, and shall provide an objective assurance on the manner by which the financial statements shall be prepared and presented to the stockholders. The external auditor shall not, at the same time, provide internal audit services to the Corporation. Non-audit work may be given to the external auditor, provided it does not conflict with his duties as an independent auditor, or does not pose a threat to his independence.</p> <p>(4) If the external auditor resigns, is dismissed or ceases to perform his services, the reason/s for and the date of effectivity of such action shall be reported in the Corporation's annual and current reports. The report shall include a discussion of any disagreement between the external auditor and the Corporation on accounting principles or practices, financial disclosures or audit procedures which the former auditor and the Corporation failed to resolve satisfactorily. A preliminary copy of the said report shall be given by the Corporation to the external auditor before its submission.</p> <p>(5) If the external auditor believes that any statement made in an annual report, information statement or any report filed with the SEC or any regulatory body during the period of his engagement is incorrect or incomplete, he shall give his comments or views on the matter in the said reports.</p> <p>(6) The external auditor should be rotated or changed every five (5) years or earlier, or the signing partner of the external auditing firm assigned to the Corporation, should be changed with the same frequency.</p>	<p>N.A.</p>	<p>N.A.</p>	<p>N.A.</p>

(h) State the officers (preferably the Chairman & CEO) who will have to attest to the company's full compliances with the SEC Code of Corporate Governance. Such confirmation must state all directors, officers, and employees of the company have been given proper instruction on their respective duties as mandated by the Code and that internal mechanisms are in place to ensure that compliance.

The CG Manual provide that the Board shall appoint a Compliance Officer and an Assistant Compliance Officer who shall report directly to the Board. The Compliance Officer, or in his absence, the Assistant Compliance Officer, shall perform the following duties:

- (1) Monitor compliance by the Corporation with the CG Manual, Code of Corporate Governance, Securities Regulation Code, Corporation Code, and other applicable rules and regulations; and if any violations are found, to report the matter to the Board and recommend the imposition of the proper penalty.
- (2) Appear before the SEC when summoned in relation to compliance with the Code of Corporate Governance.
- (3) Issue a certification that every January 30th of the year on the extent of the Corporation's compliance with the Code for the completed year and, if there are any deviations, explain the reason for such deviation.

The CG Manual also provides that the reports or disclosures required under the CG Manual shall be prepared and submitted to the SEC by the responsible Committee or officer through the Corporation's Compliance Officer, Assistant Compliance Officer, or Corporate Secretary.

#### ROLE OF STAKEHOLDERS

- 1) Disclose the Corporation's policy and activities relative to the following:

	Policy	Activities
Customers' Welfare	To offer quality and innovative products, unsurpassed service and value for money.	The Corporation continues to improve the services, products, and facilities that it offers to its customers.  The Corporation established a team of trained employees to respond to possible disasters like fire, earthquakes and other accidents our guests and employees might experience during their stay in the Hotel. Instructors from Philippine National Red Cross trained the Hotel staff with basic first aid management and CPR (cardio-pulmonary resuscitation) while a team from the local fire department taught the employees with procedures in emergency rescue transfer and use of fire fighting equipment.
Supplier/contractor selection practice	To select based on quality of work and their ability to complement our commitment to environment, health and safety.	The Hotel purchases its raw material for food and beverage from both local and foreign suppliers.
Environmentally friendly value-chain	To continually seek ways to ensure a better quality of life for the community and environment where we live, work and play.	(1) <i>Energy and water conservation</i>  The reduction of working days for administrative personnel or offices aims not only to achieve work life balance but also to reduce the hotel's energy consumption. A Hotel wide campaign on the best cost management practices of departments educates and inspires associates to conserve and preserve supplies and resources. Engineering Department helps in devising ways to improve electricity consumption by using halogen and fluorescent lights. Room guests are also encouraged to save water and laundry detergent consumption by re-using bed linens and towels when possible. Scraps and old newspapers are recycled into flowers and pots to decorate our restaurants and other sections of

		<p>the hotel.</p> <p><i>(2) Earth Hour</i> The Hotel actively participates in the annual Earth Hour, a worldwide campaign of turning off the lights for an hour in efforts to increase awareness on energy consumption and climate change.</p> <p>This event is spearheaded by the World Wildlife Fund (WWF), an international environmental advancement group and reported to have remarkable drop in energy usage in key cities of participating countries.</p>
Community interaction	To serve the community we operate in so as to create a better place for all, especially caring for the less fortunate, enhancing youth development, promoting the arts and conserving the environment.	<p><i>(1) Blood letting</i> The Hotel is a consistent recipient of the Philippine National Red Cross Meritorious Service Award for its continuous participation in blood letting activities. The Corporation has organized eight blood donation activities since 2008 and have forwarded a total of 97,150 ml of blood to Red Cross.</p> <p><i>(2) Readiness for career</i> The Hotel offers educational experiences and hotel-life skills training for students interested to have careers in hospitality industry. As contribution to the industry, the Corporation helps prepare future hoteliers with the competencies and attitudes to make them confident and fit to explore their lot in the marketplace. Students from various universities and training centers across the metro and provinces have seen and experienced the Hotel standards in terms of cleanliness and service and end the year-2012 with 47 graduating students fully equipped the 5 star way.</p> <p><i>(3) Job opportunities</i> The Hotel is a long-standing figure of stability providing career opportunities for professionals and people recently graduated from school. We have provided employment security Pasay City and other neighboring cities and provinces thus providing their families and communities decent way of living.</p> <p><i>(4) Funds for charitable institutions</i> The Hotel capitalizes on accumulating funds to support our beneficiaries during Christmas season and Chinese New Year. A wishing well is placed at the Hotel lobby where guests and employees can share their piece of good fortune to scholars and less privileged families of Pasay City through "Our Lady of Sorrows Outreach Foundation". A total of PhP17,000.00 was forwarded to the foundation from the proceeds of Chinese New Year donation drive and PhP20,000 in check from the Christmas wishing well.</p> <p>Pangarap Foundation, a shelter for street children and out of school youth of Pasay City is a donee institution of the Hotel through its donation box placed at Front Desk where guests can donate upon check-in and out. Charming children from Children's Joy Foundation are invited to participate in the Christmas caroling in the Hotel from December 16-25, 2012. It gives them the opportunity to exhibit their talents, entertain our guests and gather significant amount of donations from the</p>

		hotel's guests.
Anti-corruption programs and procedures?	As a responsible corporation, it is our goal to be transparent and accountable to our stakeholders who have an interest in our operations.	The Chairman's Statement in the Annual Report and the discussion in the Information Statement on the general and business information provides a summary and/or a simple presentation of the company's financial, operational and legal highlights to allow the ordinary shareholder or stakeholder to be fully aware of the company's status.
Safeguarding creditors' rights	It is its recognized policy in favor of its investors "To maintain profitability and achieve optimum returns on their investments."	The Corporation's website discloses up-to-date information on business operation, financial statements, press releases, shareholding structure, organization structure, SEC Forms 17-A, Notice of Annual Stockholders' Meetings, and contact details for investor relations.  Furthermore, The Corporation explicitly mentions its obligations to its creditors including honoring debt agreement(s) and timely payment of debt obligations in its Notes to Financial Statements attached to SEC Form 17-A and Information Statements.

2) Does the company have a separate corporate responsibility (CR) report/section or sustainability report/section?

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

With this, the Corporation provides for a section in its Information Statement (SEC Form 20-IS) and Annual Report (SEC Form 17-A) which covers its Corporate Social Responsibility Report.

3) Performance-enhancing mechanisms for employee participation.

- What are the company's policy for its employees' safety, health and welfare?
- Show data relating to health, safety and welfare of its employees.
- State the company's training and development programmes for its employees. Show the data.
- State the company's reward/compensation policy that accounts for the performance of the company beyond short-term financial measures

**Development Opportunities for Employees**

**(1) Employee Empowerment:**

*Internal movement & succession*

The Corporation provides opportunities for employees to manage their career path through an open and spontaneous performance review. Department Heads are encouraged to train their staff in all scopes of their jobs, multi-tasking and taking accountabilities to prepare them for greater responsibility. Internal movement or promotion within department is put on public knowledge through bulletin boards and e-mails and their colleagues celebrate and congratulate them for their achievements.

*Staff dialogue and monthly tea parties*

Employees are empowered when they are given the opportunity to share their thoughts and concern about their jobs. Staff dialogue is scheduled for each department each month where the top executives and General Manager take time to listen and answer employees' inquiries. Monthly tea parties also served as venue for the General Manager to inspire, motivate and give updates on the direction the Hotel would take.

**(2) Employee Development:**

*OSE Training*



To adapt the Group corporate culture in terms of behavioral norms, the Hotel conducts discussion and implementation of Outstanding Service themes to all employees at all levels. Daily assignment of OSE or OSE calendar is sent to all departments as their point of discussion in their daily briefing and endorsement.

**(3) Work Life Balance**

*Sports activity*

The Hotel holds an annual sports event to prompt the importance of active lifestyles and develop social skills by engaging in sports. Employees find time to associate with other employees outside their department and develop friendships that thrive even when they go back to their respective offices. Social values and behaviors such as team work, will to win and sportsmanship are demonstrated and cultivated on these activities.

*Employee center*

Employees are encouraged to engage in sports activity within the comforts of their work.

Vinluan, an empty space in the Hotel, was transformed into employee center where they can play table tennis, darts and board games.

*5 day work week*

The Hotel recently embraced the five-day work week to all administrative personnel to give weekends away for leisure, relaxation and other activities that would keep them refreshed and passionate for another week of challenges at work.

**(4) Disaster Preparedness**

The Corporation has established a team of trained employees to respond to possible disasters like fire, earthquakes and other accidents our guests and employees might experience during their stay in the hotel. Instructors from Philippine National Red Cross trained our staff with basic first aid management and CPR (cardio-pulmonary resuscitation) while a team from the local fire department taught our employees with procedures in emergency rescue transfer and use of fire fighting equipment.

**4) What are the company's procedures for handling complaints by employees concerning illegal (including corruption) and unethical behavior? Explain how employees are protected from retaliation.**

The Corporation has not adopted procedures for handling complaints by employees concerning illegal (including corruption) and unethical behavior. However, the Code of Conduct provides that refusal to answer inquiries or participate in any investigation authorized by the Hotel, provided such answers or participation will not violate constitutional rights, is considered a major offense. Thus, employees are enjoined to participate in investigations of the Hotel, which may include illegal (including corruption) and unethical behavior.

**DISCLOSURE AND TRANSPARENCY**

**1) Ownership Structure**

**(a) Holding 5% shareholding or more**

Shareholder	Number of Shares	Percent	Beneficial Owner
The Philippine Fund Limited	28,655,932	32.82%	TPFL is owned by: (1) Hong Leong Hotels Pte. Ltd. - 80% (2) Pacific Far East (PFE) Holdings Corp. - 20% (3) Robina Manila Hotel Limited - 20%
Zatrio Pte. Ltd.	17,727,149	20.30%	Republic Hotels & Resorts Limited,, which wholly owns Zatrio Pte. Ltd as its subsidiary.
PCD Nominee Corporation	6,643,841	7.49%	RCBC Trust & Investments Division is the beneficial owner of 3,835,853 shares, or 8.61%.

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Name of Senior Management	Number of Direct Shares	Number of Indirect Shares/ Through (name of record owner)	% of Capital Stock
Yam Kit Sung	2,989	0	less than 1%
Eddie Yeo	1,000	0	less than 1%
Arlene de Guzman	1,000	0	less than 1%
<b>Total</b>			

2) Does the Annual Report disclose the following:

Key Risks	Yes
Corporate objectives	Yes
Financial performance indicators	Yes
Non-Financial performance indicators	Yes
Dividend Policy	Yes
Details of whistle-blowing policy	Yes
Biographical details (at least age, qualification, date of first employment, relevant, and any other directorship of listed companies) of directors/commissioners	Yes
Training and/or continuing education programme attended by each director/commissioner	No
Number of board of directors/commissioners meetings held during the year	Yes
Attendance details of each directors/commissioner in respect of meetings held	Yes
Details of remuneration of the CEO and each member of the board of directors/commissioners	Yes

3) External Auditor's fee

Name of Auditor	Audit fee	Non-Audit fee
KPMG R. G. Manabat & Co.	PhP620,000 for the year 2013	none

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4) Medium of Communication

List down the mode/s of communication that the company is using for disseminating information.

- Corporation has its own website: [www.grandplazahotel.com](http://www.grandplazahotel.com)
- As a listed company, its reports and documents are also available at the Philippine Stock Exchange Website
- Also, the CG Manual provide for the following :
  - The Shareholders shall be furnished, upon request, with the reports filed by the Corporation with the SEC pertaining to information about the directors/ officers
  - The minority shareholders (representing at least 10%) have a right to propose the holding of a meeting.
  - The minority shareholders has access to any and all information relating to matters for which the management is accountable for and which concerns the stockholders making the request
- The Corporation also sends out copies of its Information Statement to its stockholders
- Annual Meetings - held on the 15th of May every year
- Special Meetings - may be called at any time by resolution of the Board or by order of the Chairman or the President or upon written request of stockholders representing at least 10% of the total outstanding stock entitled to vote.

5) Date of release of audited financial report:

The Corporation's audited financial statements for the year ended 31 December 2013 and other information related to the Corporation's financial statements are contained in the Corporation's SEC Form 17-A for the year ended 31 December 2013, which was filed by the Corporation with the Philippine Stock Exchange on 21 February 2014 and with the SEC on 21 February 2014.

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6) Company Website

Does the company have a website disclosing up-to-date information about the following?

Business operations	Yes
Financial statements/report (current and prior years)	Yes
Materials provided in briefings to analyst and media	Yes
Shareholding structure	Yes
Group Corporate structure	Yes
Downloadable annual report	Yes
Notice of AGM and/or EGM	Yes
Corporation's constitution (company's by laws, memorandum and articles of association)	Yes

Should any of the foregoing information be not disclosed, please indicate at the reason thereto.

7) Disclosure of RPT

RPT	Relationship	Nature	Value
Cash Advances	Related companies to, or immediate or intermediate holding companies of the Corporation	The Corporation in the normal course of business has entered into transactions with its related parties, principally consisting of cash advances. These advances are shown as "Due to related company", "Due to immediate holding company", and	In 2013, P2,411,208
Lease Agreement	Harbour Land Corporation (HLC) is 40%-owned by the Corporation and in which the Corporation has significant influence	The Corporation leases the land occupied by the Hotel from HLC for a period of 25 years up to January 1, 2015. The lease agreement on the Hotel site requires the Corporation to deposit PHP78 million to answer for any and all unpaid obligations that the Corporation may have under said contract. On 11 February 2014, the Board approved the renewal of the lease agreement for another 25 years or until 2040 and authorized the Management of the Corporation to negotiate and approve the increase in the rent to be paid by the Corporation to HLC effective January 2014 and throughout the extended term of the lease.	The current rent is PHP89,880.00 per month for a total of PHP10,678,560.00 per year, and the proposed increased rental is PHP17,797,608.00 per year, plus or minus 5%, or an increase of PHP6,229,167.60 to PHP8,008,928.40 per year, subject to the negotiations between the Management of the Corporation and HLC
Management Agreement	Elite Hotel Management Services Pte. Ltd.'s Philippines Branch is under the control of a principal owner of the Corporation	The Corporation has entered into a Management Agreement with Elite Hotel Management Services Pte. Ltd.'s Philippines Branch for the latter to act as the hotel's administrator. Under the terms of the agreement, the Corporation is required to pay monthly basic management and incentive fees based on a certain percentage of	The management fee under the Management Agreement is 2% of Gross Revenue and Incentive fee is 7% of Gross Operating Profit.

revenue and gross operating profit.

**When RPTs are involved what processes are in place to address them in the manner that will safeguard the interest of the company and in particular of its minority shareholders and other stakeholders?**

The Corporation's CG Manual requires information including related party transactions to be publicly and timely disclosed through the appropriate mechanisms of the PSE and submitted to the SEC.

In compliance with the SRC Rules, the Corporation is required to disclose the following details for a related party contract:

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

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

No disclosure is needed for any transaction where:

- a. The transaction involves services at rates or charges fixed by law or governmental authority;
- b. The transaction involves services as a bank depository of funds, transfer agent, registrar, trustee under a trust indenture, or similar services;
- c. The amount involved in the transaction or a series of similar transactions has an aggregate value of less than PhP2,500,000; or
- d. The interest of the person arises solely from the ownership of securities of the registrant and the person receives no extra or special benefit that was not shared equally (pro rata) by all holders of securities of the class.

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

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

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

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

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

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

In accordance with the Corporation Code, management contracts entered into by the Corporation with another corporation must be approved by the Board and by stockholders owning at least the majority of the outstanding capital stock, of both the managing and the managed corporation, at a meeting duly called for the purpose. Where a stockholder or stockholders representing the same interest of both the managing and the managed corporations own and control more than one-third (1/3) of the total outstanding capital stock entitled to vote of the managing corporation; or where a majority of the members of the Board of the managing corporation also constitute a majority of the members of the Board of the managed corporation, then the management contract must be approved by the stockholders of the managed corporation owning at least two-thirds (2/3) of the total outstanding capital stock entitled to vote. Furthermore, no management

contract shall be entered into for a period longer than five years for any one term.

**H. RIGHTS OF STOCKHOLDERS**

**1. Right to participate effectively in and vote in Annual/Special Stockholders Meetings**

**(a) Quorum**

Give details on the quorum required to convene the Annual/Special Stockholders Meeting as set forth in its By-laws.

<b>Quorum Required</b>	The holders of a majority of the outstanding capital stock of the Corporation having voting powers, who are present in person or represented by proxy, shall constitute a quorum for the transaction of business, save in those instances where the Corporation Code requires a greater proportion.
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**(b) System Used to Approve Corporate Acts**

Explain the system used to approve corporate acts

<b>System Used</b>	Modified <i>viva voce</i>
<b>Description</b>	In the system of voting adopted by the stockholders of the Corporation, in order to facilitate the conduct of the proceedings of the stockholders' meeting, if there is no objection to a nomination or motion to approve a proposed resolution regarding , it will be understood that the stockholders present or represented in today's meeting vote in favor of the resolution.

**(c) Stockholders' Rights**

List any Stockholders' Rights concerning Annual/Special Stockholders' Meeting that differ from those laid down in the Corporation Code.

Stockholders' Rights under the Corporation Code	Stockholders' Rights <u>not</u> in The Corporation Code
Appraisal Right	Each share of stock is given equal rights to dividends
Right to vote <ul style="list-style-type: none"> <li>• right to elect, remove, and replace directors and vote on certain corporate acts in accordance with the Corporation Code</li> <li>• Cumulative Voting</li> <li>• A director shall not be removed without cause if it will deny minority shareholders representation in the Board</li> </ul>	Shareholders are equally treated in share buy-back offers.  The Corporation has only one class of shares and each share is entitled to one vote.
Pre-emptive right	Shares of stock are not subject to any restrictions on transfer, mortgage or encumbrances on these shares.
Power of Inspection	The Corporation is committed to respect and promote shareholders' rights
Right to Information	(1) The shareholders shall be provided, upon request, with the reports filed by the Corporation with SEC that disclose personal and professional information about the directors and officers and certain other matters such as their holdings of the Corporation's shares, dealings with the Corporation, relationships among directors and key officers, and the aggregate compensation of directors and officers.  (2) The minority shareholders shall be granted the right to propose the holding of a meeting, and the right to propose items

	<p>In the agenda of the meeting, provided the items are for legitimate business purposes. The By-Laws of the Corporation provides that shareholders representing at least ten percent (10%) of the outstanding capital stock of the Corporation may request the holding of a special shareholders' meeting.</p> <p>(3) The minority shareholders shall have access to any and all information relating to matters for which the management is accountable for and which concerns the stockholders making the request, provided that such right shall be subject to existing law and contract. A report on the information pertaining to such matters may be included in the agenda of any meeting of the shareholders.</p> <p>(4) If such not included in the agenda, then the minority shareholders shall be allowed to propose to include such matters in the agenda of shareholders' meeting, such item in the agenda will be considered as being within the definition of "legitimate purposes".</p>
Right to Dividends	The Corporation is required to declare dividends when its retained earnings exceeds 100% of its paid-in capital stock, except: a) when justified by definite corporate expansion projects or programs approved by the Board or b) when the Corporation is prohibited under any loan agreement with any financial institution or creditor, whether local or foreign, from declaring dividends without its consent, and such consent has not been secured; or c) when it can be clearly shown that such retention is necessary under special circumstances obtaining in the Corporation, such as when there is a need for special reserve for probable contingencies.

**Dividends**

Declaration Date	Record Date	Payment Date
15 May 2012	29 May 2012	On or before 22 June 2012

**(d) Stockholders Participation**

- 1) State, if any, the measures adopted to promote stockholder participation in the Annual/Special Stockholders Meeting, including the procedure on how stockholders and other parties interested may communicate directly with the Chairman of the Board, individual directors or board committees. Include in the discussion the steps the Board has taken to solicit and understand the views of the stockholders as well as procedures for putting forward proposals at stockholders' meetings.

Measures Adopted	Communication Procedure
Minority shareholders may recommend candidates to the Nomination Committee and may cumulate their votes for election of directors.	The Nomination Committee sends out notices to all stockholders that the Nomination Committee is accepting recommendations for nominees. Then, the Stockholders will submit their recommended candidates by accomplish the Recommendation Form attached as Annex 1 to the notice to the stock holders and sent back the same to the Nomination Committee.
Minority shareholders, representing at least 10% of the outstanding capital stock entitled to vote, have the right to propose the holding of a meeting, and the right to propose items in the agenda of the meeting, provided the items are for legitimate business purposes.	By written request. Such request shall state the purpose or purposes of the proposed meeting.
During the annual stockholders' meeting, stockholders are given the opportunity to raise questions and directly address	The Chairman invites the stockholders to raise their questions or air their comments during the annual

the Chairman of the Board, the individual directors, and the Board committees.	stockholders' meeting. There is also a question and answer portion during which the floor is opened to allow stockholders to raise questions and directly address the Chairman of the Board, the individual directors, the Board committees, and the officers of the Corporation.
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8. State the company policy of asking shareholders to actively participate in corporate decisions regarding:

- Amendments to the company's constitution
- Authorization of additional shares
- Transfer of all or substantially all assets, which in effect results in the sale of the company

Authorization of additional shares, and transfer of all or substantially all assets of the corporation are subject to the ratification of stockholders representing at least 2/3 of the outstanding capital stock, as provided in the Corporation Code.

9) Does the company observe a minimum of 21 business days for giving out of notices to the AGM where items to be resolved by shareholders are taken up?

- Date of sending out notices: 22 April 2014
- Date of Annual/Special Stockholders Meeting: 15 May 2014

Yes. As a matter of practice, the Corporation distributes the notice of the meeting at least 21 days (or 15 business days) before the AGM. According to its By-Laws, except as otherwise provided by law, written or printed notice of all annual and special meetings of stockholders, stating the place and time of the meeting, and if necessary, the general nature of the business to be considered shall be transmitted by personal delivery, mail, facsimile, telex, telegraph or cable to each stockholder of record entitled to vote to his last known address, at least 15 days before the date of the meeting, in case of an Annual Meeting, or at least 7 days before the date of the hearing, if a special meeting.

The Corporation also subscribes to the requirement under the SRC Rules, to file the Preliminary SEC Form 20-15 with the SEC at least 10 business days prior to the date definitive copies of the information statement ("Definitive SEC Form 20-15") are first sent or given to stockholders. The Corporation distributes the Definitive SEC Form 20-15 to security holders at least 15 business days from the date of the annual stockholders' meeting.

10) State, if any, questions and answers during the Annual/Special Stockholders' Meeting.

In the annual stockholders' meeting of the Corporation held on 15 May 2014, Mr. Edgar Ngo, a stockholder of the Corporation, inquired as to (i) the contribution of PAGCOR's business to the occupancy and revenue of the Corporation, and (ii) the Corporation's contingency plan to address the impact of PAGCOR's non-renewal of its lease with the Corporation. The Chairman replied that the contribution of PAGCOR's business to the occupancy and revenue of the Corporation was significant, and that the Board is looking into some alternatives with regard to the use of the space previously occupied by PAGCOR, including negotiations with various parties who are interested in leasing the space as a casino. Mr. Yeo also provided additional details in response to the questions raised by Mr. Ngo, and mentioned that in terms of occupancy, PAGCOR occupied an average of 25 rooms a day, and contributed PhP 10 million per month in lease rentals.

Mr. Gili Guillermo, a stockholder of the Corporation, asked the Board to confirm that PAGCOR's non-renewal of its lease with the Corporation adversely affected the revenues, income, and other financial indicators of the Corporation, which the Chairman confirmed.

11) Result of Annual/Special Stockholders' Meeting's Resolutions

Resolution	Approving	Disenting	Abstaining
(1) Approval of the Corporation's 2013 annual report and audited financial statements	all	none	none
(2) Approval and ratification of the Minutes of the Annual Stockholders' Meetings of the Corporation held on 15 May 2013	all	none	none
(3) Approval and ratification of all the acts, decisions,	all	none	none

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**Deleted:** Yam Kit Sung answered that the cash dividends amounted to PhP190,000,000.00 at PhP2.00 per share.

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**Deleted:** Ngo asked how much retained earnings the Corporation has at present. Mr. Yam replied that at the end of 2012, retained earnings amounted to PhP168,000,000.00. Mr. Ngo further asked if the Corporation is planning to declare stock dividends. The Chairman mentioned that after the Board meeting held before the annual stockholders' meeting, the Board approved a share buyback exercise. ¶

¶ Mr. Ngo then asked the Board if the Corporation has a plan to expand the business of the Hotel for instance in the Manila Bay area or in Boracay. The Chairman replied that these matters are being considered by the Board. The Chairman added that there are many factors to be considered, and assured Mr. Ngo that his concerns will be taken into account in the subsequent meetings of the Board. ¶

¶ Mr. Christopher Lim.

**Deleted:** regarding the business performance of

**Deleted:** Mr. Eddie Yeo replied that 2012 was challenging for the Hotel. Mr. Yeo mentioned local challenges such as the travel advisories posted by the United States, Australia

**Deleted:** countries, and the territorial dispute between China and the Philippines. Mr. Yeo also mentioned the impact of new players like the Resorts World and Solara Resort and Casino. The occupancy of the Hotel dropped to 64% versus 67% from the previous year. The total revenue also dropped by 4.4%. Furthermore, the GOP of the hotel dropped to 49% from 52%. ¶

¶ Mr. Lim then asked about the impact of the 5% drop in revenue and the 10% drop in net income

**Deleted:** Mr. Lim also asked for an update on the Corporation's discussions with PAGCOR in connection with its lease of the space for its casino. Mr. Yam answered that the Corporation has ongoing negotiations with PAGCOR and that the Corporation's revenue will not be affected significantly. Mr. Lim then asked

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contracts and proceedings done, taken and effected by the Board, as well as resolutions issued by the Board, acting within the scope of its delegated authority, during the year 2013-2014			
(4) Election of the Board	all	none	none
(5) Election of external auditor and authority of the Board to fix the auditor's remuneration	all	none	none
(6) Remuneration of the directors	all	none	none
(7) Ratification of the amendment of the Articles of Incorporation and By-Laws of the Corporation to specify its principal office address	all	none	none

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12) Date of publishing of the result of the votes taken during the most recent AGM for all resolutions:

The result of votes taken during the most recent annual stockholders' meeting for all resolutions was announced by the Chairman immediately after the votes were taken for each resolution during the meeting, using the modified system of voting adopted by the stockholders of the Corporation (i.e., if there is no objection to a nomination or motion to approve a proposed resolution regarding the nomination, it will be understood that the stockholders present or represented in today's meeting vote in favor of the nomination).

(e) Modifications

State, if any, the modifications made in the Annual/Special Stockholders' Meeting regulations during the most recent year and the reason for such modification:

(f) Stockholders Attendance

(i) Details of Attendance in the Annual/Special Stockholders' Meeting Held:

Type of Meeting	Name of Board Members/ Officers present	Date of Meeting	Voting procedure (by poll, show of hands, etc)	% of SH in Proxy	Total % of SH attendance
Annual	Wong Hong Ren, Eddie Yeo Bryan K. Cockrell, Michele Dee-Santos, Angello C. Imperio Mia G. Gentugaya Yam Kit Sung Alain Charles J. Veloso	15 May 2014	Modified viva voce.  In the system of voting adopted by the stockholders of the Corporation, in order to facilitate the conduct of the proceedings of the stockholders' meeting, if there is no objection to a nomination or motion to approve a proposed resolution regarding the nomination, it will be understood that the stockholders present or represented in today's meeting vote in favor of the nomination.	86.36%	86.36%

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Special	N.A.				
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**(ii) Does the company appoint an independent party (inspectors) to count and/or validate the votes at the ASM/SSMs?**

No. Voting and counting of votes are done by modified *viva voce* (Sec Form 20-IS, 2013). In the system of voting adopted by the stockholders of the Corporation, in order to facilitate the conduct of the proceedings of the stockholders' meeting, if there is no objection to a nomination or motion to approve a proposed resolution regarding the nomination, it will be understood that the stockholders present or represented in today's meeting vote in favor of the nomination.

**(iii) Do the company's common shares carry one vote for one share? If not, disclose and give reasons for any divergence to this standard. Where the company has more than one class of shares, describe the voting rights attached to each class of share.**

Yes. At every stockholders' meeting, the By-Laws provide that each stockholder shall be entitled to one vote in person or by proxy, and he shall have one vote for each share of stock entitled to vote and recorded in his name in the books of the Corporation.

**(g) Proxy Voting Policies**

State the policies followed by the company regarding proxy voting in the Annual/Special Stockholders' Meeting.

Corporation's Policies	
Execution and acceptance of proxies	Proxy voting is facilitated by the fact that proxies are presumed regular and accepted in the absence of a timely and valid challenge.
Notary	Not required. The Corporation adopts a presumption of regularity in the execution of proxies and the same shall be accepted in the absence of a timely and valid challenge.
Submission of Proxy	All proxies must be in the hand of the Corporate Secretary before the time set for the meeting.
Several Proxies	The Corporation subscribes to SEC Memorandum Circular No. 5, Series of 1996, with regard to several proxies. If the stockholder intends to designate several proxies, the number of shares of stock to be represented by each proxy shall be specifically indicated in the proxy form. If some of the proxy forms do not indicate the number of shares, the total shareholding of the stockholder shall be tallied and the balance thereof, if any, shall be allotted to the holder of the proxy form without the number of shares. If all are in blank, the stocks shall be distributed equally among the proxies.
Validity of Proxy	The Corporation adopts a presumption of regularity in the execution of proxies and the same shall be accepted in the absence of a timely and valid challenge.
Proxies executed abroad	Proxies executed abroad shall be duly authenticated by the Philippine Embassy or Consular Office.
Invalidated Proxy	Such proxies filed with the Corporate Secretary may be revoked by the stockholders either in an instrument in writing duly presented and recorded with the Secretary prior to a scheduled meeting, or by their personal presence at the meeting.
Validation of Proxy	Unless the notice of meeting provides an earlier period, all proxies may be validated on the date, and at the place and before time of the regular or special meeting of the stockholders.
Violation of Proxy	As provided in the Corporation Code and SRC.

**(h) Sending of Notices**

State the company's policies and procedures on the sending of notices of Annual/Special Stockholders'

Meeting.

Policies	Procedure
<p><b>Notice for Annual Stockholders' Meeting:</b></p> <p>Written or printed notice, stating the place and time of the meeting, and if necessary, the general nature of the business to be considered, shall be transmitted to each stockholder of record.</p>	<p><i>How transmitted:</i> the notice is transmitted by personal delivery, mail, facsimile, telex, telegraph or cable to each stockholder of record entitled to vote to his last known address</p> <p><i>When transmitted:</i> at least 15 days before the date of the meeting</p>
<p><b>Notice for Special Stockholders' Meetings</b></p> <p>Written or printed notice, stating the place and time of the meeting, and if necessary, the general nature of the business to be considered, shall be transmitted to each stockholder of record.</p>	<p><i>How transmitted:</i> the notice is transmitted by personal delivery, mail, facsimile, telex, telegraph or cable to each stockholder of record entitled to vote to his last known address</p> <p><i>When transmitted:</i> at least 7 days before the date of the hearing</p>

(I) Definitive Informative Statements and Management Report

Number of Stockholders entitled to receive Definitive Information Statements and Management Report and Other Materials	506
Date of Actual Distribution of Definitive Information Statements and Management Report and Other Materials held by market participants/certain beneficial owners	23 April 2014
Date of Actual Distribution of Definitive Information Statements and Management Report and Other Materials held by stockholders	23 April 2014
If yes, indicate whether requesting stockholders were provided hard copies	Yes.

Deleted: 2013

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(j) Does the Notice of Annual/Special Stockholders' Meeting include the following:

Each resolution to be taken up deals with only one item.	Yes.
Profiles of directors (at least age, qualification, date of first appointment, experience, and directorships in other listed companies) nominated for election/re-election.	Yes. Individual profile of directors and Board meeting attendance and performance are publicly disclosed and presented to the shareholders in the Information Statement and during the Annual Stockholders' Meeting.
The auditors to be appointed or re-appointed.	Yes. Adequate information on the external auditor including the name of the handling partner, their fees and other engagements with the company (tax, consulting, etc.) are publicly disclosed.
An explanation of the dividend policy, if any dividend is to be declared.	Yes. Dividends are declared by the Board based on results of operations and the balance of the unrestricted retained earnings. In Item 6.1.5 of its CG Manual, the Corporation is required to declare dividends when its unrestricted retained earnings exceed 100% of its paid-up capital stock.
The amount payable for final dividends.	Yes. Dividends are declared by the Board based on results of operations and the balance of the unrestricted retained earnings. In Item 6.1.5 of its CG Manual, the Corporation is required to declare dividends when its unrestricted retained earnings exceed 100% of its paid-up

	capital stock.
Documents required for proxy vote.	Yes. The Corporation adopts a presumption of regularity in the execution of proxies and the same shall be accepted in the absence of a timely and valid challenge.

Should any of the foregoing information be not disclosed, please indicate the reason thereto.

**2) Treatment of Minority Stockholders**

a) State the company's policies with respect to the treatment of minority stockholders.

Policies	Implementation
Minority shareholders are given full nomination and voting rights	Shareholders shall have the right to elect, remove and replace directors and vote on certain corporate acts in accordance with the Corporation Code.  Cumulative voting shall be used in the election of directors.  A director shall not be removed without cause if it will deny minority shareholders representation in the Board
Minority shareholders have the right to participate in corporate governance	The minority shareholders shall be granted the right to propose the holding of a meeting, and the right to propose items in the agenda of the meeting, provided the items are for legitimate business purposes. The By-Laws of the Corporation provides that shareholders representing at least ten percent (10%) of the outstanding capital stock of the Corporation may request the holding of a special shareholders meeting.
Minority shareholders have the right to information	The minority shareholders shall have access to any and all information relating to matters for which the management is accountable for and which concerns the stockholders making the request, provided that such right shall be subject to existing law and contract. A report on the information pertaining to such matters may be included in the agenda of any meeting of the shareholders.  If such not included in the agenda, then the minority shareholders shall be allowed to propose to include such matters in the agenda of shareholder's meeting, such item in the agenda will be considered as being within the definition of "legitimate purposes".

b) Do minority stockholders have a right to nominate candidates for board of directors?

Yes. The Rules and Procedure of the Nomination Committee provide for such a procedure.

**I. INVESTORS RELATIONS PROGRAM**

1) Discuss the company's external and internal communications policies and how frequently they are reviewed. Disclose who reviews and approves major company announcements. Identify the committee with this responsibility, if it has been assigned to committee.

Under the CG Manual, one of the Board's functions is to establish and maintain an investor relations program that will keep the stockholders informed of important developments in the Corporation. The Corporation's chief financial officer or such other officer as may be designated by the Board shall exercise oversight responsibility over this program.

2) Describe the company's investor relation program including its communications strategy to promote effective communication with its stockholders, other stakeholders and the public in general. Disclose the contact details (e.g. telephone, fax and email) of the officer responsible for investor relations

	Details
(1) Objectives	To keep the stockholders informed of important developments in the Corporation.
(2) Principles	<p>The Corporation recognizes that the most cogent proof of good corporate governance is that which is visible to the eyes of its investors.</p> <p>All material information about the Corporation which could adversely affect its viability or the interests of the stockholders should be publicly and timely disclosed. Such information should include, among others, earnings results, acquisition or disposition of assets, and related party transactions. All such information should be disclosed through the appropriate PSE mechanisms and submissions to the SEC.</p> <p>Other information that shall always be disclosed includes remuneration (including stock options) of all directors and senior management corporate strategy, and off balance sheet transactions.</p> <p>The Board shall commit at all times to fully disclose material information dealings. It shall cause the filing of all required information for the interest of the stakeholders.</p>
(3) Modes of Communication	<p>All material information should be disclosed through the appropriate PSE mechanisms and submissions to the SEC.</p> <p>The Corporation's website also discloses up-to-date information on business operation, financial statements, press releases, shareholding structure, organization structure, SEC Forms 17-A, Notice of ASM, and contact details for investor relations.</p> <p>The Corporation's website indicates the telephone number/ fax number and email address of the Corporation's investor relations officer.</p>
(4) Investors Relations Officer	Yam Kit Sung, Chief Financial Officer of the Corporation

3) What are the company's rules and procedures governing the acquisition of corporate control in the capital markets, and extraordinary transactions such as mergers, and sales of substantial portions of corporate assets?

Name of the independent party the board of directors of the company appointed to evaluate the fairness of the transaction price

Other than what is provided under the law and the applicable rules and regulations, the Corporation has not adopted any rules and procedures governing the acquisition of corporate control in the capital markets, and extraordinary transactions such as mergers, and sales of substantial portions of corporate assets. Considering that the Corporation does not regularly enter into the foregoing transactions, the Board has not appointed any independent party to evaluate the fairness of the transaction price.

#### J. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

Discuss any initiative undertaken or proposed to be undertaken by the company.

Initiative	Beneficiary
<p><b>Employee Empowerment:</b></p> <p><i>Internal movement &amp; succession</i></p> <p>We provide opportunities for employees to manage their career path through an open and spontaneous performance review. Department Heads are encouraged to train their staff in all scopes of their jobs, multi-tasking and taking accountabilities to prepare them for greater responsibility. Internal movement or promotion within department is put on public knowledge through bulletin boards and e-mails and their colleagues celebrate and congratulate them for their achievements.</p> <p><i>Staff dialogue and monthly tea parties</i></p> <p>Employees are empowered when they are given the opportunity to share their thoughts and concern about their jobs. Staff dialogue is scheduled for each department each month where the top executives and General Manager take time to listen and answer employees' inquiries. Monthly tea parties also served as venue for the General Manager to inspire, motivate and give updates on the direction the Hotel would take.</p> <p><b>Employee Development:</b></p> <p><i>OSE Training</i></p> <p>To adapt the Group corporate culture in terms of behavioral norms, the Hotel conducts discussion and implementation of Outstanding Service themes to all employees at all levels. Daily assignment of OSE or OSE calendar is sent to all departments as their point of discussion in their daily briefing and endorsement.</p> <p><b>Work Life Balance</b></p> <p><i>Sports activity</i></p> <p>The Hotel holds an annual sports event to prompt the importance of active lifestyles and develop social skills by engaging in sports. Employees find time to associate with other employees outside their department and develop friendships that thrive even when they go back to their respective offices. Social values and behaviors such as team work, will to win and sportsmanship are demonstrated and cultivated on these activities.</p> <p><i>Employee center</i></p> <p>Employees are encouraged to engage in sports activity within the comforts of their work. Vinluan, an empty space in the Hotel transformed into employee center where they can play table tennis, darts and board games.</p> <p><i>5 day work week</i></p> <p>The Hotel recently embraced the five-day work week to all administrative personnel to give weekends away for leisure, relaxation and other activities that would keep them refreshed and passionate for another week of challenges at work.</p>	<p>Employees</p>
<p><b>Disaster Preparedness</b></p> <p>The Corporation has established a team of trained employees to respond to possible disasters like fire, earthquakes and other accidents our guests and employees might experience during their stay in the Hotel. Instructors from Philippine National Red Cross trained our staff with basic first aid management and CPR (cardio-pulmonary resuscitation) while a team from the local fire department taught our employees with procedures in emergency rescue transfer and use of fire fighting equipment.</p>	<p>Customers and employees</p>

<p><b>Environmental Awareness</b></p> <p><i>Energy and water conservation</i> The reduction of working days for administrative personnel or offices aims not only to achieve work life balance but also to reduce the Hotel's energy consumption. A Hotel wide campaign on the best cost management practices of departments educates and inspires associates to conserve and preserve supplies and resources.</p> <p>Engineering Department helps in devising ways to improve electricity consumption by using halogen and fluorescent lights. Room guests are also encouraged to save water and laundry detergent consumption by re-using bed linens and towels when possible. Scraps and old newspapers are recycled into flowers and pots to decorate our restaurants and other sections of the Hotel.</p> <p><i>Earth Hour</i> The Hotel actively participates in the annual Earth Hour, a worldwide campaign of turning off the lights for an hour in efforts to increase awareness on energy consumption and climate change. This event is spearheaded by the World Wildlife Fund (WWF), an international environmental advancement group and reported to have remarkable drop in energy usage in key cities of participating countries.</p>	<p>The environment</p>
<p><b>Community Involvement</b></p> <p><i>Blood letting</i> The Hotel is a consistent recipient of the Philippine National Red Cross Meritorious Service Award for its continuous participation in blood letting activities. We have organized eight blood donation activities since 2008 and have forwarded a total of 97,150 ml of blood to Red Cross.</p> <p><i>Readiness for career</i> The Hotel offers educational experiences and hotel-life skills training for students interested to have careers in hospitality industry. As contribution to the industry, we help prepare future hoteliers with the competencies and attitudes to make them confident and fit to explore their lot in the marketplace. Students from various universities and training centers across the metro and provinces have seen and experienced the Hotel standards in terms of cleanliness and service.</p> <p><i>Job opportunities</i> The Hotel is a long-standing figure of stability providing career opportunities for professionals and people recently graduated from school. We have provided employment security Pasay City and other neighboring cities and provinces thus providing their families and communities decent way of living.</p> <p><i>Funds for charitable institutions</i> The Hotel capitalizes on accumulating funds to support our beneficiaries during Christmas season and Chinese New Year. A wishing well is placed at the Hotel lobby where guests and employees can share their piece of good fortune to scholars and less privileged families of Pasay City through "Our Lady of Sorrows Outreach Foundation". The Hotel also participated with Red Cross International to assist the victims of Typhoon Yolanda.</p> <p>Pangarap Foundation, a shelter for street children and out of school youth of Pasay City is a donee institution of the Hotel through its donation box placed at Front Desk where guests can donate upon check-in and out.</p> <p>Charming children from Children's Joy Foundation are invited to participate in the Christmas caroling in the Hotel from December 16-25, 2013. It gives them the opportunity to exhibit their talents, entertain our guests and gather significant amount of donations from the Hotel's guests.</p>	<p>The community and society</p>

<b>Bridging International Relations</b>	Philippine tourism
The Hotel is a venue for many events and functions of diplomatic organizations in the country. We have hosted a number of parties, exhibits, fashion shows to promote distinctive cultures of our international clients and improved our relationships with them.	

**K. BOARD, DIRECTOR, COMMITTEE AND CEO APPRAISAL**

Disclose the process followed and criteria used in assessing the annual performance of the board and its committees, individual director, and the CEO/President.

	Process	Criteria
Board of Directors	N.A.	N.A.
Board of Committees	N.A.	N.A.
Individual Directors	N.A.	N.A.
CEO/President	N.A.	N.A.

The Corporation does not assess the annual performance of the board and its committees, individual director, and the CEO/President.

In accordance with the SEC's Guidelines for the Assessment of the Performance of Audit Committees of Companies Listed on the Exchange ("Guidelines"), the Audit Committee conducts an annual assessment of its practices in relation to the best practices and standards provided in the Guidelines ("Assessment"). The Assessment process is documented and forms part of the records of the Corporation.

**L. INTERNAL BREACHES AND SANCTIONS**

Discuss the internal policies on sanctions imposed for any violation or breach of the corporate governance manual involving directors, officers, management and employees.

Violations	Sanctions
Violation of the provisions of the CG Manual and the Revised CG Code	<p>In case of first violation, the subject person shall be reprimanded.</p> <p>Suspension from office shall be imposed in case of second violation. The duration of the suspension shall depend on the gravity of the violation.</p> <p>For third violation, the maximum penalty of removal from office shall be imposed.</p> <p>The commission of a third violation by any member of the Board shall be a sufficient cause for removal as director.</p> <p>The Compliance Officer shall recommend to the Board the procedure for determining whether violations have been committed. Such procedure must observe the principle of due process, particularly the requirements of prior notice and hearing.</p>

The Compliance Officer shall decide whether any violation of the CG Manual has been committed and shall recommend to the Chairman of the Board the imposable penalty for such violation, for further review and approval by the Board.

Pursuant to the requirement of the Securities and Exchange Commission, this Annual Corporate Governance Report is signed on behalf of the registrant by the undersigned, thereunto duly authorized, in the City of \_\_\_\_\_ on \_\_\_\_\_, 20\_\_.

**SIGNATURES**

**WONG HONG REN**  
Chairman of the Board / Chief Executive Officer

**ANGELITO C. IMPERIO**  
Independent Director

**MIA G. GENTUGAYA**  
Independent Director

**YAM KIT SUNG**  
Compliance Officer

SUBSCRIBED AND SWORN to before me this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_, affiant(s) exhibiting to me their \_\_\_\_\_ as follows:

NAME/NO.

DATE OF ISSUE

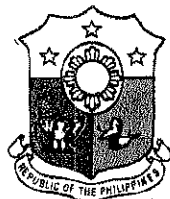
PLACE OF ISSUE

**NOTARY PUBLIC**



. Mr. Lim also asked for an update on the Corporation's discussions with PAGCOR in connection with its lease of the space for its casino. Mr. Yam answered that the Corporation has ongoing negotiations with PAGCOR and that the Corporation's revenue will not be eroded significantly. Mr. Lim then asked for the percentage of total Hotel revenue that the lease revenue from PAGCOR constituted. Mr. Yam replied that the revenue from PAGCOR constitutes around 20% of the total Hotel revenue. Finally, Mr. Lim asked if there was any contingency plan in the event that negotiations with PAGCOR do not succeed. Mr. Yam replied that the Corporation is already considering alternative revenue generating activities using the current PAGCOR casino space. Mr. Yam also mentioned that the Corporation is in a viable financial position given that it has no loans from banks or shareholders.





**FOREIGN SERVICE OF THE  
REPUBLIC OF THE PHILIPPINES**

EMBASSY OF THE PHILIPPINES )  
Consular Section ) S.S.  
Singapore )

**CERTIFICATE OF AUTHENTICATION**

**CATHERINE ROSE G. TORRES, CONSUL** of the Republic of

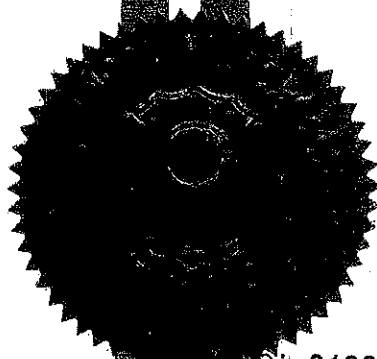
Philippines, Singapore, duly commissioned and qualified, do hereby certify that  
**WILSON YIP**

in whose name the annexed instrument has been executed to wit:  
**SECURITIES AND EXCHANGE COMMISSION SEC FORM – ACGR ANNUAL  
CORPORATE GOVERNANCE REPORT**

at the time he/she signed the same Notary Public in Singapore and that  
his signature affixed thereto is genuine.

The Embassy assumes no responsibility for the contents of the annexed document.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the seal of the Embassy of  
the Philippines at Singapore, this 23<sup>RD</sup> day of MAY 2013



  
**CATHERINE ROSE G. TORRES**  
Consul

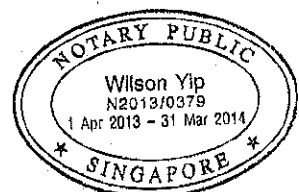
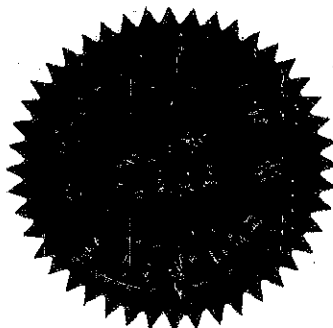
Reference No: 013027  
Fee Paid: \$42.50

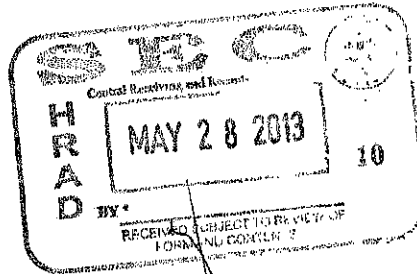
# NOTARIAL CERTIFICATE

TO ALL TO WHOM THESE PRESENTS SHALL COME

I, **WILSON YIP** Notary Public duly authorised and appointed practising in the Republic of Singapore **DO HEREBY CERTIFY AND ATTEST** that the document "**SECURITIES AND EXCHANGE COMMISSION SEC FORM - ACGR ANNUAL CORPORATE GOVERNANCE REPORT**" dated 22 May 2013 hereunto annexed was signed and executed by **WONG HONG REN** holder of Singapore Passport No E1802233F and the person named and mentioned in the said document for and on behalf of **GRAND PLAZA HOTEL CORPORATION**.

IN FAITH AND TESTIMONY  
WHEREOF I have hereunto subscribed  
my name and affixed my seal of office this  
22nd day of May 2013.





**SECURITIES AND EXCHANGE COMMISSION**  
**SEC FORM - ACGR**  
**ANNUAL CORPORATE GOVERNANCE REPORT**

1. Report is Filed for the Year ..... 2013
2. Exact Name of Registrant as Specified in its Charter ... GRAND PLAZA HOTEL CORPORATION
3. 10/F, The Heritage Hotel Manila, Roxas Blvd. cor. EDSA Ext., Pasay City ..... 1300 .....  
Address of Principal Office Postal Code
4. SEC Identification Number 166878 ..... 5.  (SEC Use Only)  
Industry Classification Code
6. BIR Tax Identification Number.....000-460-602-000.....
7. (632) 854-8838  
Issuer's Telephone number, including area code  
.....
8. Former name or former address, if changed from the last report

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**A. BOARD MATTERS**

**1) Board of Directors**

Number of Directors per Articles of Incorporation	7
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Actual number of Directors for the year	7
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**(a) Composition of the Board**

Complete the table with information on the Board of Directors:

Director's Name	Type [Executive (ED), Non-Executive (NED) or Independent Director (ID)]	If nominee, identify the principal	Nominator in the last election (if ID, state the relationship with the nominator)	Date first elected	Date last elected (if ID, state the number of years served as ID)	Elected when (Annual/Special Meeting)	No. of years served as director
Wong Hong Ren	ED	The Philippine Fund Limited ("TPFL")	Open floor nomination	15 May 1996	15 May 2012	Annual	17
Bryan Cockrell	NED	TPFL	Open floor nomination	15 May 1997	15 May 2012	Annual	16
Michele Dee-Santos	NED	RCBC Trust	Open floor nomination	7 February 2006	15 May 2012	Annual	7
Angelito Imperio	ID	N.A.	Zatrio Pte. Ltd.; No relation	5 August 1992	15 May 2012; Served as ID 2001-2004, and 2008 to present	Annual	20
Eddie Yeo	ED	TPFL	Open floor nomination	13 Jan 2005	15 May 2012	Annual	8
Eddie C. T. Lau	NED	TPFL	Open floor nomination	17 Jan 2005	15 May 2012	Annual	8
Mia Gentugaya	ID	N.A.	The Philippine Fund Limited; No relation	5 Aug 1992	15 May 2012; Served as ID 2005 - present	Annual	20

**(b) Provide a brief summary of the corporate governance policy that the board of directors has adopted. Please emphasize the policy/ies relative to the treatment of all shareholders, respect for the rights of minority shareholders and of other stakeholders, disclosure duties, and board responsibilities.**

The Corporation has adopted its own Revised Corporate Governance Manual ("CG Manual"), which is aimed to institutionalize the principles of good corporate governance in the entire organization. As a policy, the Board of Directors ("Board"), Management, employees and shareholders of the Corporation believe that good corporate



governance is a necessary component of what constitutes sound strategic business management and undertakes to create and maintain awareness within the organization.

**Shareholders** - The CG Manual ensures that shareholders are afforded rights and that minority shareholders' interests are protected.

**Minority shareholders** - the CG Manual emphasizes that the minority shareholders should be allowed to participate in determination of corporate acts. Specifically, the Board should give minority stockholders the right to propose the holding of meetings and the items for discussion in the agenda that relate directly to the business of the Corporation. The By-Laws of the Corporation provides that shareholders representing at least ten percent (10%) of the outstanding capital stock of the Corporation may request the holding of a special shareholders' meeting.

**Disclosure duties** - Under the CG Manual, the Corporation has adopted a policy that requires management to disclose related-party transactions. Also, item 5 of the CG Manual requires the disclosure of all material information about the Corporation which could adversely affect its viability or the interests of the stockholders. This includes:

- earnings results
- acquisition or disposition of assets
- remuneration

**Board Responsibilities** - It is the general responsibility of the Board to foster the long-term success of the Corporation and secure its sustained competitiveness in a manner consistent with its fiduciary responsibility, which it shall exercise in the best interest of the Corporation and its shareholders. The Board shall conduct itself with utmost honesty and integrity in the discharge of its duties, functions and responsibilities.

(c) **How often does the Board review and approve the vision and mission?**

The Corporation has no fixed period set for the Board's review of the vision and mission.

(d) **Directorship in Other Companies**

(i) **Directorship in the Corporation's Group**

Identify, as and if applicable, the members of the company's Board of Directors who hold the office of director in other companies within its group:

Director's Name	Corporate Name of the Group Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
Wong Hong Ren	Please refer to the Appendix "A".	

(ii) **Directorship in Other Listed Companies**

Identify, as and if applicable, the members of the company's Board of Directors who are also directors of publicly-listed companies outside of its Group:

Director's Name	Name of Listed Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman
Bryan K. Cockrell	(1) Southeast Asia Cement Holdings Inc. (2) Republic Cement Corp.	(1) Chairman (2) Director (3) Director

(iii) **Relationship within the Company and its Group**

Provide keen details, as and if applicable, of any relation among the members of the Board of Directors, which links them to significant shareholders in the company and/or in its group:

Director's Name	Name of the Significant Shareholder	Description of the Relationship
Wong Hong Ren	TPFL	Principal-nominee
Bryan Cockrell	TPFL	Principal-nominee
Michele Dee-Santos	RCBC Trust	Principal-nominee
Eddie Yeo	TPFL	Principal-nominee
Eddie C. T. Lau	TPFL	Principal-nominee

(iv) **Has the company set limit on the number of Board Seats in other companies (publicly listed, ordinary and companies with secondary license) that an individual director of CEO may hold simultaneously? In particular, is the limit of five board seats in other publicly listed companies imposed and observed? If yes, briefly describe other guidelines:**

	Guidelines	Maximum Number of Directorship in other companies
Executive Director	<p>According to the CG Manual, the following guidelines shall govern the determination of number of directorships for the Board:</p> <ul style="list-style-type: none"> <li>The nature of the business of the corporations of which he is a director</li> <li>Age of the director</li> <li>Number of directorships/ active memberships and official positions held in other corporations or organizations, provided that directorships in affiliates, subsidiaries or other corporations related to the Corporation shall not be counted</li> <li>Possible conflict of interest</li> </ul> <p>The optimum number shall be related to the capacity of a director to efficiently and diligently perform their duties to the boards they serve.</p>	The CG Manual does not provide a particular limit; however, it provides that executive directors shall submit themselves to a reasonable number of directorships in other companies and that in any case, the capacity of each director to diligently and efficiently perform his duties as board member shall not be compromised.
Non-Executive Director		The same limitation applies to independent, non-executive directors who serve as full-time executives in other companies.
CEO		The same limit applies.

(c) **Shareholding in the Company**

Complete the following table on the members of the company's Board of Directors who directly and indirectly own share in the company:

Name of Director	Number of Direct Shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
Wong Hong Ren	1	0	Less than 1%
Bryan Cockrell	1	0	Less than 1%
Michele Dee-Santos	1	0	Less than 1%

Angelito Imperio	1	0	Less than 1%
Eddie Yeo	1	0	Less than 1%
Eddie Lau	1	0	Less than 1%
Mia Gentugaya	1	0	Less than 1%
<b>Total</b>	<b>7</b>	<b>0</b>	<b>Less than 1%</b>

## 2) Chairman and CEO

(a) Do different persons assume the role of Chairman of the Board of Directors and CEO? If No, describe the checks and balances laid down to ensure that the Board gets the benefits of independent views.

Yes No

Generally, the Board is the governing body of the Corporation, and all corporate acts are approved by the Board. There are adequate checks and balances in the corporate governance structure of the Corporation to ensure that there is an appropriate balance of power, increased accountability and better capacity for independent decision-making by the Board (e.g. board review, internal control, and Audit Committee).

Firstly, there is a proper delineation of the functions of Chair and CEO provided by the Corporation's By-Laws:

- Article V, Section 6 - defines the position of Chairman of the Board.
- Article V, Section 7 - defines the position of President/ CEO

Secondly, the CG Manual contains provisions to ensure that the Board has mechanisms to ensure proper checks and balances in the management and operation of the Corporation. These include:

- Sections 2.2.1.3 (vi) to (ix) and Section 2.2.1.4 (iv) - on the powers, duties and responsibilities of the Board and a director
- Section 2.2.2.1 - on the creation and functions of the Audit Committee
- Section 2.5 - which requires the Board to provide stockholders with a balanced and comprehensible assessment of the Corporation's performance, position and prospects on a quarterly basis, including interim and other reports that could adversely affect its business, as well as reports to regulators that are required by law.
- Section 2.6 - requires the Management to provide adequate and timely information to the Board, acknowledges the Board's access to Management and the Corporate Secretary, and the Board's discretion to make further inquiries on Management action and not to rely solely in information provided by Management
- Section 7.4 - Board's self-rating system to assess Board and Management performance

Under Sec. 2.2.1 of the CG Manual of the Corporation, the Board is primarily responsible for the governance of the Corporation. Corollary to setting the policies for the accomplishment of the corporate objectives, it shall provide an Independent check on Management.

Thirdly, the Corporation has an Audit Committee and its own Audit Committee Charter ("Charter"), which provides for the duties and responsibilities of the Audit Committee and lays down the rules and procedures that govern the conduct and performance of the duties of the Audit Committee. The powers, duties, and responsibilities of the Audit Committee include access to auditors and management, review of audit procedures, and oversight of financial management functions.

Identify the Chair and CEO:

Chairman of the Board	Wong Hong Ren
CEO/ President	Wong Hong Ren

### (b) Roles, Accountabilities and Deliverables

Define and clarify the roles, accountabilities and deliverables of the Chairman and CEO.

Chairman	Chief Executive Officer
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<b>Roles</b>	According to the Corporation's By-Laws, the Chairman, if present, presides at all meetings of the stockholders and of the Board. The Chairman also performs all other duties as from time to time may be assigned to him by the Board.	The President Acts as the Chief Executive Officer of the Corporation. He presides over meetings in the absence of the Chairman. He also performs all duties incident to the office of the President and such other duties as may from time to time be assigned to him by the Board or as prescribed by the By-Laws.
<b>Accountabilities</b>		He is responsible for the general care and supervision of the business and affairs of the Corporation. Corporate acts and contracts outside of day-to-day operations generally require Board approval.
<b>Deliverables</b>		He signs with the Corporate Secretary or Assistant Corporate Secretary certificates of stock of the Corporation. He also provides the stockholders and the Board such reports, memoranda, accounts and data which may be required of him. He also signs off on the periodic filings and reports of the Corporation (e.g., Annual Report, Information Statement, Financial Statements, etc.) submitted to regulatory agencies and the PSE.

**3) Explain how the board of directors plan for the succession of the CEO/Managing Director/President and the top key management positions?**

The CEO/President and other key officers of the Corporation under its By-Laws, are elected every year in the organizational meeting of the Board. Except for the CEO/President of the Corporation (who is not covered by an employment contract with the Corporation), the key officers of the Corporation are also on two-year employment contracts that may be renewed for another two years upon mutual of the parties.

Furthermore, under Article VI, Section 2 of the Corporation's By-Laws, the Chairman, President, Vice-President(s), the General Manager, the Secretary, and Treasurer shall hold office until his successor is elected and qualified in his stead, or until he shall have resigned or shall have been removed in the manner as provided in the By-Laws.

**4) Other Executive, Non-Executive and Independent Directors**

**Does the company have a policy of ensuring diversity of experience and background of directors in the board? Please explain.**

According to Section 2.2.1.3 of the CG Manual, it is a policy of the Corporation that the Board has a duty to implement a process for the selection of Directors who can add value and contribute independent judgment for the formulation of sound corporate strategies and policies.

Furthermore, 2 out of the 7 directors, or approximately 28.6%, are required to be independent directors as defined by the CG Manual.

**Does it ensure at least one non-executive director has an experience in the sector or industry the company belongs to? Please explain.**

Yes. According to the CG Manual, Sec. 2.2.1.5, in addition to the qualifications required by law for all directors, the Corporation also requires that the non-executive director be a member in good standing in a relevant industry, business, or professional organizations. More particularly, Section 2.2.1.1. of the CG Manual mandates that the non-executive director should possess such qualifications and stature that would enable them to effectively participate in the deliberations of the Board.

The CG Manual also provides that a director should devote sufficient time to familiarize himself with the Corporation's business. He should be constantly aware of and knowledgeable with the Corporation's operations to enable him to

meaningfully contribute to the Board's work. He should attend and actively participate in Board and committee meetings, review meeting materials and, if called for, ask questions or seek explanation. A director should have a working knowledge of the statutory and regulatory requirements that affect the Corporation, including its articles of incorporation and by-laws, the rules and regulations of the SEC and, where applicable, the requirements of relevant regulatory agencies. A director should also keep abreast with industry developments and business trends in order to promote the Corporation's competitiveness.

**Define and clarify the roles, accountabilities and deliverables of the Executive, Non-Executive and Independent Directors:**

The Corporation's corporate governance documents do not expressly provide for the roles, accountabilities, and deliverables of the executive, non executive, and independent directors. However, the By-Laws and CG Manual of the Corporation provide for the powers, duties, and responsibilities of the Board and of each director of the Corporation.

	<b>Executive</b>	<b>Non-Executive</b>	<b>Independent Director</b>
<b>Roles</b>	Article IV, Section 1 of the By-Laws of the Corporation provides that unless otherwise provided by law, the powers, business and property of the Corporation shall be exercised, conducted and controlled by the Board.	Article IV, Section 1 of the By-Laws of the Corporation provides that unless otherwise provided by law, the powers, business and property of the Corporation shall be exercised, conducted and controlled by the Board.	Article IV, Section 1 of the By-Laws of the Corporation provides that unless otherwise provided by law, the powers, business and property of the Corporation shall be exercised, conducted and controlled by the Board.
<b>Accountabilities</b>	<p>Under Sec. 2.2.1 of the CG Manual, the Board is primarily responsible for the governance of the Corporation. Corollary to setting the policies for the accomplishment of the corporate objectives, it shall provide an independent check on Management.</p> <p>Under Sec. 2.2.1.2 of the CG Manual, it shall be the Board's responsibility to foster the long-term success of the Corporation and secure its sustained competitiveness in a manner consistent with its fiduciary responsibility, which it shall exercise in the best interest of the Corporation and its shareholders. The Board shall conduct itself with utmost honesty and integrity in the discharge of its duties, functions and</p>	<p>Under Sec. 2.2.1 of the CG Manual, the Board is primarily responsible for the governance of the Corporation. Corollary to setting the policies for the accomplishment of the corporate objectives, it shall provide an independent check on Management.</p> <p>Under Sec. 2.2.1.2 of the CG Manual, it shall be the Board's responsibility to foster the long-term success of the Corporation and secure its sustained competitiveness in a manner consistent with its fiduciary responsibility, which it shall exercise in the best interest of the Corporation and its shareholders. The Board shall conduct itself with utmost honesty and integrity in the discharge of its duties, functions and responsibilities. The Board shall formulate the Corporation's vision, mission, strategic</p>	<p>Under Sec. 2.2.1 of the CG Manual, the Board is primarily responsible for the governance of the Corporation. Corollary to setting the policies for the accomplishment of the corporate objectives, it shall provide an independent check on Management.</p> <p>Under Sec. 2.2.1.2 of the CG Manual, it shall be the Board's responsibility to foster the long-term success of the Corporation and secure its sustained competitiveness in a manner consistent with its fiduciary responsibility, which it shall exercise in the best interest of the Corporation and its shareholders. The Board shall conduct itself with utmost honesty and integrity in the discharge of its duties, functions and responsibilities. The Board shall formulate the Corporation's vision, mission, strategic objectives, policies and procedures that shall guide its activities, including the means to effectively monitor Management's</p>

	<p>responsibilities. The Board shall formulate the Corporation's vision, mission, strategic objectives, policies and procedures that shall guide its activities, including the means to effectively monitor Management's performance.</p> <p>Sec. 2.2.1.4 of the CG Manual provides that a director's office is one of trust and confidence. A director should act in the best interest of the Corporation in a manner characterized by transparency, accountability and fairness. He should also exercise leadership, prudence and integrity in directing the Corporation towards sustained progress.</p>	<p>objectives, policies and procedures that shall guide its activities, including the means to effectively monitor Management's performance.</p> <p>Sec. 2.2.1.4 of the CG Manual provides that a director's office is one of trust and confidence. A director should act in the best interest of the Corporation in a manner characterized by transparency, accountability and fairness. He should also exercise leadership, prudence and integrity in directing the Corporation towards sustained progress.</p>	<p>performance.</p> <p>Sec. 2.2.1.4 of the CG Manual provides that a director's office is one of trust and confidence. A director should act in the best interest of the Corporation in a manner characterized by transparency, accountability and fairness. He should also exercise leadership, prudence and integrity in directing the Corporation towards sustained progress.</p>
<p>Deliverables</p>	<p>Under Sec. 2.2.1.7 of the CG Manual, the members of the Board should attend its regular and special meetings in person or through teleconferencing conducted in accordance with the rules and regulations of the SEC.</p> <p>Sec. 2.5 of the CG Manual requires the Board to provide stockholders with a balanced and comprehensible assessment of the Corporation's performance, position and prospects on a quarterly basis, including interim and other reports that could adversely affect its business, as well as reports to regulators that are required by law.</p>	<p>Under Sec. 2.2.1.7 of the CG Manual, the members of the Board should attend its regular and special meetings in person or through teleconferencing conducted in accordance with the rules and regulations of the SEC.</p> <p>Sec. 2.5 of the CG Manual requires the Board to provide stockholders with a balanced and comprehensible assessment of the Corporation's performance, position and prospects on a quarterly basis, including interim and other reports that could adversely affect its business, as well as reports to regulators that are required by law.</p>	<p>Under Sec. 2.2.1.7 of the CG Manual, the members of the Board should attend its regular and special meetings in person or through teleconferencing conducted in accordance with the rules and regulations of the SEC.</p> <p>Sec. 2.5 of the CG Manual requires the Board to provide stockholders with a balanced and comprehensible assessment of the Corporation's performance, position and prospects on a quarterly basis, including interim and other reports that could adversely affect its business, as well as reports to regulators that are required by law.</p> <p>Independent directors should always attend Board meetings. The Board may require the presence of at least one independent director in all Board meetings. However, the absence of an independent director will not affect the quorum requirement.</p>

Provide the company's definition of "independence" and describe the company compliance to the definition.

The Corporation's Guidelines for Selection of Candidates for Independent Director ("Guidelines") provides the following definition:

*Definition of Independent Director* - An Independent director is a person other than an officer or employee of the corporation, its parent or subsidiaries, or any other individual having a financial or other interest in the business of the Corporation, its parent or subsidiaries, or any other individual having a relationship with the corporation which would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. It refers to a person who, apart from his fees and shareholdings, is independent of management and free from any business or other relationship that could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director of the corporation. It includes, among others, any person who:

- (i) Is not a director or officer or substantial stockholder of the Corporation or of its related companies or any of its substantial shareholders (other than as an independent director of any of the foregoing);
- (ii) Is not a relative of any director, officer, or substantial shareholder of the Corporation, any of its related companies, or any of its substantial shareholders. for this purpose, relatives includes spouse, parent, child, brother, sister, and the spouse of such child, brother or sister.
- (iii) Is not acting as a nominee or representative of a substantial shareholder of the Corporation, any of its related companies or by any of its substantial shareholders within the last five years.
- (iv) Has not been employed in any executive capacity b the Corporation, any of its related companies or by any of its substantial shareholders within the last five years.
- (v) Is not retained as professional adviser by the Corporation, any of its related companies or any of its substantial shareholders within the last five years, either personally or through his firm;
- (vi) Has not engaged and does not engage in any transaction with the Corporation or with any of its related companies or with any of its substantial shareholders, whether by himself or with any other persons or through a firm of which he is a partner or a company of which he is a director or substantial shareholder other than transactions which are conducted at arms length and are immaterial or insignificant.

In compliance with this definition, only the candidates whose nominations are confirmed by the Nomination Committee to be in accordance with such rules, guidelines and criteria to govern the conduct of the nomination shall be eligible to be elected as independent directors.

As such, both Atty. Gentugaya and Atty. Imperlo, the incumbent independent directors, have no relation whatsoever to their nominators, TPFL and Zatrio Pte Ltd, respectively.

**Does the company have a term limit of five consecutive years for independent directors? If after two years, the company wishes to bring back an independent director who had served for five years, does it limit the term for no more than four additional years? Please explain.**

The Corporation complies with SEC Memorandum No. 9, Series of 2011 ("SEC MC 9-11"), providing for term limits of independent directors to be reckoned from the terms commencing after 2 January 2013. Thus, the Corporation's independent directors can serve as such for five consecutive years. After the completion of the five-year service period, an independent director shall be ineligible for election as such, unless the independent director has undergone a "cooling off" period of two years. After the "cooling off" period, the independent director can serve for another five consecutive years. After serving as independent director for 10 years, the independent director shall be perpetually barred from being elected as such in the same company. All the previous terms served by existing independent directors shall not be included in the application of the term limits. Thus, the independent directors of the Corporation shall be eligible for reelection as independent directors for the next five consecutive years from 15 May 2012, subject to the "cooling off" period provided in SEC MC 9-11.

**5) Changes in the Board of Directors (Executive, Non-Executive and Independent Directors)**

**(a) Resignation/Death/Removal**

Indicate any change in the composition of the Board of Directors that happened during the period:

Name	Position	Date of Cessation	Reason
N.A.			

**(b) Selection/Appointment, Re-election, Disqualification, Removal, Reinstatement and Suspension**  
 Describe the procedures for the selection/appointment, re-election, disqualification, removal, reinstatement and suspension of the members of the Board of Directors. Provide details of the processes adopted (including the frequency of election) and the criteria employed in each procedure:

Procedure	Process Adopted	Criteria
<b>a. Selection/ Appointment</b>		
(i) Executive Directors		
(ii) Non-Executive Directors	<p>The By-Laws provide that all directors shall be elected annually and shall hold office until the annual meeting held next to his election and until his successor shall have been elected and shall have qualified, or until his death or until he shall resign or shall have been removed</p> <ul style="list-style-type: none"> <li>• Annual meeting: held on the 15th of May every year</li> <li>• If the election is not held on the annual meeting, then it shall be held at a special meeting as soon as thereafter as the same may be conveniently held</li> <li>• Notice: at least 15 days before the meeting</li> <li>• Quorum: the holders of at least the majority of the outstanding capital stock entitled to vote should be present personally or by proxy</li> <li>• Nomination: Stockholders nominating candidates for election shall show proof that such candidates have all the qualifications and none of the disqualifications</li> <li>• Deliberations of the Nomination Committee: At least a majority of the members of the Committee shall attend and they shall determine if one is qualified. Only those qualified based on their determination may be elected.</li> <li>• Voting: cumulative voting</li> </ul>	<ul style="list-style-type: none"> <li>i. He shall have at least one share of stock of the Corporation;</li> <li>ii. He shall be at least a college graduate or he shall have been engaged or exposed to the business of the corporation for at least five years;</li> <li>iii. He shall possess integrity/probity;</li> <li>iv. He shall be at least 21 years old;</li> <li>v. He shall be assiduous;</li> <li>vi. He must have a college education or equivalent academic degree;</li> <li>vii. He must have a practical understanding of the business of the Corporation;</li> <li>viii. He must be a member in good standing in relevant industry, business or professional organizations; and</li> <li>x. He must possess previous business experience.</li> </ul>
(iii) Independent Directors	<p>Under the Corporation's By-Laws, the Corporation shall elect such number of independent director/(s) as the relevant laws or regulations may require.</p> <p>At least three (3) months before the annual stockholders' meeting in which an independent director/(s) shall be elected, or at such time as the relevant law or regulation may from time to time prescribe, the Incumbent Board shall meet to appoint a Nomination Committee.</p>	<ul style="list-style-type: none"> <li>i. He shall have at least one share of stock of the Corporation;</li> <li>ii. He shall be at least a college graduate or he shall have been engaged or exposed to the business of the corporation for at least five years;</li> <li>iii. He shall possess integrity/probity;</li> <li>iv. He shall be at least 21 years old;</li> <li>v. He shall be assiduous;</li> <li>vi. He must have a college education or equivalent academic degree;</li> <li>vii. He must have a practical understanding of the business of the Corporation;</li> </ul>



	<p>The Nomination Committee shall consist of at least three (3) members, one of whom shall be an incumbent independent director.</p> <p>The Nomination Committee shall prepare the list of candidates for independent director(s) based upon qualified candidates nominated by the stockholders. The Nomination Committee, subject to the approval by the Board, shall promulgate the rules, guidelines and criteria to govern the conduct of the nomination. Only the candidates whose nominations are confirmed by the Nomination Committee to be in accordance with such rules, guidelines and criteria to govern the conduct of the nomination. No other nomination shall be entertained after the list of candidates has been finalized and submitted to the Chairman. No further nomination shall be entertained or allowed on the floor during the stockholders' meeting.</p> <p>The Chairman of the Board, or in his or her absence, the designated chairman of the stockholders' meeting, shall inform the stockholders attending the stockholders' meeting of the mandatory requirement of electing independent director(s). In case of failure to elect an independent director, the Chairman shall call a separate election during the same meeting to fill the vacancy.</p>	<p>ix. He must be a member in good standing in relevant industry, business or professional organizations; and</p> <p>x. He must possess previous business experience.</p>
<p><b>b. Re-appointment</b></p>		
<p>(i) Executive Directors</p>	<p>The By-Laws provide that all directors shall be elected annually and shall hold office until the annual meeting held next to his election and until his successor shall have been elected and shall have qualified, or until his death or until he shall resign or shall have been removed</p> <ul style="list-style-type: none"> <li>• Annual meeting: held on the 15th of May every year</li> <li>• If the election is not held on the annual meeting, then it shall be held at a special meeting as soon as thereafter as the same may be conveniently held</li> <li>• Notice: at least 15 days before the meeting</li> <li>• Quorum: the holders of at least the majority of the outstanding capital stock entitled to vote should be present personally or by proxy</li> </ul>	<p>i. He shall have at least one share of stock of the Corporation;</p> <p>ii. He shall be at least a college graduate or he shall have been engaged or exposed to the business of the corporation for at least five years;</p> <p>iii. He shall possess integrity/probity;</p> <p>iv. He shall be at least 21 years old;</p> <p>v. He shall be assiduous;</p> <p>vi. He must have a college education or equivalent academic degree;</p> <p>vii. He must have a practical understanding of the business of the Corporation;</p> <p>viii. He must be a member in good standing in relevant industry, business or professional organizations; and</p> <p>ix. He must possess previous business experience.</p>

	<ul style="list-style-type: none"> <li>• Voting: cumulative voting applies</li> </ul>	
(II) Non-Executive Directors	<p>The By-Laws provide that all directors shall be elected annually and shall hold office until the annual meeting held next to his election and until his successor shall have been elected and shall have qualified, or until his death or until he shall resign or shall have been removed</p> <ul style="list-style-type: none"> <li>• Annual meeting: held on the 15th of May every year</li> <li>• If the election is not held on the annual meeting, then it shall be held at a special meeting as soon as thereafter as the same may be conveniently held</li> <li>• Notice: at least 15 days before the meeting</li> <li>• Quorum: the holders of at least the majority of the outstanding capital stock entitled to vote should be present personally or by proxy</li> <li>• Voting: cumulative voting applies</li> </ul>	<ol style="list-style-type: none"> <li>He shall have at least one share of stock of the Corporation;</li> <li>He shall be at least a college graduate or he shall have been engaged or exposed to the</li> <li>business of the corporation for at least five years;</li> <li>He shall possess integrity/probity;</li> <li>He shall be at least 21 years old;</li> <li>He shall be assiduous;</li> <li>He must have a college education or equivalent academic degree;</li> <li>He must have a practical understanding of the business of the Corporation;</li> <li>He must be a member in good standing in relevant industry, business or professional</li> <li>organizations; and</li> <li>He must possess previous business experience.</li> </ol>
(iii) Independent Directors	<p>The By-Laws provide that all directors shall be elected annually and shall hold office until the annual meeting held next to his election and until his successor shall have been elected and shall have qualified, or until his death or until he shall resign or shall have been removed</p> <ul style="list-style-type: none"> <li>• Annual meeting: held on the 15th of May every year</li> <li>• If the election is not held on the annual meeting, then it shall be held at a special meeting as soon as thereafter as the same may be conveniently held</li> <li>• Notice: at least 15 days before the meeting</li> <li>• Quorum: the holders of at least the majority of the outstanding capital stock entitled to vote should be present personally or by proxy</li> <li>• Voting: cumulative voting applies</li> </ul> <p>In compliance with MC 9-11, the Corporation's Independent directors are covered by a term limit of five consecutive years, subject to the "cooling-off" period of two years as provided in MC 9-11.</p>	<ol style="list-style-type: none"> <li>He shall have at least one share of stock of the Corporation;</li> <li>He shall be at least a college graduate or he shall have been engaged or exposed to the</li> <li>business of the corporation for at least five years;</li> <li>He shall possess integrity/probity;</li> <li>He shall be at least 21 years old;</li> <li>He shall be assiduous;</li> <li>He must have a college education or equivalent academic degree;</li> <li>He must have a practical understanding of the business of the Corporation;</li> <li>He must be a member in good standing in relevant industry, business or professional</li> <li>organizations; and</li> <li>He must possess previous business experience.</li> </ol>

c. Permanent Disqualification		
(i) Executive Directors (ii) Non-Executive Directors (iii) Independent Directors	<p>The By-Laws provide that any director may be removed, either with or without cause, at any time, by the affirmative vote of 2/3 of the outstanding capital stock entitled to vote at a regular meeting or at a special meeting called for the purpose and held after due notice. The vacancy in the Board caused by any such removal may be filled by the stockholders at such meeting without further notice, or at any regular or special meeting called for the purpose after due notice.</p>	<p>Furthermore, the CG Manual provides the following additional disqualifications:</p> <ul style="list-style-type: none"> <li>i. Any person who has been finally convicted by a competent judicial or administrative body of the following: (i) any crime involving purchase of securities, (ii) any crime arising out of the person's conduct as an underwriter, broker, dealer, investment company, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, floor broker; and (iii) any crime arising out of his relationship with a bank, quasi-bank, trust company, investment house or as an affiliated person of any of them.</li> <li>ii. Any person who, by reason of any misconduct, after hearing or trial, is permanently or temporarily enjoined by order, judgment or decree of the SEC or any court or other administrative body of competent jurisdiction from: (i) acting as an underwriter, broker, dealer, investment company, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, floor broker; (ii) acting as a director or officer of a bank, quasi-bank, trust company, investment house, investment company or an affiliated person of any of them; (iii) engaging in or continuing any conduct or practice in connection with any such activity or willfully violating laws governing securities and banking activities. Such disqualification shall also apply when such person is currently subject to an effective order of the SEC or any court or other administrative body refusing, revoking, or suspending any registration, license, or permit issued under the Corporation Code, Securities Regulation Code, or any other law administered by the SEC of the BSP, or under any rule or regulation promulgated by the SEC of the BSP, or otherwise restrained to engage in any activity involving securities and banking. Such person is also disqualified when he is currently subject to an effective order of a self-regulatory organization suspending or expelling him from membership or participation or from associating with a member or participant of the organization.</li> <li>iii. Any person finally convicted judicially or administratively of an offense involving</li> </ul>

		<p>moral turpitude, fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false oath, perjury or other fraudulent act or transgressions</p> <p>iv. Any person finally found by the SEC or a court or other administrative body to have willfully violated, or willfully aided, abetted, counseled, induced, or procured the violation of, any provision of the Securities Regulation code, the Corporation Code, or any other law administered by the SEC or BSP, or any rule, regulation or order of the SEC or BSP, or who has filed a materially false or misleading application, report or registration statement required by the SEC, or any rule, regulation or order of the SEC.</p> <p>v. Any person judicially declared to be insolvent.</p> <p>vi. Any person finally found guilty by a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct listed above</p> <p>vii. Any affiliated person who is ineligible, by reason of paragraphs (i) to (v) above to serve or act in the capacities listed in those paragraphs</p> <p>viii. Any person convicted by final judgment of an offense punishable by imprisonment for a period exceeding 6 years, or a violation of the Corporation Code, committed within 5 years prior to the date of his election or appointment</p>
<b>d. Temporary Disqualification</b>		
(i) Executive Directors	<p>A temporarily disqualified director shall, within 60 business days from such disqualification, take the appropriate action to remedy or correct the disqualification. If he fails or refuses to do so for unjustified reasons, the disqualification shall become permanent.</p>	<p>Under the CG Manual, any of the following shall be a ground for temporary disqualification of a director:</p> <p>i. Refusal to comply with the disclosure requirements of the Securities Regulation Code and its Implementing Rules and Regulations. The disqualification shall be in effect as long as the refusal persists.</p> <p>ii. Absence in more than fifty (50) percent of all regular and special meetings of the Board during his incumbency, or any twelve (12) month period during the said incumbency, unless the absence is due to illness, death in the immediate family or serious accident. The</p>
(ii) Non-Executive Directors		

		<p>disqualification shall apply for purposes of the succeeding election.</p> <p>iii. Dismissal or termination for cause as director of any corporation covered by the Code. The disqualification shall be in effect until he has cleared himself from any involvement in the cause that gave rise to his dismissal or termination.</p> <p>iv. If any of the judgments or orders cited in the grounds for permanent disqualification has not yet become final.</p>
(ii) Independent Directors	<p>A temporarily disqualified director shall, within 60 business days from such disqualification, take the appropriate action to remedy or correct the disqualification. If he fails or refuses to do so for unjustified reasons, the disqualification shall become permanent.</p> <p>In compliance with MC 9-11, the Corporation's independent directors are covered by a term limit of five consecutive years, subject to the "cooling-off" period of two years as provided in MC 9-11.</p>	<p>According to the CG Manual, in addition to the above-mentioned disqualifications, an independent director shall also be disqualified if his beneficial equity ownership in the Corporation or its subsidiaries and affiliates exceeds 2% of its subscribed capital stock, the disqualification shall be lifted or later complied with.</p>
<b>e. Removal</b>		
(i) Executive Directors	<p>The By-Laws provide that any director may be removed, either with or without cause, at any time, by the affirmative vote of 2/3 of the outstanding capital stock entitled to vote at a regular meeting or at a special meeting called for the purpose and held after due notice. The vacancy in the Board caused by any such removal may be filled by the stockholders at such meeting without further notice, or at any regular or special meeting called for the purpose after due notice.</p> <p>The Compliance Officer decides whether or not any violation of the CG Manual has been committed, and shall recommend to the Chairman the imposable penalty for such violation, for further review and approval by the Board. This is subject to the requirements of due process, notice and hearing.</p>	<p>May be with or without cause. An example of a removal for cause is provided for by Section 8 the CG Manual, which mandates removal of the director for a third violation of the CG Manual.</p>
(ii) Non-Executive Directors		
(iii) Independent Directors		
<b>f. Re-Instatement</b>		
(i) Executive Directors	<p>The By-Laws provide that any vacancy caused by disqualification may be filled</p>	<p>Under Sec. 2.2.1.5 of the CG Manual, a temporarily disqualified director shall, within</p>

(ii) Non-Executive Directors	by the majority vote of the remaining directors then in office, constituting a quorum, and each director so elected shall hold office for a term to expire at the next annual election of directors, and until his successors shall be duly elected and qualified, or until his death, until he shall resign or shall have been removed in the manner herein provided.	sixty (60) business days from such disqualification, take the appropriate action to remedy or correct the disqualification. If he fails or refuses to do so for unjustified reasons, the disqualification shall become permanent.
(iii) Independent Directors		
<b>g. Suspension</b>		
(i) Executive Directors	According to the CG Manual, the Compliance Officer decides whether or not any violation of the CG Manual has been committed, and shall recommend to the Chairman the imposable penalty for such violation, for further review and approval by the Board. This is subject to the requirements of due process, notice and hearing.	A director shall be suspended from office for a second violation of the provisions of the CG Manual.
(ii) Non-Executive Directors		
(iii) Independent Directors		

**Voting Result of the last Annual General Meeting**

Name of Director	Votes Received
Wong Hong Ren	To facilitate the conduct of the proceedings of the annual stockholders' meeting, the stockholders adopted a system of voting whereby a motion to elect the directors was presented and the meeting was advised that if there is no objection to a nomination or motion to approve a proposed resolution regarding the nomination, it will be understood that the stockholders present or represented in today's meeting vote in favor of the nomination. Based on this system of voting, the five regular directors and the two independent directors, being the only nominees to the Board, were unanimously elected in the last annual stockholders' meeting.
Bryan Cockrell	
Eddie Lau	
Eddie Yeo	
Michele Dee-Santos	
Angelito Imperio (Independent Director)	
Mia Gentugaya (Independent Director)	

**6) Orientation And Education Program**

**a) Disclose details of the company's orientation program for new directors, if any.**

A director, before assuming his role as such, is required to attend a seminar on corporate governance conducted by a duly recognized private or government institute. Furthermore, Section 4 of the CG Manual allows the Board to allocate funds for the purpose of conducting an orientation program or workshop with regard to the requirements of the CG Manual.

**b) State any in-house training and external courses attended by Directors and Senior Management for the past three (3) years:**

On 23 November 2010, SyCip Gorres Velayo & Co. and Knowledge Institute conducted a corporate governance seminar at the Corporation's Boardroom, which was attended by Mr. Wong Hong Ren (Chairman and President/CEO) and Mr. Yam Kit Sung (General Manager, CFO, Compliance Officer, and Chief Audit Executive).

**c) Continuing education programs for directors: programs and seminars and roundtables attended during the year.**

Name of Director/ Officer	Date of Training	Program	Name of Training
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			<b>Institution</b>
Wong Hong Ren	23 November 2010	Corporate Governance Seminar	SyCip Gorres Velayo & Co. and Knowledge Institute
Bryan Cockrell	24 July 2008	2008 Corporate Governance Workshop	Corporate Governance Institute of the Philippines / Financial Executives Institute of the Philippines / Management Association of the Philippines
Eddie Yeo	2-3 March 2009	Orientation Course on Corporate Governance	Institute of Corporate Directors
Angelito C. Imperio	2-3 March 2009	Orientation Course on Corporate Governance	Institute of Corporate Directors
Mia G. Gentugaya	2-3 March 2009	Orientation Course on Corporate Governance	Institute of Corporate Directors
Michele D. Santos	6 December 2005	Corporate Governance Orientation Course	Institute of Corporate Directors / Insurance Institute for Asia and the Pacific
Arlene C. De Guzman	24 July 2008	2008 Corporate Governance Workshop	Corporate Governance Institute of the Philippines / Financial Executives Institute of the Philippines / Management Association of the Philippines
Yam Kit Sung	23 November 2010	Corporate Governance Seminar	SyCip Gorres Velayo & Co. and Knowledge Institute
Alain Charles J. Veloso	5 December 2008 /	Compliance Seminar	Philippine Stock Exchange
	9 December 2010 / 12	Annual Listing and Disclosure Rules Seminar	Philippine Stock Exchange
	December 2011 / 27 November 2012		

## B. CODE OF BUSINESS CONDUCT & ETHICS

1. Discuss briefly the company's policies on the following business conduct or ethics affecting directors, senior management and employees:

<b>Business Conduct &amp; Ethics</b>	<b>Directors</b>	<b>Senior Management</b>	<b>Employees</b>
(a) Conflict of Interest	He should avoid situations that may compromise his impartiality; requires full disclosure for any actual or potential conflict of interest, as well as inhibition from participating in decision-making. If there is a continuing material conflict of interest, he should seriously consider resignation.	The Corporation adheres to the policies of the Group (Millennium & Copthorne Hotels plc) which outline the standards of behavior required of all employees when acting on the Group's behalf which include acting professionally, with honesty, integrity, objectivity and in compliance with all applicable legal and regulatory requirements.	Engaging in competitive business operation is considered a grave offense.
(b) Conduct of Business and	The basic principle is that a director should not use his position to profit	The Board of Directors has implemented an anti-bribery	Engaging in competitive business operations with The

Fair Dealings	or gain some benefit or advantage for himself and/ or his related interests.	<p>policy which prohibits the offering, the giving, the solicitation or the acceptance of any bribe, whether cash or other inducement.</p> <p>It is the Company's and the Group's policy to agree the terms of payment with suppliers at the commencement of the trading or contractual relationship and to operate within such terms subject to satisfactory completion of the suppliers' obligations. It does not follow any particular guidelines established by third parties.</p>	<p>Heritage Hotel ("Hotel") premises is a grave offense.</p> <p>Unauthorized foreign currency dealings is considered a grave offense</p> <p>Merchandising or engaging in any kind of personal business or activity during working hours or while inside the Hotel premises and/or anywhere within its vicinity is considered a minor offense.</p>
(c) Receipt of gifts from third parties	A director should not use his position to profit or gain some benefit or advantage for himself and/or his related interests. He should avoid situations that may compromise his impartiality. If an actual or potential conflict of interest may arise on the part of a director, he should fully and immediately disclose it and should not participate in the decision-making process. A director who has a continuing material conflict of interest should seriously consider resigning from his position.	The Board of Directors has implemented an anti-bribery policy which prohibits the offering, the giving, the solicitation or the acceptance of any bribe, whether cash or other inducement.	<p>Borrowing or receiving money commissions, promises or soliciting material favors or any other consideration from suppliers, customers or other persons with which the company has an existing business relationship for the purpose of personal gain or benefit is a grave offense.</p> <p>Soliciting and collection any form of contributions or donations for any purpose not authorized by the Management is a minor offense.</p>
(d) Compliance with Laws & Regulations	A director is required to have a working knowledge of the statutory and regulatory requirements that affect the Corporation, including its articles of incorporation and by-laws, the rules and regulations of the SEC and, where applicable, the requirements of relevant regulatory agencies.	<p>The Corporation adheres to the policies of the Group which outline the standards of behavior required of all employees when acting on the Group's behalf which include acting professionally, with honesty, integrity, objectivity and in compliance with all applicable legal and regulatory requirements.</p> <p>The Board of Directors has implemented an anti-bribery policy which prohibits the offering, the giving, the solicitation or the acceptance of any bribe, whether cash or other inducement.</p>	<p>Engaging or conniving in any anomalous transactions not covered in any other rule of the Hotel Code of Conduct ("Code of Conduct") is a grave offense.</p> <p>Inducing, encouraging, or abetting any employee to engage in prohibited acts or/any practice in violation of company policies is a major offense.</p> <p>Criminal conviction in any court of law or commission of a crime during working hours but within the Hotel's premises is a grave offense.</p>
(e) Respect for Trade Secrets/Use of Non-public	A director is required to keep secure and confidential all non-public information that he may acquire or learn by reason of this position as	The Corporation adheres to the policies of the Group which outline the standards of behavior required of all	Leaking one's salary information or that of another is a major offense.



Information	director. He should not reveal confidential information to unauthorized persons without authority of the Board.	employees when acting on the Group's behalf which include acting professionally, with honesty, integrity, objectivity and in compliance with all applicable legal and regulatory requirements.	Leaking out Hotel Trade Secrets or confidential information to unauthorized persons is a grave offense
(f) Use of company Funds, Assets and Information	Except for reasonable per diems, directors are entitled only to the compensation as may be granted by them by the vote of majority of the stockholders representing at least a majority of the outstanding capital stock.	The Corporation adheres to the policies of the Group which outline the standards of behavior required of all employees when acting on the Group's behalf which include acting professionally, with honesty, integrity, objectivity and in compliance with all applicable legal and regulatory requirements.	A number of provisions in the Code of Conduct consider unauthorized use of company assets for one's benefit as a major offense. Moreover, unauthorized access to computer files by breaking passwords is a grave offense. Malversation of company funds also a grave offense.
(g) Employment & Labor Laws & Policies	A director is required to have a working knowledge of the statutory and regulatory requirements that affect the Corporation, including its articles of incorporation and by-laws, the rules and regulations of the SEC and, where applicable, the requirements of relevant regulatory agencies.	The Corporation adheres to the policies of the Group which outline the standards of behavior required of all employees when acting on the Group's behalf which include acting professionally, with honesty, integrity, objectivity and in compliance with all applicable legal and regulatory requirements.	Inciting, instigating, provoking or participating in any riots, disorders, or any concerted activities as slow downs or any other act that intends to sabotage the operations and business of the Hotel is a grave offense.
(h) Disciplinary action	<p>For violations of the CG Manual:</p> <p>(1) First violation: reprimand (2) Second violation: suspension (3) Third violation: removal</p> <p>Under the Corporation Code, and prevailing jurisprudence, a director of a corporation may be held liable for damages for the acts of the corporation, under the following circumstances:</p> <p>(1) He willfully and knowingly vote for or assent to patently unlawful acts of the corporation; (2) He is guilty of gross negligence or bad faith in directing the affairs of the corporation; (3) He acquires any personal or pecuniary interest in conflict with their duty as such directors; (4) He consents to the issuance of watered stocks or who, having knowledge hereof, does not forthwith file with the corporate secretary his written objection thereto;</p>	Any violation of the policies of the Group which outline the standards of behavior required of all employees may be a ground for disciplinary action (i.e., reprimand, suspension, or removal) of a senior management officer.	<p>Issuing statements inimical to the reputation of the corporation is a major offense.</p> <p>Minor Offenses</p> <ul style="list-style-type: none"> <li>• 1st offense - Verbal Warning</li> <li>• 2nd - Written Warning</li> <li>• 3rd - 1 week suspension</li> <li>• 4th - dismissal</li> </ul> <p>Major Offenses</p> <ul style="list-style-type: none"> <li>• 1st - 1 week suspension</li> <li>• 2nd - 2 weeks suspension</li> <li>• 3rd - dismissal</li> </ul> <p>Grave Offense</p> <ul style="list-style-type: none"> <li>• 1st - dismissal</li> </ul>

	<p>(5) He agrees to hold himself personally and solidarily liable with the corporation; or</p> <p>(6) He is made, by a specific provision of law, to personally answer for his corporate action.</p>		
(i) Whistle Blower	<p>To enable the members of the Board to properly fulfill their duties and responsibilities, Management should provide them with complete, adequate and timely information about the matters to be taken in their meetings.</p> <p>Reliance on information volunteered by Management would not be sufficient in all circumstances and further inquiries may have to be made by a member of the Board to enable him to properly perform his duties and responsibilities. Hence, the members should be given independent access to Management and the Corporate Secretary.</p> <p>The information may include the background or explanation on matters brought before the Board, disclosures, budgets, forecasts and internal financial documents.</p> <p>The members, either individually or as a Board, and in furtherance of their duties and responsibilities, should have access to independent professional advice that directly relate to their functions and responsibilities as directors of the Corporation, at such reasonable cost to be borne by the Corporation.</p>	Whistle-blowing procedures are in place to enable employees to raise concerns about any activity they consider to be unlawful, is a breach of authority, falls below accepted standards or practice, amounts to improper conduct or could damage the Group's reputation.	Refusal to answer inquiries or participate in any investigation authorized by the Hotel, provided such answers or participation will not violate constitutional rights is considered a major offense.
(j) Conflict Resolution	It is the duty of the Board to establish and maintain an alternative dispute resolution to amicably settle conflicts between the Corporation and stockholders or third parties or regulatory authorities.	The Corporation adheres to the policies of the Group which outline the standards of behavior required of all employees when acting on the Group's behalf which include acting professionally, with honesty, integrity, objectivity and in compliance with all applicable legal and regulatory requirements.	Disciplinary procedures are governed by the following steps: <ol style="list-style-type: none"> <li>1. Submission of Incident report</li> <li>2. Written explanation from offender</li> <li>3. Investigation by department head</li> <li>4. Accomplishment of Offense Subject to Corrective Action ("OSCA") form</li> <li>5. Submission of OSCA form to HR department</li> <li>6. Disciplinary interview</li> </ol>

2. Has the code of ethics or conduct been disseminated to all directors, senior management and employees?  
Yes.

3. Discuss how the company implements and monitors compliance with the code of ethics or conduct.

### For Directors

The CG Manual provides for the appointment of the Compliance Officer who is responsible for monitoring compliance with the provisions and requirements, as well as violations, of the CG Manual and the Revised Code of Corporate Governance, and issues a certification regarding the level of compliance of the Corporation.

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

Section 7.2 of the CG Manual provides that the CG Manual shall be reviewed quarterly unless the Board provides otherwise. Moreover, the Audit Committee of the Corporation reports regularly to the Board its quarterly review of the financial performance of the Corporation.

### *Implementation of the Revised Code of Corporate Governance*

In compliance with Article 9 of the SEC Memorandum Circular No. 6, Series of 2009 or the Revised Code of Corporate Governance, the Board, in a meeting held on 29 October 2009, approved the amendment of the CG Manual. The amendment of the Corporation's Manual on Corporate Governance was made to establish and implement the Corporation's corporate governance rules in accordance with the Revised Code of Corporate Governance. For the year 2012, the Corporation, its directors, officers and employees substantially complied, and has taken reasonable action towards complying, with the leading practices and principles on good corporate governance as embodied in the Corporation's Manual on Corporate Governance, and in the Revised Code of Corporate Governance.

### *Participation in the Annual Corporate Governance Scorecard for Listed Companies*

The Corporation annually participates in the SEC's and the Institute of Corporate Directors' ("ICD") Annual Corporate Governance Scorecard for Listed Companies ("Scorecard") to measure the performance of the Board and Management of the Corporation in accordance with the corporate governance best practices provided for in the Scorecard. The Corporation's overall average score in the Scorecard for 2009, 2010 and 2011 were 68%, 86%, and 82.52% respectively. The Corporation endeavors to further improve its corporate governance scores.

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

The Corporation substantially complied with the Corporate Governance Guidelines for Companies Listed on the Philippine Stock Exchange ("CG Guidelines"). The Corporation annually submits its Corporate Governance Guidelines Disclosures Template to the Philippine Stock Exchange. Deviations from recommended practices in the CG Guidelines will not subject the Corporation to penalties.

### For Senior Management and other employees

The Code of Conduct provides for penalties for any transgression of the Code of Conduct, ranging from verbal warning to dismissal. It is the Immediate Supervisor/ Head who is duty-bound to inform the Corporation of such a transgression committed by his subordinate by filing an incident report to his Department head within 24 hours. The offender will then be required by the said department head to issue a written explanation. After investigation, the Department head accomplishes an OSCA report which contains his recommendation, and then submits it to the Human Resources Department for the implementation of the penalty.

#### 4. Related Party Transactions

##### a) Policies and Procedures

Describe the company's policies and procedures for the review, approval or ratification, monitoring and recording of related party transaction between and among the company and its parent, joint ventures, subsidiaries, associates, affiliates, substantial stockholders, officers and directors, including their spouses, children and dependent siblings and parents and of interlocking director relationships of members of the Board:

Related Party Transaction	Policies and Procedures
(1) Parent Company	The Corporation's CG Manual requires information including related party transactions to be publicly and timely disclosed through the appropriate

(2) Joint Ventures	mechanisms of the PSE and submitted to the SEC.
(3) Subsidiaries	<p>In compliance with the Amended Implementing Rules and Regulations of the Securities Regulation Code ("SRC Rules"), the Corporation must disclose the following details for a related party contract:</p> <ol style="list-style-type: none"> <li>a. the nature of the related party relationship;</li> <li>b. the type of transaction (e.g. supply or services contract, loans, guarantees);</li> <li>c. the total amounts payable and receivable in the transaction from or to the related party;</li> <li>d. the elements of the transaction necessary to understand the listed company's financial statements.</li> </ol> <p>The Corporation must also disclose its transactions in which related persons, such as directors, officers, substantial shareholders or any of their immediate families have a direct material interest, such as the related person's beneficial ownership of the counter party or share in the profits, bonus, or commissions out of the transaction.</p> <p>No disclosure is needed for any transaction where:</p> <ol style="list-style-type: none"> <li>a. The transaction involves services at rates or charges fixed by law or governmental authority;</li> <li>b. The transaction involves services as a bank depository of funds, transfer agent, registrar, trustee under a trust indenture, or similar services;</li> <li>c. The amount involved in the transaction or a series of similar transactions has an aggregate value of less than PHP2,500,000; or</li> <li>d. The interest of the person arises solely from the ownership of securities of the registrant and the person receives no extra or special benefit that was not shared equally (pro rata) by all holders of securities of the class.</li> </ol> <p>In compliance with the provisions of the Corporation Code, a contract of the Corporation with one or more of its directors or officers must be ratified by the vote of the stockholders representing at least two-thirds (2/3) of the outstanding capital stock if any of the following conditions are absent:</p> <ol style="list-style-type: none"> <li>a. The presence of such director in the board meeting in which the contract was approved was not necessary to constitute a quorum for such meeting.</li> <li>b. The vote of such director was not necessary for the approval of the contract.</li> </ol> <p>Full disclosure of the adverse interest of the directors or officers involved must be made at the stockholders' meeting and the contract must be fair and reasonable under the circumstances.</p> <p>Furthermore, the Corporation must comply with the provision of the Corporation Code which requires a contract between two or more corporations having interlocking directors, where (i) the interest of the interlocking director in one corporation is substantial and his interest in the other corporation is merely nominal, and (ii) any of the following conditions are absent:</p> <ol style="list-style-type: none"> <li>a. The presence of such director in the board meeting in which the contract was approved was not necessary to constitute a quorum for such meeting.</li> <li>b. The vote of such director was not necessary for the approval of the contract.</li> </ol> <p>to be ratified by the vote of the stockholders representing at least two-thirds (2/3) of the outstanding capital stock of the corporation where the interlocking director's interest is nominal. Similarly, full disclosure of the adverse interest of the interlocking director/s involved must be made at the stockholders' meeting and the contract must be fair and reasonable under the circumstances. Stockholdings exceeding twenty (20%) percent of the outstanding capital stock shall be considered substantial for purposes of interlocking directors.</p>
(4) Entities Under Common Control	
(5) Substantial Stockholders	
(6) Officers including spouse/children/siblings/parents	
(7) Directors including spouse/children/siblings/parents	
(8) Interlocking director relationship of Board	

**(b) Conflict of Interest**

**(i) Directors/Officers and 5% or more Shareholders**

Identify any actual or probable conflict of interest to which directors/officers/5% or more shareholders may be involved.

	Details of Conflict of Interest (Actual or Probable)
Name of Director/s	None
Name of Officer/s	None
Name of Significant Shareholders	None

**(ii) Mechanism**

Describe the mechanism laid down to detect, determine and resolve any possible conflict of interest between the company and/or its group and their directors, officer and significant shareholders.

	Directors/Officers/Significant Shareholders
Corporation	<p>The Corporation has adopted a policy that requires management to disclose related-party transactions. Item 5 of the CG Manual requires the disclosure of all material information about the Corporation which could adversely affects its viability or the interests of the stockholders. This includes:</p> <ul style="list-style-type: none"> <li>• earnings results</li> <li>• acquisition or disposition of assets</li> <li>• related party transactions</li> <li>• remuneration</li> </ul>
Group	Please see above.

**5. Family, Commercial and Contractual Relations**

(a) Indicate, if applicable, any relation of a family, commercial, contractual or business nature that exists between the holders of significant equity (5% or more), to the extent that they are known to the company:

Names of Related Significant Shareholders	Type of Relationship	Brief Description of the Relationship
N.A.		

(b) Indicate, if applicable, any relation of a commercial, contractual or business nature that exist between the holders of significant equity (5% or more) and the company:

Names Related Significant Shareholders	Type of Relationship	Brief Description
Millennium & Copthorne Hotels plc	Indirect beneficial owner of more than 5% of the outstanding shares of the Corporation (through its indirect shareholdings in TPFL)	The Corporation has entered into a Management Agreement with Elite Hotel Management Services Pte. Ltd.'s Philippines Branch for the latter to act as the hotel's administrator. Under the terms of the agreement, the Corporation is required to pay monthly basic management and incentive fees based on a certain percentage of revenue and gross operating profit.

(c) Indicate any shareholder agreements that may impact on the control, ownership and strategic direction of the company:

Names Shareholders	% of Capital Stock affected (Parties)	Brief Description of the Transaction
N.A.		

**6) Alternative Dispute Resolution**

Describe the alternative dispute resolution system adopted by the company for the last three (3) years in amicably settling conflicts or differences between the corporation and its stockholders, and the corporation and third parties, including regulatory authorities.

Alternative Dispute Resolution System	
Corporation & Stockholders	The CG Manual empowers the Board to establish and maintain an alternative dispute resolution system in the Corporation that can amicably settle conflicts or differences between the Corporation and its stockholders, and the Corporation and third parties, including the regulatory authorities. The Board has yet to have the opportunity to adopt an alternative dispute resolution system.
Corporation & Third Parties	
Corporation & Regulatory Authorities	

**C. BOARD MEETINGS & ATTENDANCE**

**1) Are Board of Directors' meetings scheduled before or at the beginning of the year?**

Regular meetings of the Board are held at the end of each quarter, and at such times as the Board shall from time to time by resolution determine. Special meetings shall be held when called by the Chairman, the President, or by the Secretary at the request of any 1. of the directors.

**2) Attendance of Directors**

Board	Name	Date of Election	No. of Meetings Held during the year	No. Of Meetings Attended	%
Chairman	Wong Hong Ren	15 May 2012	11	9	81.82%
Member	Bryan Cockrell	15 May 2012	11	10	90.91%
Member	Michele Dee-Santos	15 May 2012	11	11	100.00%
Member	Eddie Lau	15 May 2012	11	9	81.82%
Member	Eddie Yeo	15 May 2012	11	11	100.00%
Independent	Angelito Imperio	15 May 2012	11	8	72.73%
Independent	Mia Gentugaya	15 May 2012	11	10	90.91%

**3) Do non-executive directors have a separate meeting during the year without the presence of any executive? If yes, how many times?**

No.

**4) Is the minimum quorum requirement for Board decisions set at two-thirds of board members? Please explain**

No. In line with the requirements of the Corporation Code, majority of the directors shall constitute a quorum for the

transaction of business

**5) Access to Information**

**(a) How many days in advance are Board papers for Board of Directors meetings provided to the Board?**

No particular period by which Board papers should be provided to the Board is required. Nonetheless, the CG Manual requires Management to provide the members of the Board with complete, adequate, and timely information about the matters to be discussed in the meetings. Usually, Board papers for Board meetings are provided to the Board at least a week before the date of the meeting.

**(b) Do board members have independent access to Management and the Corporate Secretary?**

Yes. The CG Manual expressly provides Management should provide the Board with complete, adequate and timely information, and that directors be given direct access to Management and the Corporate Secretary. It also provides that such information may include the background or explanation on matters brought before the Board, disclosures, budgets, forecasts, and internal financial documents.

**(c) State the policy of the role of the company secretary. Does such role include assisting the Chairman in preparing the board agenda, facilitating training of directors, keeping directors updated regarding any relevant statutory and regulatory changes, etc.**

Part of the duties of the Corporate Secretary, as provided for by the CG Manual, is to be responsible for the safekeeping and preservation of the integrity of the minutes of the meetings of the Board and its committees, as well as the other official records of the Corporation, and to inform all members of the Board of the agenda of meetings and to ensure that the members have before them accurate information that will enable them to arrive at intelligent decisions. Furthermore, he is required by the CG Manual to be aware of the laws and regulations necessary in the performance of his duties and to use such knowledge to ensure that all Board procedures, rules and regulations are strictly followed by the members; and to ensure that all Board procedures, rules and regulations are strictly followed by the members

The Corporate Secretary is required to attend all Board meetings, unless justifiable causes prevent him from doing so. Moreover, the Corporation also has an Assistant Corporate Secretary who is required to attend such meetings in the absence or unavailability of the Corporate Secretary. As such, the Board members have easy access to the services of the Corporate Secretary.

**(d) Is the company secretary trained in legal, accountancy or company secretarial practices? Please explain should the answer be in negative.**

Yes. The Corporate Secretary, Ms. Christina Macasaet-Acaban is a partner of the law firm of Quisumbing Torres, specializing in corporate and commercial law. The Assistant Corporate Secretary, Mr. Alain Charles Veloso, is a senior associate also of the law firm Quisumbing Torres; he also specializes in corporate and commercial law and securities law. In addition, Mr. Veloso is also a Certified Public Accountant.

Both Ms. Macasaet-Acaban and Mr. Veloso also serve as corporate secretary or assistant corporate secretary of various private companies.

**(e) Committee Procedures**

Disclose whether there is a procedure that Directors can avail of to enable them to get information necessary to be able to prepare in advance for the meetings of different committees:

Yes

No

	Committee	Details of the Procedures
Executive		N/A
Audit		The Charter requires the General Manager of the Corporation to render to the Audit Committee an annual report on the activities, purpose, authority, responsibility, and performance of the internal audit department of the Corporation.

	<p>The Audit Committee shall have unlimited direct access to the internal and external auditors of the Corporation, as well as to the management and staff of the Corporation, particularly the Chief Executive Officer and the Chief Financial Officer. In this connection, the Audit Committee may request the auditors and the management of the Corporation to be present at such meetings of the Audit Committee as the Audit Committee may require.</p> <p>Under the CG Manual, the Internal Auditor is required to submit to the Audit Committee and Management an annual report on the internal audit department's activities, responsibilities and performance relative to the audit plans and strategies as approved by the Audit Committee. The annual report should include significant risk exposures, control issues and such other matters as may be needed or requested by the Board and Management.</p>
Nomination	The Nomination Committee, subject to the approval of the Board, shall promulgate the rules, guidelines and criteria to govern the conduct of the nomination. Only the candidates whose nominations are confirmed by the Nomination Committee to be in accordance with such rules, guidelines and criteria shall be eligible to be elected as independent directors.
Remuneration	The Hotel Management Executive Committee of the Corporation, which performs the functions of the Remuneration Committee, gathers and reviews market information on salary or compensation of other hotels in making its decisions and recommendations.
Others(specify)	N.A.

In addition to the foregoing, the Secretary is required to inform the members of the Board, in accordance with the by laws, of the agenda of their meetings and ensure that the members have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval.

Under the CG Manual, to enable the members of the Board to properly fulfill their duties and responsibilities, Management is required to provide them with complete, adequate and timely information about the matters to be taken in their meetings.

Reliance on information volunteered by Management would not be sufficient in all circumstances and further inquiries may have to be made by a member of the Board to enable him to properly perform his duties and responsibilities. Hence, the members should be given independent access to Management and the Corporate Secretary.

The information may include the background or explanation on matters brought before the Board, disclosures, budgets, forecasts and internal financial documents.

The members, either individually or as a Board, and in furtherance of their duties and responsibilities, should have access to independent professional advice that directly relate to their functions and responsibilities as directors of the Corporation, at such reasonable cost to be borne by the Corporation

#### 6) External Advice

Indicate whether or not a procedure exists whereby directors can receive external advice and, if so, provide details:

Procedures	Details
Management provides information to the Board	To enable the members of the Board to properly fulfill their duties and responsibilities, Management provides them with complete, adequate and timely information about the matters to be taken in their meetings.
The Board has access to independent professional advice	The members, either individually or as a Board, and in furtherance of their duties and responsibilities, has access to independent professional advice that directly relate to their



	functions and responsibilities as directors of the Corporation, at such reasonable cost to be borne by the Corporation.
Internal Auditor reports to the Audit Committee	The Audit Committee is required to establish and identify the reporting line of the Internal Auditor to enable him to properly fulfill his duties and responsibilities. He shall functionally report directly to the Audit Committee.  The Audit Committee shall ensure that, in the performance of the work of the Internal Auditor, he shall be free from interference by outside parties.
Internal Auditor has access to information and personnel	Pursuant to the conduct of the internal audit, the internal auditors has free and full access to all relevant information, data, records, properties and personnel.
Audit Committee has access to auditors and Management	The Audit Committee has unlimited direct access to the internal and external auditors of the Corporation, as well as to the management and staff of the Corporation, particularly the Chief Executive Officer and the Chief Financial Officer. In this connection, the Audit Committee may request the auditors and the management of the Corporation to be present at such meetings of the Audit Committee as the Audit Committee may require.

**7) Change/s in existing policies**

Indicate, if applicable, any change/s introduced by the Board of Directors (during its most recent term) on existing policies that may have an effect on the business of the company and the reason/s for change:

Existing Policies	Changes	Reason
N.A.		

**D. REMUNERATION MATTERS**

**1) Remuneration Process**

Process	CEO	Top 4 Highest Paid Management Officers
(1) Fixed remuneration	Under the By-Laws, the Board fixes the salaries and bonuses of all officers of the Corporation.	Under the By-Laws, the Board fixes the salaries and bonuses of all officers of the Corporation.
(2) Variable remuneration	none	none
(3) Per diem allowance	none	none
(4) Bonus	Fixed by the Board as well.	Fixed by the Board as well.
(5) Stock Options and other financial instruments	none	none
(6) Others (specify)	none	none

Disclose the process used for determining the remuneration of the CEO and the four (4) most highly compensated management officers: The Chairman and President/CEO does not receive remuneration from the Corporation. The remuneration of other executives / management officers are based on their employment contract and bonus are based on the Corporation's performance and their individual performance.

The CG Manual provides the following process and policy for the remuneration of directors and officers (including the CEO and Management officers):

The Board shall fix the salaries and bonuses of all officers. The fact that an officer is also a director shall not preclude him from receiving a salary or bonus.

The levels of remuneration of the Corporation should be sufficient to be able to attract and retain the services of qualified and competent directors and officers.

Except for reasonable per diems, directors shall be entitled only compensation as may be granted to them, as such, by the vote of the stockholders representing at least a majority of the outstanding capital stock at a regular or special meeting of stockholders. No director should participate in deciding on his remuneration.

In no case shall the total yearly compensation of directors, as such, exceed ten percent (10%) of the net income before income tax of the Corporation during the preceding year.

The Corporation's annual reports and information and proxy statements shall include a clear, concise and understandable disclosure of all fixed and variable compensation that may be paid, directly or indirectly, to its directors and top four (4) management officers during the preceding fiscal year.

The Hotel Management Executive Committee is appointed annually by the Board to perform the functions of the Remuneration and Compensation Committee, which is to establish a formal and transparent procedure for developing a policy on remuneration of directors and officers to ensure that their compensation is consistent with the corporation's culture, strategy and the business environment in which it operates.

**2) Remuneration Policy and Structure for Executive and Non-Executive Directors**

Disclose the company's policy of remuneration and the structured of its compensation package. Explain how the compensation of Executive and Non-Executive Directors is calculated.

	Remuneration Policy	Structure of Compensation Packages	How Compensation is Calculated
<b>Executive Directors</b>	<p>The By- Laws/ CG Manual state that except for reasonable per diems, directors, as such, shall be entitled only to the compensation as may be granted to them by the vote of the stockholders representing at least a majority of the outstanding at a regular or special meeting. In no case shall the total yearly compensation of all directors, as such, exceed 10% of the net income before tax of the Corporation during the preceding year.</p> <p>In addition, the Board fixes the salaries and bonuses of all officers. The fact that an officer is also a director shall not preclude him from receiving a salary or bonus.</p>	<p>The executive officers of the Corporation, as such, are paid a monthly fixed salary with variable bonus depending on performance.</p> <p>In addition, they receive compensation as one-time director's fees in their capacity as directors.</p>	<p>Remuneration as executive directors: fixed and approved by the Board.</p> <p>Remuneration as directors: the proposed remuneration will be presented to the stockholders for approval at the annual stockholder's meeting.</p>

<b>Non-Executive Directors</b>	<p>The By- Laws/ CG Manual state that except for reasonable per diems, directors, as such, shall be entitled only to the compensation as may be granted to them by the vote of the stockholders representing at least a majority of the outstanding at a regular or special meeting. In no case shall the total yearly compensation of all directors, as such, exceed 10% of the net income before tax of the Corporation during the preceding year.</p>	<p>The compensation of the directors are one-time director's fees and do not involve any other form of remuneration. There are no arrangements, such as compensatory plan or arrangement or consulting contracts, pursuant to which any director of the Corporation is to be compensated, directly or indirectly.</p> <p>There are no arrangements, such as compensatory plan or arrangement or consulting contracts, pursuant to which any director of the Corporation was compensated, or is to be compensated, directly or indirectly, during the Corporation's last completed fiscal year, and the ensuing year, for any service provided as director.</p>	<p>Remuneration as directors: the proposed remuneration will be presented to the stockholders for approval at the annual stockholder's meeting.</p>
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Do stockholders have the opportunity to approve the decision on total remuneration (fees, allowances, benefits-in-kind and other emoluments) of board of directors? Provide details for the last (3)three years.

Yes. The Board presented the proposed remuneration to the stockholders for their approval at the annual stockholder's meeting.

Remuneration Scheme	Date of Stockholders Approval
Year 2012	15 May 2011
Year 2011	15 May 2010
Year 2010	15 May 2009

### 3) Aggregate Remuneration

Complete the following table on the aggregate remuneration accrued during the most recent year:

Remuneration Item	Executive Directors	Non-Executive Directors (other than Independent directors)	Independent Directors
(a) Fixed Remuneration	USD6,000 (net of withholding taxes / director	USD6,000 (net of withholding taxes / director	USD6,200 (net of withholding taxes / director
(b) Variable Remuneration			
(c) Per Diem Allowance			
(d) Bonuses			
(e) Stock Options and/or other financial Instruments			
(f) Other (specify)			
Total	USD6,000 (net of withholding taxes /	USD6,000 (net of withholding taxes /	USD6,200 (net of withholding taxes /

	director	director	director
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Other Benefits	Executive Directors	Non-Executive Director (other than Independent directors)	Independent Directors
1) Advances	none	none	none
2) Credit Granted	none	none	none
3) Pension Plan/s Contributions	none	none	none
(d) Pension Plans Obligations Incurred	none	none	none
(e) Life Insurance Premium	none	none	none
(f) Hospitalization Plan	none	none	none
(g) Car Plan	none	none	none
(h) Others (specify)	none	none	none
Total	0	0	0

#### 4) Stock Rights, Options and Warrants

##### (a) Board of Directors

Complete the following table, on the members of the company's Board of Directors who own or are entitled to stock rights, options or warrants over the company's shares:

Director's Name	Number of Direct Options/Rights/Warrants	Number of Indirect Option/Rights/Warrants	Number of equivalent shares	Total % from Capital Stock
N.A.				

##### b) Amendments of Incentive Programs

Incentive Program	Amendments	Date of Stockholders Approval
N.A.		

Indicate any amendments and discontinuation of any Incentive programs introduced, including the criteria used in the creation of the program. Disclose whether these are subject to approval during the annual Stockholders Meeting:

#### 5) Remuneration of Management

Identify the five (5) members of management who are not at the same time executive directors and indicate the total remuneration received during the financial year:

Name of Officer/Position	Total Remuneration
Johnny Yap - Executive Manager of the Hotel	PhP3.12 million for 2012
Alex Cheong - Executive Chef of the Hotel	

#### E. BOARD COMMITTEES

##### 1) Number of Members, Functions and Responsibilities

Provide details on the number of members of each committee, its functions, key responsibilities and the power/authority delegated to it by the Board:

Committee	No. Of Members			Committee Charter	Functions	Key Responsibilities	Power
	ED	NED	ID				
Audit	0	2	1	Yes	<p>CG Manual:</p> <p>(1) Assists the Board in oversight responsibility for the financial reporting process, system of internal control, audit process, and monitoring of compliance with applicable laws, rules and regulations;</p> <p>(2) Provide oversight over Management's activities in managing credit, market, liquidity and other risks</p> <p>(3) Oversight functions over the Corporation's internal and external auditors; to ensure that such auditors act independently from each other and that both auditors are given unrestricted access to all records, etc.</p> <p>(4) Review the annual internal audit plan to ensure its conformity with the Corporation's objectives</p> <p>(5) Prior to commencement of the audit, to discuss with the external auditor the nature, scope, and expenses of the audit, and ensure proper coordination if more</p>	<p>Charter:</p> <p>(1) Review and approve the scope and frequency of the audit of the Corporation and the annual internal audit plan that management shall propose</p> <p>(2) Review the progress and status of all internal audit and external audit recommendations and their implementation</p> <p>(3) Monitor and evaluate the adequacy effectiveness of the Corporation's internal control system</p> <p>(4) Check all financial reports with respect to the proper compliance of the financial management handbook and pertinent accounting standards and regulatory requirements.</p> <p>(5) Review the Financial Management Handbook and perform oversight financial management functions, particularly in areas of managing credit, market, liquidity, operational, legal and other risks of the corporation, as well as crisis management.</p>	<p>(1) Unlimited direct access to the internal and external auditors of the Corporation, as well as to the management and staff, particularly the CEO and CFO</p> <p>(2) May require the auditors and the management to be present in meetings of the Audit Committee</p> <p>(3) Free full and access to all relevant information, data, records, properties and personnel</p> <p>(4) The Audit Committee shall recommend to the stockholders who shall act as the external auditor of the Corporation</p>

					<p>than one audit firm is involved in the activity</p> <p>(6) Monitor and evaluate the adequacy and effectiveness of the Corporation's internal control system, including financial reporting control and information technology security</p> <p>(7) Review the reports submitted by the internal and external auditors</p> <p>(8) Review the quarterly, half year and annual financial statements before their submission to the Board</p> <p>(9) Coordinate, monitor and facilitate compliance with laws, rules and regulations</p> <p>(10) Evaluate and determine the non-audit work, if any, of the external auditor</p> <p>(11) Establish and identify the reporting line of the Internal Auditor to enable him to properly fulfill his duties and responsibilities</p> <p>(12) Ensure that in the performance of the work of the Internal Auditor, he shall be free from any interference from outside parties</p> <p>(13) Lay down the proper checks and balances to ensure that the Board gets the benefit of independent views and perspectives</p>	<p>(6) Elevate to international standards the accounting and auditing processes, practices and methodologies of the Corporation. The Audit Committee shall determine whether the accounting system of the Corporation is fully compliant with International Accounting Standards. If the Audit Committee determines that is not fully compliant, the Audit Committee shall provide for an accountability statement that shall specifically identify the officers and personnel responsible for the different tasks required to raise to International Accounting Standards the accounting system of the Corporation. The Audit Committee shall also provide for a definite timetable within which the accounting system shall become fully compliant with International Accounting Standards.</p>
Nomination	1	3	1	None	<p>The Nomination Committee prepares the list of candidates for independent directors based upon qualified candidates nominated by the stockholders.</p> <p>It also promulgates rules, guidelines and criteria to govern the conduct of nomination, subject to the approval of the Board.</p> <p>In addition, the Nomination Committee may also review and evaluate the qualifications of all persons nominated to the Board and other</p>	

					appointments that require Board approval.
Remuneration and Compensation		1		None	The Hotel Management Executive Committee is appointed annually by the Board to perform the functions of the Remuneration and Compensation Committee, which is to establish a formal and transparent procedure for developing a policy on remuneration of directors and officers to ensure that their compensation is consistent with the corporation's culture, strategy and the business environment in which it operates.
Others (specify)					

## 2) Committee Members

### (a) Executive Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
N.A.						

### b) Audit Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (ID)	Mia Gentugaya	15 May 2012	5	5	100.00%	9 years
Member (NED)	Bryan Cockrell	15 May 2012	5	4	80.00%	11 years
Member (NED)	Michele Dee-Santos	15 May 2012	5	5	100%	7 years

### c) Nomination Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	Wong Hong Ren	15 May 2012	2	1	50.00%	10 years
Member (NED)	Bryan Cockrell	15 May 2012	2	2	100.00%	10 years
Member (NED)	Michele Dee-Santos	15 May 2012	2	2	100%	7 years
Member (ID)	Angelito Imperio	15 May 2012	2	1	50.00%	10 years
Member (NED)	Eddie Lau	15 May 2012	2	2	100.00%	8 years

### d) Remuneration and Compensation Committee (this function is performed by The Hotel Management Executive Committee)

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	Yam Kit Sung	15 May 2012	0	N.A.	N.A.	10 years

Member (ED)	Eddie Yeo	15 May 2012	0	N.A.	N.A.	10 years
Member	Geraldine Nono Gaw	15 May 2012	0	N.A.	N.A.	4 years
Member	Mary Grace Magsalin	15 May 2012	0	N.A.	N.A.	7 years
Member	Catherine Serrano	28 July 2012	0	N.A.	N.A.	9 months

**e) Others (Specify)**

Provide the same information on all other committees constituted by the Board of Directors:

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Member (ED)	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Member (NED)	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Member (ID)	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Member	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.

**3) Changes in Committee Members**

Indicate any changes in committee membership that occurred during the year and the reason for the changes:

Name of Committee	Name	Reason
Executive	N.A.	N.A.
Audit	N.A.	N.A.
Nomination	N.A.	N.A.
Remuneration	Catherine Serrano replaced Leonora Tabeta	Ms. Leonor Tabeta resigned effective 26 July 2012, to pursue other personal interests.
Others (specify)	N.A.	N.A.

**4) Work Done and Issues Addressed**

Describe the work done by each committee and the significant issues addressed during the year.

Name of Committee	Work Done	Issues Addressed
Executive	N.A.	N.A.
Audit	<p>The Audit Committee performed the following functions:</p> <p>(1) Assisted the Board in oversight responsibility for the financial reporting process, system of internal control, audit process, and monitoring of compliance with applicable laws, rules and regulations;</p> <p>(2) Provided oversight over Management's activities in managing credit, market, liquidity and other risks</p> <p>(3) Performed oversight functions over the Corporation's internal and</p>	<p>The Audit Committee was able to address the following issues, among others:</p> <p>(1) Reviewed the quarterly, half-year and annual financial statements before their submission to the Board, with particular focus on the following matters:</p> <ul style="list-style-type: none"> <li>• Any change/s in accounting policies and practices</li> <li>• Major judgmental areas</li> <li>• Significant adjustments resulting from the audit</li> <li>• Going concern assumptions</li> <li>• Compliance with accounting standards</li> <li>• Compliance with tax, legal and regulatory requirements.</li> </ul>



external auditors; to ensure that such auditors act independently from each other and that both auditors are given unrestricted access to all records, etc.

(4) Reviewed the annual audit plan to ensure its conformity with the Corporation's objectives

(5) Prior to commencement of the audit, discussed with the external auditor the nature, scope, and expenses of the audit, and ensure proper coordination if more than one audit firm is involved in the activity

(6) Monitored and evaluated the adequacy and effectiveness of the Corporation's internal control system, including financial reporting control and information technology security

(7) Reviewed the reports submitted by the internal and external auditors

(8) Reviewed the quarterly, half year and annual financial statements before their submission to the Board

(9) Coordinated, monitored and facilitated compliance with laws, rules and regulations

(10) Evaluated and determined the non-audit work, if any, of the external auditor

(11) Conducted a self-assessment of the practices of the Audit Committee, in relation to the best practices and standards.

(2) Ensured that the performance of the work of the auditors are free from any interference from outside parties

(3) Laid down the proper checks and balances to ensure that the Board gets the benefit of independent views and perspectives

(4) Identified areas of improvement in the practices of the Audit Committee, in relation to the best practices and standards

Nomination	<p>The Nomination Committee performed the following functions:</p> <p>(1) Promulgated rules, guidelines and criteria to govern the conduct of nomination of Independent directors, subject to the approval of the Board</p> <p>(2) Prepared the list of candidates for independent directors based upon qualified candidates nominated by the stockholders</p> <p>(3) Reviewed and evaluated the qualifications of all persons nominated to the Board and other appointments that require Board approval</p>	<p>The Nomination Committee was able to review and evaluate the qualifications of nominees for Independent directors and persons nominated to the Board and other appointments that require Board approval.</p>
Remuneration and Compensation Committee	<p>The Hotel Management Executive Committee, acting as the Remuneration and Compensation Committee, recommended the remuneration of the regular directors and the independent directors of the Corporation.</p>	<p>The Remuneration and Compensation Committee was able to ensure that the compensation of the directors is consistent with the Corporation's culture, strategy and the business environment in which it operates.</p>
Others (specify)	N.A.	N.A.

**5) Committee Program**

Provide a list of programs that each committee plans to undertake to address relevant issues in the improvement or enforcement of effective governance for the coming year.

Name of Committee	Planned Program	Issues to be Addressed
Executive	N.A.	N.A.
Audit	<p>The Audit Committee plans to continue performing its functions and responsibilities, as provided in its Charter and the CG Manual.</p>	<p>The Audit Committee will continue to address the following issues, among others:</p> <p>(1) Review the quarterly, half-year and annual financial statements before their submission to the Board, with particular focus on the following matters:</p> <ul style="list-style-type: none"> <li>• Any change/s in accounting policies and practices</li> <li>• Major judgmental areas</li> <li>• Significant adjustments resulting from the audit</li> <li>• Going concern assumptions</li> <li>• Compliance with accounting standards</li> <li>• Compliance with tax, legal and regulatory requirements.</li> </ul> <p>(2) Oversight for the financial reporting process, system of internal control, audit process, and monitoring of compliance with applicable laws, rules and regulations;</p>

		<p>(3) Oversight over Management's activities in managing credit, market, liquidity and other risks</p> <p>(4) Oversight over the Corporation's internal and external auditors; to ensure that such auditors act independently from each other and that both auditors are given unrestricted access to all records</p> <p>(5) Ensure that the performance of the work of the auditors are free from any interference from outside parties</p> <p>(6) Lay down the proper checks and balances to ensure that the Board gets the benefit of independent views and perspectives</p> <p>(7) Identify areas of improvement in the practices of the Audit Committee, in relation to the best practices and standards</p>
Nomination	The Nomination Committee plans to continue performing its functions and responsibilities, as provided in the CG Manual.	The Nomination Committee will continue to review and evaluate the qualifications of nominees for independent directors and persons nominated to the Board and other appointments that require Board approval.
Remuneration	The Remuneration and Compensation Committee plans to continue performing its functions and responsibilities, as provided in the CG Manual.	The Remuneration and Compensation Committee will continue to ensure that the compensation of the directors is consistent with the Corporation's culture, strategy and the business environment in which it operates.
Others (specify)	N.A.	N.A.

#### F. RISK MANAGEMENT SYSTEM

1) Disclose the following:

- (a) Overall risk management philosophy of the company;
- (b) A statement that the directors have reviewed the effectiveness of the risk management system and commenting on the adequacy thereof;
- (c) Period covered for the review;
- (d) How often the risk management system is reviewed and the directors' criteria for assessing its effectiveness; and
- (e) Where no review was conducted during the year, an explanation why not.

Overall Risk Management Philosophy and Review

The CG Manual provides that it is the duty of the Board to identify key risk areas and to monitor this factors with due diligence to enable the Corporation to anticipate and prepare for possible threats to its operational and financial viability.

These risks have been identified as: liquidity risk, credit risk, and market risk.

The Board has overall responsibility for the establishment and oversight of the Corporation's risk management framework. The Board is responsible for developing and monitoring the Corporation's risk management policies. The Board identifies all issues affecting the operations of the Corporation.

The Corporation's risk management policies are established to identify and analyze the risks faced by the Corporation, 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 Corporation's activities. All risks faced by the Corporation 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 Corporation's operations and detriment forecasted results. The Corporation, 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 Board constituted the Corporation's Audit Committee to assist the Board in fulfilling its oversight responsibility for the Corporation's corporate governance process relating to the: a) quality and integrity of the Corporation's financial statements and financial reporting process and the Corporation's systems of internal accounting and financial controls; b) performance of the internal auditors; c) annual independent audit of the Corporation's financial statements, the engagement of the independent auditors and the evaluation of the independent auditors' qualifications, independence and performance; d) compliance by the Corporation with legal and regulatory requirements, including the Corporation's disclosure control and procedures; e) evaluation of management's process to assess and manage the Corporation's enterprise risk issues; and f) fulfillment of the other responsibilities set out by the Board. The Audit Committee shall also prepare the reports required to be included in the Corporation's annual report.

**2) Risk Policy**

**(a) Corporation**

Give a general description of the company's risk management policy setting out and assessing the risk/s covered by the system (ranked according to policy), along with the objective behind the policy for each kind of risk:

Risk Exposure	Risk Management Policy	Objective
Credit Risk	Credit risk represents the risk of loss the Corporation would incur if credit customers and counterparties fail to perform their contractual obligations. The Corporation's credit risk arises principally from the Corporation's trade receivables.	The investment of the Corporation's cash resources is managed so as to minimize risk while seeking to enhance yield.
Liquidity Risk	Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation 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.
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 Corporation's income or the value of its holdings of financial instruments.  The Corporation is subject to various market risks, including risks from changes in room rates, interest rates and currency exchange rates.	The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

**(b) Group**

Give a general description of the Group's risk management policy, setting out and assessing the risk/s covered by the system (ranked according to priority), along with the objective behind the policy for each kind of risk:

Risk Exposure	Risk Management Policy	Objective
<p><b>Events that adversely impact domestic or international travel</b></p>	<p>Sustained levels of occupancy and room rates can be adversely affected by events that reduce domestic or international travel. Such events may include acts of terrorism, war or perceived increased risk of armed conflict, epidemics, natural disasters, increased cost of travel and industrial action. These events may be localized to a particular country, region or could have a wider international perspective, especially where a large airport, for example, is a major hub for worldwide travel. Reduced demand will impact on revenues and operational profitability.</p> <p>The Group has in place contingency and recovery plans to enable it to respond to major incidents or crises.</p>	<p>Contingency and recovery plans are put in place to enable the Group to respond to major incidents or crises.</p>
<p><b>Political and economic developments</b></p>	<p>Major events affecting either economic or political stability on a global and regional level represent an exposure to the Group. Economic events could include recessionary pressures which would have an impact on the Group's revenues, operating costs and profitability. Political risks include changes in the regulatory environment in which the Group's business activities operate, including restrictions on the repatriation of funds or control over the ownership of assets.</p> <p>Many of these risks are beyond the control of the Group and the time-frames for developing appropriate risk management approaches can often be very short. Management is continually vigilant to political and economic developments and seeks to identify emerging risks at the earliest opportunity. The Group implements ownership structures, internal controls and takes such steps available to it to minimize these exposures to the greatest extent possible.</p>	<p>Management is continually vigilant to political and economic developments and seeks to identify emerging risks at the earliest opportunity. The Group implements ownership structures, internal controls and takes such steps available to it to minimize these exposures to the greatest extent possible.</p>
<p><b>The hotel industry supply and demand cycle</b></p>	<p>The hotel industry operates in an inherently cyclical market place. A weakening of demand, or an increase in market room supply, may lead to downward pressure on room rates which in turn would lead to a negative effect on operating performance.</p> <p>The Group has management systems in place designed to create flexibility in the operating cost base so as to optimize operating profits in volatile trading conditions, such as the profit protection</p>	<p>Management systems put in place are designed to create flexibility in the operating cost base so as to optimize operating profits in volatile trading conditions, such as the profit protection plans initiated during previous market down-turns.</p>

	plans initiated during previous market down-turns.	
<b>Human resources</b>	<p>Execution of the Group's strategy depends on its ability to attract, develop and retain employees with the appropriate skills, experience and aptitude.</p> <p>The Group has a strong service culture supported by recognition systems, compensation and benefits arrangements, training and development programmes. The Group has appropriate systems for recruitment, reward and compensation and performance management. Labor relations are actively managed on a regional and local basis.</p>	The Group has appropriate systems for recruitment, reward and compensation and performance management. Labor relations are actively managed on a regional and local basis.
<b>Management agreements</b>	An element of the Group's strategy is to selectively increase the number of management contracts to operate hotels owned by third-parties, primarily focusing on the Middle East region. In this regard, the Group faces competition from established global and regional brands. Successful execution of this strategy will depend on the Group's ability to identify suitable management opportunities, secure contracts on suitable contractual terms and ensure that contractual commitments are met and retained going forward.	The Group has developed a management team in the Middle East region that has the necessary skills and resources to pursue this element of the Group's strategy. A structured process for acquiring new contracts has been implemented and a priority is to ensure that the critical roles are filled and operational management is integrated into the Group system.
<b>Joint ventures and subsidiaries with minority shareholders</b>	<p>The Group has entered into a number of joint ventures in certain markets and is therefore subject to the risk of non-performance on the part of the minority partners especially when the strategic objectives of the partners are not fully aligned.</p> <p>For these joint ventures, the Group has appointed representatives who are assigned responsibilities to manage the relationship with the joint venture partners in order to enhance the alignment of business objectives.</p>	Manage the relationship with the joint venture partners in order to enhance the alignment of business objectives.
<b>Treasury risk</b>	The Group trades in numerous international currencies but reports its financial results in sterling. Fluctuations in currency exchange rates may either be accretive or dilutive to the Group's reported trading results and the Group's net asset value. Unhedged interest rate exposures pose a risk to the Group when interest rates rise, resulting in increased costs of funding and an impact on overall financial performance. Credit risk arises from the risk of financial loss if a financial counterparty fails to meet its contractual obligations in respect of its deposits or short-term investments.	Manage foreign currency transactions exposure, interest rate risk, and credit risk.

	<p>Foreign currency transactions exposure is primarily managed through funding of purchases from operating income streams arising in the same currency. Interest rate hedges are used to manage interest rate risk to the extent that the perceived cost is considered to outweigh the benefit from the flexibility of variable rate borrowings. The Group actively monitors the need and timing of such hedges. Investments in short-term instruments are with counterparties approved by the Board taking into account the counterparty's credit rating and a maximum limit as to the amount that may be deposited.</p>	
<b>Tax risk</b>	<p>The Group's businesses operate in numerous tax jurisdictions. Changes in tax laws in any of those jurisdictions may have adverse consequences on the Group's profits. Similarly the Group's interpretation and application of various tax laws may be challenged. Tax authorities in many jurisdictions are increasing their focus on corporate tax affairs in order to maximize tax receipts.</p> <p>The Group seeks to minimize tax risk by ensuring that appropriate accounting systems, processes and internal controls are in place to ensure that taxes are calculated accurately and paid on a timely basis, in compliance with tax legislation. A co-operative approach is undertaken in respect of provision of information to tax authorities during tax audits and investigations, and external tax advisors are engaged in each tax jurisdiction where necessary to advise on such matters, and to give guidance on the implementation of any changes in tax legislation. Full review of tax implications is carried out prior to undertaking any transactions involving new activities or structural changes, and external tax planning advice is obtained where appropriate. The Board and Audit Committee receive regular updates on tax management issues.</p>	Minimize tax risk.
<b>Compliance and litigation</b>	<p>The Group operates in many jurisdictions and is exposed to the risk of non-compliance with increasingly complex statutory and regulatory requirements. In addition the Group may be at risk of litigation from various parties with which it interacts, either through direct contractual arrangements or from the provision of services. In certain countries where the Group operates, particularly in emerging markets, local practices and the legal environment may be such that it is sometimes difficult for the Group to enforce its legal rights.</p>	Monitor changes in the regulatory environment in which it operates, identify its compliance obligations and implement appropriate compliance programmes and has processes in place to manage the risks associated with its various contractual relationships.

	<p>The Group continues to monitor changes in the regulatory environment in which it operates, identify its compliance obligations and implement appropriate compliance programmes and has processes in place to manage the risks associated with its various contractual relationships. These include comprehensive policies for ethics and business conduct, anti-corruption and bribery, gifts and hospitality and charitable donations. There is training for relevant staff.</p>	
<p><b>Safety, health and environment</b></p>	<p>As a significant property owner and operator of hotels in multiple jurisdictions, the Group is exposed to a wide range of regulatory requirements and obligations concerning the health and safety of employees, visitors and guests. Failure to implement and maintain sufficient controls regarding health and safety issues could expose the Group to significant sanctions, both civil and criminal, financial penalties and reputational damage.</p> <p>The Group has established and maintains health and safety and environmental management systems that are aligned with the requirements of ISO 14001 and OHSAS 18001. By working to British standards, the Group is committed to working to the highest standards of health and safety and to an internationally accredited system.</p>	<p>Work to the highest standards of health and safety and to an internationally accredited system.</p>
<p><b>Intellectual property rights and brands</b></p>	<p>Future development will, in part, be dependent on the recognition of the Group's brands and perception of the values inherent in those brands. Consistent delivery of product quality is vitally important to influencing consumer preference and creating and maintaining value perception. Historically the Group has mainly operated properties which it owns. The trend towards managing third-party properties, primarily in the Middle East region increases the risk that product quality may not be delivered in accordance with the Group's standards. This may increase the Group's exposure to litigation, increase risks to reputation, reduce revenues and become an inhibiting factor on ongoing development.</p> <p>Substantial investment continues to be made in protecting the Group's brands from misuse and infringement, by way of trade mark registration and domain name protection. Management seeks to ensure maintenance of standards by developing strong working relationships with hotel</p>	<p>Protect the Group's brands from misuse and infringement, by way of trade mark registration and domain name protection and ensure maintenance of standards by developing strong working relationships with hotel owners and undertaking regular monitoring of service delivery.</p>



	owners and undertaking regular monitoring of service delivery.	
<b>Property ownership</b>	<p>The Group's strategy is to be both owner and manager of hotel properties. Growth of the Group's portfolio of owned assets is dependent on the availability of suitable development sites, acquisitions and access to funding. A limit on such opportunities may have a negative impact on future operational profitability. Property ownership requires ongoing investment in the form of preventative maintenance, refurbishment, significant capital expenditure and product development. There is also the possible loss of capital due to uninsured events and reductions in asset values as a result of demographic changes in the markets in which the properties are located.</p>	<p>The Group continues to develop property specific asset management plans which focus on the capital requirements of each property in terms of regular maintenance and product enhancement. The Group has rigorous management systems to monitor major capital projects to ensure they are properly managed and delivered on time and within budgeted parameters.</p>
<b>Insurance</b>	<p>Not all risks are insured, either because the cover is not available in the market or that cover is not available on commercially viable terms. The Group is exposed to the risk of cover not being continually available. Availability may be influenced by factors outside the Group's control, which could reduce the market's underwriting capacity, breadth of policy coverage or simply make the cost of cover too expensive. The Group could be exposed to uninsured third-party claims, loss of revenue or reduction of fixed asset values which may, in turn, have an adverse effect on Group profitability, cash flows and ability to satisfy banking covenants.</p> <p>The Group's insurance requirements are regularly reviewed to ensure that the cover obtained is appropriate to its risk profile and after taking into account the level of retained risk the Board considers to be appropriate, relative to the cost of cover available in the market place. Insurance covers are arranged with a variety of insurers to ensure that arrangements are not overly concentrated on a limited number of carriers. Choice of insurance carriers is dependent on satisfaction of a number of relevant factors including a review of the insurers' security ratings.</p>	<p>The Group's insurance requirements are regularly reviewed to ensure that the cover obtained is appropriate to its risk profile.</p> <p>Insurance covers are arranged with a variety of insurers to ensure that arrangements are not overly concentrated on a limited number of carriers.</p>
<b>Information Technology systems and Infrastructure</b>	<p>In order to maintain its competitiveness within the market place the Group will need to ensure its IT systems deliver the necessary trading platforms and provide management with accurate and timely information.</p>	<p>The Group invests in systems that are tried and tested so that as much operational resilience as possible, cost considerations permitting, can be obtained. Investment is made in robust infrastructure technology to provide a reliable operating platform. Crisis</p>

		management and disaster recovery plans are in place for business critical systems. Management regularly reviews IT requirements and risks to prioritize implementation of changes and improvements.
<b>Data privacy</b>	A significant proportion of the Group's operating revenue is received from customers through credit card transactions and the Group has an obligation to keep secure customers' credit card and other personal details. Non-compliance with data privacy regulations, which differ by jurisdiction, could result in fines and/or other damages being incurred. Additionally, the payment card industry requires the Group to comply with data security standards (PCI-DSS) as a condition in credit card merchant agreements. Failure to comply with these standards could result in contractual penalties and withdrawal of credit card payment facilities.	During the last year the Group has committed significant resources to achievement and maintenance of the necessary IT infrastructure, operating controls and training associated with data privacy and PCI-DSS.

**(c) Minority Shareholders**

Indicate the principal risk of the exercise of controlling shareholders' voting power.

<b>Risk to Minority Shareholders</b>
Although there are certain corporate governance measures in place, the combined shareholdings of the principal stockholders will be able to elect a majority of the directors, control the management and policies through the Board and effect corporate transactions without the concurrence of the minority stockholders/shareholders, except in limited circumstances provide provided in the Corporation's Articles of Incorporation or, By-Laws, and CG Manual pursuant to laws requiring minority shareholder approval for certain transactions.

**3) Control System Set Up**

**(a) Company**

Briefly describe the control systems set up to assess, manage and control the main issue/s faced by the company:

<b>Risk Exposure</b>	<b>Risk Assessment (Monitoring and Measurement Process)</b>	<b>Risk Management Control (Structures, Procedures, Actions Taken)</b>
Credit Risk	<p>Exposure to credit risk is monitored on an ongoing basis. Credit checks are being performed on all clients requesting credit over certain amounts.</p> <p>Credit is not extended beyond authorized limits, established where appropriate through consultation with a professional credit vetting organization.</p> <p>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.</p>	<p>The Corporation's holding of cash and money market placements expose the Corporation to credit risk of the counterparty if the counterparty is unwilling or unable to fulfill its obligations and the Corporation consequently suffers financial loss. Credit risk management involves entering into financial transactions only with counterparties with acceptable credit rating. The treasury policy sets aggregate credit limits of any one counterparty and management annually reviews the exposure limits and credit ratings of the counterparties.</p> <p>Receivable balance is being monitored on a regular basis to ensure timely execution of necessary intervention efforts.</p>

Liquidity Risk		Management closely monitors the Corporation's future and contingent obligations and sets up required cash reserves as necessary in accordance with Internal requirements.
Market Risk	<p>(1) <i>Room Rates</i> The risk from room rate changes relates to the Corporation'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.</p> <p>(2) <i>Interest Rate Risk</i> The Corporation has no interest-bearing debt obligations to third parties. As such, the Corporation has minimal interest rate risk.</p> <p>(3) <i>Foreign Currency Risk</i> Financial assets and financing facilities extended to the Corporation were mainly denominated in Philippine peso and have minimal transactions in foreign currency. As such, the Corporation's foreign currency risk is minimal.</p>	<p>(1) <i>Room Rates</i> The Corporation minimizes its exposure to risks in changes in room rates by signing contracts with short period of expiry so this gives the Corporation the flexibility to adjust its room rates in accordance to market conditions. Also, there are minimal changes in room rates in the hotel industry.</p> <p>(2) <i>Interest Rate Risk</i> The Corporation has no interest-bearing debt obligations to third parties.</p> <p>(3) <i>Foreign Currency Risk</i> The Corporation's foreign currency risk is minimal.</p>

(b) Group

Briefly describe the control systems set up to assess, manage and control the main issue/s faced by the company:

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management Control (Structures, Procedures, Actions Taken)
Events that adversely impact domestic or international travel	Sustained levels of occupancy and room rates can be adversely affected by events that reduce domestic or international travel. Such events may include acts of terrorism, war or perceived increased risk of armed conflict, epidemics, natural disasters, increased cost of travel and industrial action. These events may be localized to a particular country, region or could have a wider international perspective, especially where a large airport, for example, is a major hub for worldwide travel. Reduced demand will impact on revenues and operational profitability.	The Group has in place contingency and recovery plans to enable it to respond to major incidents or crises.
Political and economic developments	Major events affecting either economic or political stability on a global and regional level represent an exposure to the Group. Economic events could include recessionary pressures which would have an impact on the Group's revenues, operating costs and profitability. Political risks include changes in the regulatory environment in which the Group's business activities operate, including restrictions on the repatriation of funds or control over the ownership of assets.	Many of these risks are beyond the control of the Group and the time-frames for developing appropriate risk management approaches can often be very short. Management is continually vigilant to political and economic developments and seeks to identify emerging risks at the earliest opportunity. The Group implements ownership structures, internal controls and takes such steps available to it to minimize these exposures to the greatest extent

		possible.
<b>The hotel industry supply and demand cycle</b>	The hotel industry operates in an inherently cyclical market place. A weakening of demand, or an increase in market room supply, may lead to downward pressure on room rates which in turn would lead to a negative effect on operating performance.	The Group has management systems in place designed to create flexibility in the operating cost base so as to optimize operating profits in volatile trading conditions, such as the profit protection plans initiated during previous market down-turns.
<b>Human resources</b>	Execution of the Group's strategy depends on its ability to attract, develop and retain employees with the appropriate skills, experience and aptitude.	The Group has a strong service culture supported by recognition systems, compensation and benefits arrangements, training and development programmes. The Group has appropriate systems for recruitment, reward and compensation and performance management. Labor relations are actively managed on a regional and local basis.
<b>Management agreements</b>	An element of the Group's strategy is to selectively increase the number of management contracts to operate hotels owned by third-parties, primarily focusing on the Middle East region. In this regard, the Group faces competition from established global and regional brands. Successful execution of this strategy will depend on the Group's ability to identify suitable management opportunities, secure contracts on suitable contractual terms and ensure that contractual commitments are met and retained going forward.	The Group has developed a management team in the Middle East region that has the necessary skills and resources to pursue this element of the Group's strategy. A structured process for acquiring new contracts has been implemented and a priority is to ensure that the critical roles are filled and operational management is integrated into the Group system.
<b>Joint ventures and subsidiaries with minority shareholders</b>	The Group has entered into a number of joint ventures in certain markets and is therefore subject to the risk of non-performance on the part of the minority partners especially when the strategic objectives of the partners are not fully aligned.	For these joint ventures, the Group has appointed representatives who are assigned responsibilities to manage the relationship with the joint venture partners in order to enhance the alignment of business objectives.
<b>Treasury risk</b>	The Group trades in numerous international currencies but reports its financial results in sterling. Fluctuations in currency exchange rates may either be accretive or dilutive to the Group's reported trading results and the Group's net asset value. Unhedged interest rate exposures pose a risk to the Group when interest rates rise, resulting in increased costs of funding and an impact on overall financial performance. Credit risk arises from the risk of financial loss if a financial counterparty fails to meet its contractual obligations in respect of its deposits or short-term investments.	Foreign currency transactions exposure is primarily managed through funding of purchases from operating income streams arising in the same currency. Interest rate hedges are used to manage interest rate risk to the extent that the perceived cost is considered to outweigh the benefit from the flexibility of variable rate borrowings. The Group actively monitors the need and timing of such hedges. Investments in short-term instruments are with counterparties approved by the Board taking into account the counterparty's credit rating and a maximum limit as to the amount that may be deposited.
<b>Tax risk</b>	The Group's businesses operate in numerous tax jurisdictions. Changes in tax laws in any of those jurisdictions may have adverse consequences on the Group's profits. Similarly the Group's interpretation and application of various tax laws may be challenged. Tax authorities in many jurisdictions are	The Group seeks to minimize tax risk by ensuring that appropriate accounting systems, processes and internal controls are in place to ensure that taxes are calculated accurately and paid on a timely basis, in compliance with tax legislation. A co-operative approach is undertaken in respect of provision of

	increasing their focus on corporate tax affairs in order to maximize tax receipts.	information to tax authorities during tax audits and investigations, and external tax advisors are engaged in each tax jurisdiction where necessary to advise on such matters, and to give guidance on the implementation of any changes in tax legislation. Full review of tax implications is carried out prior to undertaking any transactions involving new activities or structural changes, and external tax planning advice is obtained where appropriate. The Board and Audit Committee receive regular updates on tax management issues.
<b>Compliance and litigation</b>	The Group operates in many jurisdictions and is exposed to the risk of non-compliance with increasingly complex statutory and regulatory requirements. In addition the Group may be at risk of litigation from various parties with which it interacts, either through direct contractual arrangements or from the provision of services. In certain countries where the Group operates, particularly in emerging markets, local practices and the legal environment may be such that it is sometimes difficult for the Group to enforce its legal rights.	The Group continues to monitor changes in the regulatory environment in which it operates, identify its compliance obligations and implement appropriate compliance programmes and has processes in place to manage the risks associated with its various contractual relationships. These include comprehensive policies for ethics and business conduct, anti-corruption and bribery, gifts and hospitality and charitable donations. There is training for relevant staff.
<b>Safety, health and environment</b>	As a significant property owner and operator of hotels in multiple jurisdictions, the Group is exposed to a wide range of regulatory requirements and obligations concerning the health and safety of employees, visitors and guests. Failure to implement and maintain sufficient controls regarding health and safety issues could expose the Group to significant sanctions, both civil and criminal, financial penalties and reputational damage.	The Group has established and maintains health and safety and environmental management systems that are aligned with the requirements of ISO 14001 and OHSAS 18001. By working to British standards, the Group is committed to working to the highest standards of health and safety and to an internationally accredited system. Details of progress made in improving the Group's management systems are contained in the Corporate Social Responsibility report on pages 29 to 31.
<b>Intellectual property rights and brands</b>	Future development will, in part, be dependent on the recognition of the Group's brands and perception of the values inherent in those brands. Consistent delivery of product quality is vitally important to influencing consumer preference and creating and maintaining value perception. Historically the Group has mainly operated properties which it owns. The trend towards managing third-party properties, primarily in the Middle East region increases the risk that product quality may not be delivered in accordance with the Group's standards. This may increase the Group's exposure to litigation, increase risks to reputation, reduce revenues and become an inhibiting factor on ongoing development.	Substantial investment continues to be made in protecting the Group's brands from misuse and infringement, by way of trade mark registration and domain name protection. Management seeks to ensure maintenance of standards by developing strong working relationships with hotel owners and undertaking regular monitoring of service delivery.
<b>Property ownership</b>	The Group's strategy is to be both owner and manager of hotel properties. Growth of the Group's portfolio of owned assets is	The Group continues to develop property specific asset management plans which focus on the capital requirements of each property in terms of regular maintenance

	<p>dependent on the availability of suitable development sites, acquisitions and access to funding. A limit on such opportunities may have a negative impact on future operational profitability. Property ownership requires ongoing investment in the form of preventative maintenance, refurbishment, significant capital expenditure and product development. There is also the possible loss of capital due to uninsured events and reductions in asset values as a result of demographic changes in the markets in which the properties are located.</p>	<p>and product enhancement. The Group has rigorous management systems to monitor major capital projects to ensure they are properly managed and delivered on time and within budgeted parameters.</p>
<b>Insurance</b>	<p>Not all risks are insured, either because the cover is not available in the market or that cover is not available on commercially viable terms. The Group is exposed to the risk of cover not being continually available. Availability may be influenced by factors outside the Group's control, which could reduce the market's underwriting capacity, breadth of policy coverage or simply make the cost of cover too expensive. The Group could be exposed to uninsured third-party claims, loss of revenue or reduction of fixed asset values which may, in turn, have an adverse effect on Group profitability, cash flows and ability to satisfy banking covenants.</p>	<p>The Group's insurance requirements are regularly reviewed to ensure that the cover obtained is appropriate to its risk profile and after taking into account the level of retained risk the Board considers to be appropriate, relative to the cost of cover available in the market place. Insurance covers are arranged with a variety of insurers to ensure that arrangements are not overly concentrated on a limited number of carriers. Choice of insurance carriers is dependent on satisfaction of a number of relevant factors including a review of the insurers' security ratings.</p>
<b>Information Technology systems and Infrastructure</b>	<p>In order to maintain its competitiveness within the market place the Group will need to ensure its IT systems deliver the necessary trading platforms and provide management with accurate and timely information.</p>	<p>The Group invests in systems that are tried and tested so that as much operational resilience as possible, cost considerations permitting, can be obtained. Investment is made in robust infrastructure technology to provide a reliable operating platform. Crisis management and disaster recovery plans are in place for business critical systems. Management regularly reviews IT requirements and risks to prioritize implementation of changes and improvements.</p>
<b>Data privacy</b>	<p>A significant proportion of the Group's operating revenue is received from customers through credit card transactions and the Group has an obligation to keep secure customers' credit card and other personal details. Non-compliance with data privacy regulations, which differ by jurisdiction, could result in fines and/or other damages being incurred. Additionally, the payment card industry requires the Group to comply with data security standards (PCI-DSS) as a condition in credit card merchant agreements. Failure to comply with these standards could result in contractual penalties and withdrawal of credit card payment facilities.</p>	<p>During the last year the Group has committed significant resources to achievement and maintenance of the necessary IT infrastructure, operating controls and training associated with data privacy and PCI-DSS.</p>

**(c) Committee**

Identify the committee or any other body of corporate governance in charge of laying down and supervising these control mechanisms, and give details of its functions:

Committee/Unit	Control Mechanism	Details of its Function
Board of Directors	<p>The CG Manual provides that it is the duty of the Board to identify key risk areas and to monitor this factors with due diligence to enable the Corporation to anticipate and prepare for possible threats to its operational and financial viability.</p> <p>These risks have been identified as: liquidity risk, credit risk, and market risk.</p> <p>The Board has overall responsibility for the establishment and oversight of the Corporation's risk management framework. The Board is responsible for developing and monitoring the Corporation's risk management policies. The Board identifies all issues affecting the operations of the Corporation.</p>	<p>The Corporation's risk management policies are established to identify and analyze the risks faced by the Corporation, 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 Corporation's activities. All risks faced by the Corporation 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 Corporation's operations and detriment forecasted results. The Corporation, 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.</p>
Audit Committee	<p>The Board constituted the Corporation's Audit Committee to assist the Board in fulfilling its oversight responsibility for the Corporation's corporate governance process, including evaluation of management's process to assess and manage the Corporation's enterprise risk issues.</p>	<p>The Board constituted the Corporation's Audit Committee to assist the Board in fulfilling its oversight responsibility for the Corporation's corporate governance process relating to the: a) quality and integrity of the Corporation's financial statements and financial reporting process and the Corporation's systems of internal accounting and financial controls; b) performance of the internal auditors; c) annual independent audit of the Corporation's financial statements, the engagement of the independent auditors and the evaluation of the independent auditors' qualifications, independence and performance; d) compliance by the Corporation with legal and regulatory requirements, including the Corporation's disclosure control and procedures; e) evaluation of management's process to assess and manage the Corporation's enterprise risk issues; and f) fulfillment of the other responsibilities set out by the Board. The Audit Committee shall also prepare the reports required to be included in the Corporation's annual report.</p>

**G. INTERNAL AUDIT AND CONTROL**

**1) Internal Control System**

Disclose the following information pertaining to the internal control system of the company:

(a) Explain how the internal control system is defined for the company;

- (b) A statement that the directors have reviewed the effectiveness of the internal control system and whether they consider them effective and adequate;
- (c) Period covered by the review;
- (d) How often internal controls are reviewed and the directors' criteria for assessing the effectiveness of the internal control system; and
- (e) Where no review was conducted during the year, an explanation why not.

For the Corporation, internal control means having an effective system of control that will ensure the integrity of the financial reports and protection of the assets of the Corporations. According to the CG Manual, this is one of the duties of the Management, which, in turn, is under the supervision of the Audit Committee. The Audit Committee, in turn, evaluates the adequacy and effectiveness of the Corporation's internal control system as formulated by the Management.

The following are the factors to be considered, for the organizational and procedural controls of the Corporation, are the following:

- a. nature and complexity of the business and the business culture
- b. volume, size and complexity of transactions
- c. degree of risk
- d. degree of centralization and delegation of authority
- e. the extent of effectiveness of information technology
- f. the extent of regulatory compliance

Moreover, the Charter mandates that the Corporation shall have in place an internal audit function which shall be performed by an internal auditor through which the Board, senior management, and shareholders shall be provided with reasonable assurance that its key organizational and procedural controls are effective, appropriate and complied with.

Under the CG Manual, Management should formulate, under the supervision of the Audit Committee, the rules and procedures on financial reporting and internal control in accordance with the following guidelines:

- The extent of its responsibility in the preparation of the financial statements of the Corporation, with the corresponding delineation of the responsibilities that pertain to the external auditor, should be clearly explained;
- An effective system of internal control that will ensure the integrity of the financial reports and protection of the assets of the Corporation should be maintained;
- On the basis of the approved audit plans, internal audit examinations should cover, at the minimum, the evaluation of the adequacy and effectiveness of controls that cover the Corporation's governance, operations and information systems, including the reliability and integrity of financial and operational information, effectiveness and efficiency of operations, protection of assets, and compliance with contracts, laws, rules and, regulations;
- The Corporation should consistently comply with the financial reporting requirements of the SEC;
- The Internal Auditor should submit to the Audit Committee and Management an annual report on the internal audit department's activities, responsibilities and performance relative to the audit plans and strategies as approved by the Audit Committee. The annual report should include significant risk exposures, control issues and such other matters as may be needed or requested by the Board and Management.

The minimum internal control mechanisms for management operational responsibility shall center on the on the CEO, being ultimately accountable for the organizational and procedural controls of the Corporation. On the basis of approved audit plans, the internal audit examinations cover, at the minimum, the evaluation of the adequacy and effectiveness of controls that cover the Corporation's governance, operations and information systems, including the reliability and integrity of financial and operational information, effectiveness and efficiency of operations, protection of assets, and compliance with contracts, laws, rules and, regulations.

The Group's Internal Auditor conducts an internal audit review of the Corporation annually. The formal audit report is submitted to the Audit Committee and to the Board. Based on the result of the Internal audit review, key controls and management environment are effective. Audit findings are few and indicate low risks to the business overall.

## 2) Internal Audit

### (a) Role, Scope and Internal Audit Function



Give a general description of the role, scope of the internal audit work and other details of the internal audit function.

Role	Scope	Indicate whether In-house or Outsource Internal Audit Function	Name of Chief Internal Auditor/Auditing Firm	Reporting process
<p>An internal auditor or a group of internal auditors, through which the Board, senior management, and shareholders shall be provided with reasonable assurance that its key organizational and procedural controls are effective, appropriate, and complied with. The internal audit activities shall be conducted in accordance with the Standards for the Professional Practice of Internal Auditing.</p>	<p>The scope of the internal audit shall at least cover the following:</p> <ol style="list-style-type: none"> <li>(1) an evaluation of the adequacy and effectiveness of controls pertaining to the governance, operations and information systems of the Corporation, including the reliability and integrity of financial and operational information,</li> <li>(2) effectiveness and efficiency of operations,</li> <li>(3) safeguarding of assets; and</li> <li>(4) compliance with contracts, laws, rules and regulations.</li> </ol>	<p>In-house. The Board annually appoints a Chief Audit Executive who oversees the internal audit of the Corporation.</p>	<p>The internal audit function of the Corporation is currently being performed by Millennium &amp; Copthorne International Limited ("MCI"), which is based in Singapore, although MCI is not engaged directly by the Corporation. Mr. Yam Kit Sung, the Chief Finance Officer ("CFO") and Compliance Officer has been designated as the Chief Audit Executive of the Corporation, and is responsible for overseeing the service contract with MCI (as Internal Auditor), and the overall quality assurance of the internal audit activities, reporting to senior management and the Board regarding internal audit activities, and follow-up of engagement results.</p>	<p>The Charter requires the Internal Auditor to submit status reports which summarizes the recommendations of the internal auditor, the officers responsible for the implementation of the recommendations, and the dates when such recommendations shall be implemented and accomplished.</p> <p>In addition, the CG Manual requires the Internal Auditor to submit to the Audit Committee and Management and annual report on the internal audit department's activities, responsibilities and performance relative to the audit plans and strategies as approved by the Audit Committee. The annual report should include significant risk exposures, control issues and such other matters as may be needed or requested by the Board and Management.</p> <p>The Internal Auditor should certify that he conducts his activities in accordance with the International standards on the Professional Practice of Internal Auditing. If he does not, he shall disclose to the Board and Management the reasons why he has not fully complied with the said standards.</p>

(b) Do the appointment and/or removal of the Internal Auditor or the accounting/auditing firm or corporation to which the internal audit function is outsourced require the approval of the audit committee?

No. It is the Board which appoints the Chief Audit Executive who oversees the internal audit function of the Corporation. The appointment and/or removal of the Chief Audit Executive or the accounting/auditing firm or corporation to which the internal audit function is outsourced does not require the approval of the audit committee.

**(c) Discuss the internal auditor's reporting relationship**

Under the CG Manual, the Chief Audit Executive should submit to the Audit Committee and Management an annual report on the internal audit department's activities, responsibilities and performance relative to the audit plans and strategies, as approved by the Audit Committee.

In addition, the Charter requires the internal auditor to submit status reports which summarizes the recommendations of the internal auditor. The internal audit function is outsourced to MCI. The internal audit examinations cover, at the minimum, the evaluation of the adequacy and effectiveness of controls that cover the Corporation's governance, operations and information systems, including the reliability and integrity of financial and operational information, effectiveness and efficiency of operations, protection of assets, and compliance with contracts, laws, rules and, regulations.

**(d) Resignation, Re-assignment and Reasons**

Disclose any resignation/s or re-assignment of the internal audit staff (including those employed by the third party auditing firm) and the reason/s for them.

Name of Audit Staff	Reason
N.A.	

Other than the Chief Audit Executive, the Corporation does not have its own internal audit staff, as the internal audit function is outsourced to MCI.

**(e) Progress against Plans, Issues, Findings, and Examination Trends**

State the internal audit's progress against plans, significant findings and examination trends.

Progress against Plans	Internal audit work is carried out on an annual basis by the Group Internal Audit from Millennium & Copthorne Hotels International Limited.
Issues	No significant issues have been identified.
Findings	No significant findings such as fraud.
Examination Trends	Internal audit carried out full audit cycle which covered cash, sales, purchases, health and safety and others.

[The relationship among progress, plans, issues and findings should be viewed as an internal control review cycle which involves the following step-by-step activities:

- 1) Preparation of an audit plan inclusive of a timeline and a milestones;
- 2) Conduct of examination based on the plan;
- 3) Evaluation of the progress in the implementation of the plan;
- 4) Documentation of issues and findings as a result of the examination;
- 5) Determination of the persuasive issues and findings ('examination trends') based on single year result and/or year-to-year results;
- 6) Conduct of the foregoing procedures on a regular basis.]

**(f) Audit Control Policies and Procedures**

Disclose all internal audit controls, policies, and procedures that have been established by the company and the result of an assessment as to whether the established controls, policies and procedures have been implemented under column 'implementation.'

Policies & Procedures	Implementation
<p>The Charter mandates that the Corporation shall have in place an internal audit function which shall be performed by an internal auditor through which the Board, senior management, and shareholders shall be provided with reasonable assurance that its key organizational and procedural controls are effective, appropriate and complied with.</p> <p>Under the CG Manual, Management should formulate, under the supervision of the Audit Committee, the rules and procedures on financial reporting and internal control in accordance with the following guidelines:</p> <ol style="list-style-type: none"> <li>(1) The extent of its responsibility in the preparation of the financial statements of the Corporation, with the corresponding delineation of the responsibilities that pertain to the external auditor, should be clearly explained;</li> <li>(2) An effective system of internal control that will ensure the integrity of the financial reports and protection of the assets of the Corporation should be maintained;</li> <li>(3) On the basis of the approved audit plans, internal audit examinations should cover, at the minimum, the evaluation of the adequacy and effectiveness of controls that cover the Corporation's governance, operations and information systems, including the reliability and integrity of financial and operational information, effectiveness and efficiency of operations, protection of assets, and compliance with contracts, laws, rules and, regulations;</li> <li>(4) The Corporation should consistently comply with the financial reporting requirements of the SEC;</li> <li>(5) The Internal Auditor should submit to the Audit Committee and Management an annual report on the internal audit department's activities, responsibilities and performance relative to the audit plans and strategies as approved by the Audit Committee. The annual report should include significant risk exposures, control issues and such other matters as may be needed or requested by the Board and Management.</li> </ol>	<p>The Group's Internal Auditors, supervised by the Chief Audit Executive, conduct an internal audit review of the Corporation annually. The formal audit report is submitted to the Audit Committee and to the Board. Based on the result of the internal audit review, key controls and management environment are effective. Audit findings are few and indicate low risks to the business overall.</p>

**(g) Mechanism and Safeguards**

State the mechanism established by the company to safeguard the independence of the auditors, financial analyst, investment banks and rating agencies (example, restriction on trading in the company's shares and imposition of internal approval procedures for these transactions, limitation on the non-audit services that an external auditor may provide in the company);

Auditors (Internal and External)	Financial Analysts	Investment Banks	Rating Agencies
<p>(1) The Audit Committee shall evaluate and determine the non-audit work, if any, of the external auditor, and review periodically the non-audit fees paid to the external auditor in relation to their significance to the total annual income of the external auditor and to the Corporation's overall consultancy expenses. The committee shall disallow any non-audit work that will conflict with his duties as an external auditor or may pose a threat to his independence. The non-audit work, if allowed, should be disclosed in the Corporation's annual report;</p> <p>(2) The Audit Committee shall ensure that, in the performance of the work of the Internal Auditor, he shall be free from interference by outside parties.</p> <p>(3) The Board, after consultations with the Audit Committee, shall recommend to the stockholders an external auditor duly accredited by the SEC who shall undertake an independent audit of the Corporation, and shall provide an objective assurance on the manner by which the financial statements shall be prepared and presented to the stockholders. The external auditor shall not, at the same time, provide internal audit services to the Corporation. Non-audit work may be given to the external auditor, provided it does not conflict with his duties as an independent auditor, or does not pose a threat to his independence.</p> <p>(4) If the external auditor resigns, is dismissed or ceases to perform his services, the reason/s for and the date of effectivity of such action shall be reported in the Corporation's annual and current reports. The report shall include a discussion of any disagreement between the external auditor and the Corporation on accounting principles or practices, financial disclosures or audit procedures which the former auditor and the Corporation failed to resolve satisfactorily. A preliminary copy of the said report shall be given by the Corporation to the external auditor before its submission.</p> <p>(5) If the external auditor believes that any statement made in an annual report, information statement or any report filed with the SEC or any regulatory body during the period of his engagement is incorrect or incomplete, he shall give his comments or views on the matter in the said reports.</p> <p>(6) The external auditor should be rotated or changed every five (5) years or earlier, or the signing partner of the external auditing firm assigned to the Corporation, should be changed with the same frequency.</p>	N.A.	N.A.	N.A.

(h) State the officers (preferably the Chairman & CEO) who will have to attest to the company's full compliances with the SEC Code of Corporate Governance. Such confirmation must state all directors, officers, and employees of the company have been given proper instruction on their respective duties as mandated by the Code and that internal mechanisms are in place to ensure that compliance.

The CG Manual provide that the Board shall appoint a Compliance Officer and an Assistant Compliance Officer who shall report directly to the Board. The Compliance Officer, or in his absence, the Assistant Compliance Officer, shall perform the following duties:

- (1) Monitor compliance by the Corporation with the CG Manual, Code of Corporate Governance, Securities Regulation Code, Corporation Code, and other applicable rules and regulations; and if any violations are found, to report the matter to the Board and recommend the imposition of the proper penalty.
- (2) Appear before the SEC when summoned in relation to compliance with the Code of Corporate Governance.
- (3) Issue a certification that every January 30th of the year on the extent of the Corporation's compliance with the Code for the completed year and, if there are any deviations, explain the reason for such deviation.

The CG Manual also provides that the reports or disclosures required under the CG Manual shall be prepared and submitted to the SEC by the responsible Committee or officer through the Corporation's Compliance Officer, Assistant Compliance Officer, or Corporate Secretary.

#### H. ROLE OF STAKEHOLDERS

- 1) Disclose the Corporation's policy and activities relative to the following:

	Policy	Activities
Customers' Welfare	To offer quality and innovative products, unsurpassed service and value for money.	<p>The Corporation continues to improve the services, products, and facilities that it offers to its customers.</p> <p>The Corporation established a team of trained employees to respond to possible disasters like fire, earthquakes and other accidents our guests and employees might experience during their stay in the Hotel. Instructors from Philippine National Red Cross trained the Hotel staff with basic first aid management and CPR (cardio-pulmonary resuscitation) while a team from the local fire department taught the employees with procedures in emergency rescue transfer and use of fire fighting equipment.</p>
Supplier/contractor selection practice	To select based on quality of work and their ability to complement our commitment to environment, health and safety.	The Hotel purchases its raw material for food and beverage from both local and foreign suppliers.
Environmentally friendly value-chain	To continually seek ways to ensure a better quality of life for the community and environment where we live, work and play.	<p><i>(1) Energy and water conservation</i></p> <p>The reduction of working days for administrative personnel or offices aims not only to achieve work life balance but also to reduce the hotel's energy consumption. A Hotel wide campaign on the best cost management practices of departments educates and inspires associates to conserve and preserve supplies and resources. Engineering Department helps in devising ways to improve electricity consumption by using halogen and fluorescent lights. Room guests are also encouraged to save water and laundry detergent consumption by re-using bed linens and towels when possible. Scraps and old newspapers are recycled into flowers and pots to decorate our restaurants and other sections of the hotel.</p> <p><i>(2) Earth Hour</i></p> <p>The Hotel actively participates in the annual Earth Hour, a worldwide campaign of turning off the lights for an</p>

		<p>hour in efforts to increase awareness on energy consumption and climate change.</p> <p>This event is spearheaded by the World Wildlife Fund (WWF), an international environmental advancement group and reported to have remarkable drop in energy usage in key cities of participating countries.</p>
Community interaction	To serve the community we operate in so as to create a better place for all, especially caring for the less fortunate, enhancing youth development, promoting the arts and conserving the environment.	<p><i>(1) Blood letting</i> The Hotel is a consistent recipient of the Philippine National Red Cross Meritorious Service Award for its continuous participation in blood letting activities. The Corporation has organized eight blood donation activities since 2008 and have forwarded a total of 97,150 ml of blood to Red Cross.</p> <p><i>(2) Readiness for career</i> The Hotel offers educational experiences and hotel-life skills training for students interested to have careers in hospitality industry. As contribution to the industry, the Corporation helps prepare future hoteliers with the competencies and attitudes to make them confident and fit to explore their lot in the marketplace. Students from various universities and training centers across the metro and provinces have seen and experienced the Hotel standards in terms of cleanliness and service and end the year-2012 with 47 graduating students fully equipped the 5 star way.</p> <p><i>(3) Job opportunities</i> The Hotel is a long-standing figure of stability providing career opportunities for professionals and people recently graduated from school. We have provided employment security Pasay City and other neighboring cities and provinces thus providing their families and communities decent way of living.</p> <p><i>(4) Funds for charitable institutions</i> The Hotel capitalizes on accumulating funds to support our beneficiaries during Christmas season and Chinese New Year. A wishing well is placed at the Hotel lobby where guests and employees can share their piece of good fortune to scholars and less privileged families of Pasay City through "Our Lady of Sorrows Outreach Foundation". A total of PhP17,000.00 was forwarded to the foundation from the proceeds of Chinese New Year donation drive and PhP20,000 in check from the Christmas wishing well.</p> <p>Pangarap Foundation, a shelter for street children and out of school youth of Pasay City is a donee institution of the Hotel through its donation box placed at Front Desk where guests can donate upon check-in and out. Charming children from Children's Joy Foundation are invited to participate in the Christmas caroling in the Hotel from December 16-25, 2012. It gives them the opportunity to exhibit their talents, entertain our guests and gather significant amount of donations from the hotel's guests.</p>
Anti-corruption programs and procedures?	As a responsible corporation, it is our goal to be transparent and	The Chairman's Statement in the Annual Report and the discussion in the Information Statement on the general and business information provides a summary

	accountable to our stakeholders who have an interest in our operations.	and/or a simple presentation of the company's financial, operational and legal highlights to allow the ordinary shareholder or stakeholder to be fully aware of the company's status.
Safeguarding creditors' rights	It is its recognized policy in favor of its investors "To maintain profitability and achieve optimum returns on their investments."	The Corporation's website discloses up to-date information on business operation, financial statements, press releases, shareholding structure, organization structure, SEC Forms 17-A, Notice of Annual Stockholders' Meetings, and contact details for investor relations.  Furthermore, The Corporation explicitly mentions its obligations to its creditors including honoring debt agreement(s) and timely payment of debt obligations in its Notes to Financial Statements attached to SEC Form 17-A and Information Statements.

**2) Does the company have a separate corporate responsibility (CR) report/section or sustainability report/section?**

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

With this, the Corporation provides for a section in its Information Statement (SEC Form 20-IS) and Annual Report (SEC Form 17-A) which covers its Corporate Social Responsibility Report.

**3) Performance-enhancing mechanisms for employee participation.**

- a) What are the company's policy for its employees' safety, health and welfare?
- b) Show data relating to health, safety and welfare of its employees.
- c) State the company's training and development programmes for its employees. Show the data.
- d) State the company's reward/compensation policy that accounts for the performance of the company beyond short-term financial measures

**Development Opportunities for Employees**

**(1) Employee Empowerment:**

*Internal movement & succession*

The Corporation provides opportunities for employees to manage their career path through an open and spontaneous performance review. Department Heads are encouraged to train their staff in all scopes of their jobs, multi-tasking and taking accountabilities to prepare them for greater responsibility. Internal movement or promotion within department is put on public knowledge through bulletin boards and e-mails and their colleagues celebrate and congratulate them for their achievements.

*Staff dialogue and monthly tea parties*

Employees are empowered when they are given the opportunity to share their thoughts and concern about their jobs. Staff dialogue is scheduled for each department each month where the top executives and General Manager take time to listen and answer employees' inquiries. Monthly tea parties also served as venue for the General Manager to inspire, motivate and give updates on the direction the Hotel would take.

**(2) Employee Development:**

*OSE Training*

To adapt the Group corporate culture in terms of behavioral norms, the Hotel conducts discussion and implementation of Outstanding Service themes to all employees at all levels. Daily assignment of OSE or OSE calendar is sent to all departments as their point of discussion in their daily briefing and endorsement.

**(3) Work Life Balance**

**Sports activity**

The Hotel holds an annual sports event to prompt the importance of active lifestyles and develop social skills by engaging in sports. Employees find time to associate with other employees outside their department and develop friendships that thrive even when they go back to their respective offices. Social values and behaviors such as team work, will to win and sportsmanship are demonstrated and cultivated on these activities.

**Employee center**

Employees are encouraged to engage in sports activity within the comforts of their work.

Vinluan, an empty space in the Hotel transformed into employee center where they can play table tennis, darts and board games.

**5 day work week**

The Hotel recently embraced the five-day work week to all administrative personnel to give weekends away for leisure, relaxation and other activities that would keep them refreshed and passionate for another week of challenges at work.

**(4) Disaster Preparedness**

The Corporation has established a team of trained employees to respond to possible disasters like fire, earthquakes and other accidents our guests and employees might experience during their stay in the hotel. Instructors from Philippine National Red Cross trained our staff with basic first aid management and CPR (cardio-pulmonary resuscitation) while a team from the local fire department taught our employees with procedures in emergency rescue transfer and use of fire fighting equipment.

**4) What are the company's procedures for handling complaints by employees concerning illegal (including corruption) and unethical behavior? Explain how employees are protected from retaliation.**

The Corporation has not adopted procedures for handling complaints by employees concerning illegal (including corruption) and unethical behavior. However, the Code of Conduct provides that refusal to answer inquiries or participate in any investigation authorized by the Hotel, provided such answers or participation will not violate constitutional rights, is considered a major offense. Thus, employees are enjoined to participate in investigations of the Hotel, which may include illegal (including corruption) and unethical behavior.

**I. DISCLOSURE AND TRANSPARENCY**

**1) Ownership Structure**

**(a) Holding 5% shareholding or more**

Shareholder	Number of Shares	Percent	Beneficial Owner
The Philippine Fund Limited	30,722,733	35.18%	TPFL is owned by: (1) Hong Leong Hotels Pte. Ltd. - 60% (2) Pacific Far East (PFE) Holdings Corp. - 20% (3) Robina Manila Hotel Limited -20%
Zatrio Pte. Ltd.	19,005,714	21.77%	Republic Hotels & Resorts Limited,, which wholly owns Zatrio Pte. Ltd as its subsidiary.
PCD Nominee Corporation	7,029,972	8.05%	RCBC Trust & Investments Division is the beneficial owner of 6,256,554 shares, or 7.16%.

Name of Senior Management	Number of Direct Shares	Number of Indirect Shares/ Through (name of record owner)	% of Capital Stock
Yam Kit Sung	2,999	0	less than 1%
Eddie Yeo	1,000	0	less than 1%
Arlene de Guzman	1,000	0	less than 1%
<b>Total</b>			<b>less than 1%</b>

**2) Does the Annual Report disclose the following:**



Key Risks	Yes
Corporate objectives	Yes
Financial performance indicators	Yes
Non-Financial performance Indicators	Yes
Dividend Policy	Yes
Details of whistle-blowing policy	Yes
Biographical details (at least age, qualification, date of first employment, relevant, and any other directorship of listed companies) of directors/commissioners	Yes
Training and/or continuing education programme attended by each director/commissioner	No
Number of board of directors/commissioners meetings held during the year	Yes
Attendance details of each directors/commissioner in respect of meetings held	Yes
Details of remuneration of the CEO and each member of the board of directors/commissioners	Yes

**3) External Auditor's fee**

Name of Auditor	Audit fee	Non-Audit fee
KPMG Manabat Sanagustin & Co.	PhP620,000 for the year 2012	none

**4) Medium of Communication**

List down the models of communication that the company is using for disseminating information.

- Corporation has its own website: [www.grandplazahotelcorp.com](http://www.grandplazahotelcorp.com)
- As a listed company, its reports and documents are also available at the Philippine Stock Exchange Website
- Also, the CG Manual provide for the following :
  - The Shareholders shall be furnished, upon request, with the reports filed by the Corporation with the SEC pertaining to information about the directors/ officers
  - The minority shareholders (representing at least 10%) have a right to propose the holding of a meeting.
  - The minority shareholders has access to any and all information relating to matters for which the management is accountable for and which concerns the stockholders making the request
- The Corporation also sends out copies of its Information Statement to its stockholders
- Annual Meetings - held on the 15th of May every year
- Special Meetings - may be called at any time by resolution of the Board or by order of the Chairman or the President or upon written request of stockholders representing at least 10% of the total outstanding stock entitled to vote.

**5) Date of release of audited financial report:**

The Corporation's audited financial statements for the year ended 31 December 2012 and other information related to the Corporation's financial statements are contained in the Corporation's SEC Form 17-A for the year ended 31 December 2012, which was filed by the Corporation with the Philippine Stock Exchange on 19 February 2013 and with the SEC on 19 February 2013.

**6) Company Website**

Does the company have a website disclosing up-to-date information about the following?

Business operations	Yes
Financial statements/report (current and prior years)	Yes
Materials provided in briefings to analyst and media	Yes

Shareholding structure	Yes
Group Corporate structure	Yes
Downloadable annual report	Yes
Notice of AGM and/or EGM	Yes
Corporation's constitution (company's by laws, memorandum and articles of association)	Yes

Should any of the foregoing information be not disclosed, please indicate at the reason thereto.

7) Disclosure of RPT

RPT	Relationship	Nature	Value
Cash Advances	Related companies to, or immediate or intermediate holding companies of the Corporation	The Corporation in the normal course of business has entered into transactions with its related parties, principally consisting of cash advances. These advances are shown as "Due to related company", "Due to immediate holding company", and	In 2012, P6,843,486
Lease Agreement	Harbour Land Corporation (HLC) is 40%-owned by the Corporation and in which the Corporation has significant influence	The Corporation leases the land occupied by the Hotel from HLC for a period of 25 years up to January 1, 2015. The lease contract on the Hotel site requires the Corporation to deposit PhP78 million to answer for any and all unpaid obligations that the Corporation may have under said contract.	P10,678,560 annual rental
Management Agreement	Elite Hotel Management Services Pte. Ltd.'s Philippines Branch is under the control of a principal owner of the Corporation	The Corporation has entered into a Management Agreement with Elite Hotel Management Services Pte. Ltd.'s Philippines Branch for the latter to act as the hotel's administrator. Under the terms of the agreement, the Corporation is required to pay monthly basic management and incentive fees based on a certain percentage of revenue and gross operating profit.	The management fee under the Management Agreement is 2% of Gross Revenue and Incentive fee is 7% of Gross Operating Profit.

When RPTs are involved what processes are in place to address them in the manner that will safeguard the interest of the company and in particular of its minority shareholders and other stakeholders?

The Corporation's CG Manual requires information including related party transactions to be publicly and timely disclosed through the appropriate mechanisms of the PSE and submitted to the SEC.

In compliance with the SRC Rules, the Corporation is required to disclose the following details for a related party contract:

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

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

No disclosure is needed for any transaction where:

- The transaction involves services at rates or charges fixed by law or governmental authority;
- The transaction involves services as a bank depository of funds, transfer agent, registrar, trustee under a trust indenture, or similar services;
- The amount involved in the transaction or a series of similar

- transactions has an aggregate value of less than PhP2,500,000; or
- d. The interest of the person arises solely from the ownership of securities of the registrant and the person receives no extra or special benefit that was not shared equally (pro rata) by all holders of securities of the class.

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

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

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

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

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

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

In accordance with the Corporation Code, management contracts entered into by the Corporation with another corporation must be approved by the Board and by stockholders owning at least the majority of the outstanding capital stock, of both the managing and the managed corporation, at a meeting duly called for the purpose. Where a stockholder or stockholders representing the same interest of both the managing and the managed corporations own and control more than one-third (1/3) of the total outstanding capital stock entitled to vote of the managing corporation; or where a majority of the members of the Board of the managing corporation also constitute a majority of the members of the Board of the managed corporation, then the management contract must be approved by the stockholders of the managed corporation owning at least two-thirds (2/3) of the total outstanding capital stock entitled to vote. Furthermore, no management contract shall be entered into for a period longer than five years for any one term.

## J. RIGHTS OF STOCKHOLDERS

### 1. Right to participate effectively in and vote in Annual/Special Stockholders Meetings

#### (a) Quorum

Give details on the quorum required to convene the Annual/Special Stockholders Meeting as set forth in its By-laws.

<b>Quorum Required</b>	The holders of a majority of the outstanding capital stock of the Corporation having voting powers, who are present in person or represented by proxy, shall constitute a quorum for the transaction of business, save in those instances where the Corporation Code requires a greater proportion.
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#### (b) System Used to Approve Corporate Acts

Explain the system used to approve corporate acts

<b>System Used</b>	Modified <i>viva voce</i>
<b>Description</b>	In the system of voting adopted by the stockholders of the Corporation, in order to facilitate the conduct of the proceedings of the stockholders' meeting, if there is no objection to a nomination or motion to approve a proposed resolution regarding , it will be understood that the stockholders

present or represented in today's meeting vote in favor of the resolution.

**(c) Stockholders' Rights**

List any Stockholders' Rights concerning Annual/Special Stockholders' Meeting that differ from those laid down in the Corporation Code.

Stockholders' Rights under the Corporation Code	Stockholders' Rights <u>not</u> in The Corporation Code
Appraisal Right	Each share of stock is given equal rights to dividends
Right to vote <ul style="list-style-type: none"> <li>• right to elect, remove, and replace directors and vote on certain corporate acts in accordance with the Corporation Code</li> <li>• Cumulative Voting</li> <li>• A director shall not be removed without cause if it will deny minority shareholders representation in the Board.</li> </ul>	Shareholders are equally treated in share buy-back offers.  The Corporation has only one class of shares and each share is entitled to one vote.
Pre-emptive right	Shares of stock are not subject to any restrictions on transfer, mortgage or encumbrances on these shares.
Power of Inspection	The Corporation is committed to respect and promote shareholders' rights
Right to Information	<p>(1) The shareholders shall be provided, upon request, with the reports filed by the Corporation with SEC that disclose personal and professional information about the directors and officers and certain other matters such as their holdings of the Corporation's shares, dealings with the Corporation, relationships among directors and key officers, and the aggregate compensation of directors and officers.</p> <p>(2) The minority shareholders shall be granted the right to propose the holding of a meeting, and the right to propose items in the agenda of the meeting, provided the items are for legitimate business purposes. The By-Laws of the Corporation provides that shareholders representing at least ten percent (10%) of the outstanding capital stock of the Corporation may request the holding of a special shareholders' meeting.</p> <p>(3) The minority shareholders shall have access to any and all information relating to matters for which the management is accountable for and which concerns the stockholders making the request, provided that such right shall be subject to existing law and contract. A report on the information pertaining to such matters may be included in the agenda of any meeting of the shareholders.</p> <p>(4) If such not included in the agenda, then the minority shareholders shall be allowed to propose to include such matters in the agenda of shareholder's meeting, such item in the agenda will be considered as being within the definition of "legitimate purposes".</p>
Right to Dividends	The Corporation is required to declare dividends when its retained earnings exceeds 100% of its paid-in capital stock, except: a) when justified by definite corporate expansion projects or programs approved by the Board or b) when the Corporation is prohibited under any loan agreement with any financial institution

or creditor, whether local or foreign, from declaring dividends without its consent, and such consent has not been secured; or c) when it can be clearly shown that such retention is necessary under special circumstances obtaining in the Corporation, such as when there is a need for special reserve for probable contingencies.

**Dividends**

Declaration Date	Record Date	Payment Date
15 May 2012	29 May 2012	On or before 22 June 2012

**(d) Stockholders Participation**

- 1) State, if any, the measures adopted to promote stockholder participation in the Annual/Special Stockholders Meeting, including the procedure on how stockholders and other parties interested may communicate directly with the Chairman of the Board, individual directors or board committees. Include in the discussion the steps the Board has taken to solicit and understand the views of the stockholders as well as procedures for putting forward proposals at stockholders' meetings.

Measures Adopted	Communication Procedure
Minority shareholders may recommend candidates to the Nomination Committee and may cumulate their votes for election of directors.	The Nomination Committee sends out notices to all stockholders that the Nomination Committee is accepting recommendations for nominees. Then, the Stockholders will submit their recommended candidates by accomplish the Recommendation Form attached as Annex 1 to the notice to the stock holders and sent back the same to the Nomination Committee.
Minority shareholders, representing at least 10% of the outstanding capital stock entitled to vote, have the right to propose the holding of a meeting, and the right to propose items in the agenda of the meeting, provided the items are for legitimate business purposes.	By written request. Such request shall state the purpose or purposes of the proposed meeting.
During the annual stockholders' meeting, stockholders are given the opportunity to raise questions and directly address the Chairman of the Board, the individual directors, and the Board committees.	The Chairman invites the stockholders to raise their questions or air their comments during the annual stockholders' meeting. There is also a question and answer portion during which the floor is opened to allow stockholders to raise questions and directly address the Chairman of the Board, the individual directors, the Board committees, and the officers of the Corporation.

8. State the company policy of asking shareholders to actively participate in corporate decisions regarding:
- Amendments to the company's constitution
  - Authorization of additional shares
  - Transfer of all or substantially all assets, which in effect results in the sale of the company

Authorization of additional shares, and transfer of all or substantially all assets of the corporation are subject to the ratification of stockholders representing at least 2/3 of the outstanding capital stock, as provided in the Corporation Code.

- 9) Does the company observe a minimum of 21 business days for giving out of notices to the AGM where items to be resolved by shareholders are taken up?
- Date of sending out notices: 23 April 2013
  - Date of Annual/Special Stockholders Meeting: 15 May 2013

No. According to its By-Laws, except as otherwise provided by law, written or printed notice of all annual and special meetings of stockholders, stating the place and time of the meeting, and if necessary, the general nature of the

business to be considered shall be transmitted by personal delivery, mail, facsimile, telex, telegraph or cable to each stockholder of record entitled to vote to his last known address, at least 15 days before the date of the meeting, in case of an Annual Meeting, or at least 7 days before the date of the hearing, if a special meeting.

The Corporation also subscribes to the requirement under the SRC Rules, to file the Preliminary SEC Form 20-IS with the SEC at least 10 business days prior to the date definitive copies of the information statement ("Definitive SEC Form 20-IS") are first sent or given to stockholders. The Corporation distributes the Definitive SEC Form 20-IS to security holders at least 15 business days from the date of the annual stockholders' meeting.

**10) State, if any, questions and answers during the Annual/Special Stockholders' Meeting.**

In the annual stockholders' meeting of the Corporation held on 15 May 2012, Mr. Edgar Ngo, a stockholder of the Corporation, inquired about the occupancy rate of the Hotel for the year 2011 and subsequently, if the rate is higher than the occupancy rate of other hotels. Mr. Eddie Yeo, the General Manager of the Hotel, and a director of the Corporation, replied that the occupancy rate for the year 2011 is 67% and this rate is 6.2% higher than the occupancy rate of the previous year.

Mr. Edgar Ngo then asked the Board if the Corporation has a plan to expand the Hotel business, for instance in the bay area or in Boracay, to which Mr. Wong Hong Ren, the Chairman replied that there's none as of the moment, but the Management is considering the said prospects and is thinking of reinvesting its accumulated profits.

Mr. Ngo also asked the Chairman of the latter's opinion on the status and prospects of the Philippine tourism industry under the Aquino administration. Mr. Yeo answered that presently, there are three million tourist arrivals in the Philippines and that the Department of Tourism is targeting six million arrivals by 2015. He added that as of the moment, the Philippines is just experiencing a slight downturn because of external factors which involve our neighboring countries (i.e., China) and that such might continue until the political situation is resolved. The Chairman assured the shareholders though that the general long term prospect of the tourism industry in the Philippines is good.

Lastly, Mr. Ngo asked how much will the cash dividend be for the next year. Mr. Yam answered that there is an increase in the cash dividends declared for 2012 of PhP2.00 per share compared to the previous cash dividend of PhP1.00 per share (i.e., in 2010). Mr. Yam added that the Board also approved a share buyback of PhP50 per share, based on a ratio of one share for every 25 shares held by the stockholders of record, and that the total amount for the share buyback is PhP239 million.

**11) Result of Annual/Special Stockholders' Meeting's Resolutions**

Resolution	Approving	Dissenting	Abstaining
(1) Approval of the Corporation's 2011 annual report and audited financial statements	all	none	none
(2) Approval and ratification of the Minutes of the Annual Stockholders' Meetings of the Corporation held on 13 May 2011	all	none	none
(3) Approval and ratification of all the acts, decisions, contracts and proceedings done, taken and effected by the Board, as well as resolutions issued by the Board, acting within the scope of its delegated authority, during the year 2011-2012	all	none	none
(4) Election of the Board	all	none	none
(5) Election of external auditor and authority of the Board to fix the auditor's remuneration	all	none	none
(6) Remuneration of the directors	all	none	none

**12) Date of publishing of the result of the votes taken during the most recent AGM for all resolutions:**

The result of votes taken during the most recent annual stockholders' meeting for all resolutions was announced by the Chairman immediately after the votes were taken for each resolution during the meeting, using the modified system of voting adopted by the stockholders of the Corporation (i.e., if there is no objection to a nomination or motion to approve a proposed resolution regarding the nomination, it will be understood that the stockholders present or represented in today's meeting vote in favor of the nomination).

(e) Modifications

State, if any, the modifications made in the Annual/Special Stockholders' Meeting regulations during the most recent year and the reason for such modification:

(f) Stockholders Attendance

(i) Details of Attendance in the Annual/Special Stockholders' Meeting Held:

Type of Meeting	Name of Board Members/ Officers present	Date of Meeting	Voting procedure (by poll, show of hands, etc)	% of SH in Proxy	Total % of SH attendance
Annual	Wong Hong Ren, Eddie Yeo Bryan K. Cockrell, Michele Dee-Santos, Angelito C. Imperio Mia G. Gentugaya Yam Kit Sung Alain Charles J. Veloso	15 May 2012	Modified <i>viva voce</i> .  In the system of voting adopted by the stockholders of the Corporation, in order to facilitate the conduct of the proceedings of the stockholders' meeting, if there is no objection to a nomination or motion to approve a proposed resolution regarding the nomination, it will be understood that the stockholders present or represented in today's meeting vote in favor of the nomination.	86.67%	86.67%
Special	N.A.				

(ii) Does the company appoint an independent party (inspectors) to count and/or validate the votes at the ASM/SSMs?

No. Voting and counting of votes are done by modified *viva voce* (Sec Form 20-IS, 2013). In the system of voting adopted by the stockholders of the Corporation, in order to facilitate the conduct of the proceedings of the stockholders' meeting, if there is no objection to a nomination or motion to approve a proposed resolution regarding the nomination, it will be understood that the stockholders present or represented in today's meeting vote in favor of the nomination.

(iii) Do the company's common shares carry one vote for one share? If not, disclose and give reasons for any divergence to this standard. Where the company has more than one class of shares, describe the voting rights attached to each class of share.

Yes. At every stockholders' meeting, the By-Laws provide that each stockholder shall be entitled to one vote in person or by proxy, and he shall have one vote for each share of stock entitled to vote and recorded in his name in the books of the Corporation.

**(g) Proxy Voting Policies**

State the policies followed by the company regarding proxy voting in the Annual/Special Stockholders' Meeting.

	<b>Corporation's Policies</b>
Execution and acceptance of proxies	Proxy voting is facilitated by the fact that proxies are presumed regular and accepted in the absence of a timely and valid challenge.
Notary	Not required. The Corporation adopts a presumption of regularity in the execution of proxies and the same shall be accepted in the absence of a timely and valid challenge.
Submission of Proxy	All proxies must be in the hand of the Corporate Secretary before the time set for the meeting.
Several Proxies	The Corporation subscribes to SEC Memorandum Circular No. 5, Series of 1996, with regard to several proxies. If the stockholder intends to designate several proxies, the number of shares of stock to be represented by each proxy shall be specifically indicated in the proxy form. If some of the proxy forms do not indicate the number of shares, the total shareholding of the stockholder shall be tallied and the balance thereof, if any, shall be allotted to the holder of the proxy form without the number of shares. If all are in blank, the stocks shall be distributed equally among the proxies.
Validity of Proxy	The Corporation adopts a presumption of regularity in the execution of proxies and the same shall be accepted in the absence of a timely and valid challenge.
Proxies executed abroad	Proxies executed abroad shall be duly authenticated by the Philippine Embassy or Consular Office.
Invalidated Proxy	Such proxies filed with the Corporate Secretary may be revoked by the stockholders either in an instrument in writing duly presented and recorded with the Secretary prior to a scheduled meeting, or by their personal presence at the meeting.
Validation of Proxy	Unless the notice of meeting provides an earlier period, all proxies may be validated on the date, and at the place and before time of the regular or special meeting of the stockholders.
Violation of Proxy	As provided in the Corporation Code and SRC.

**(h) Sending of Notices**

State the company's policies and procedures on the sending of notices of Annual/Special Stockholders' Meeting.

<b>Policies</b>	<b>Procedure</b>
<p><b>Notice for Annual Stockholders' Meeting:</b></p> <p>Written or printed notice, stating the place and time of the meeting, and if necessary, the general nature of the business to be considered, shall be transmitted to each stockholder of record.</p>	<p><i>How transmitted:</i> the notice is transmitted by personal delivery, mail, facsimile, telex, telegraph or cable to each stockholder of record entitled to vote to his last known address</p> <p><i>When transmitted:</i> at least 15 days before the date of the meeting</p>
<p><b>Notice for Special Stockholders' Meetings</b></p> <p>Written or printed notice, stating the place and time of the meeting, and if necessary, the general nature of the business to be considered, shall be transmitted to each stockholder of record.</p>	<p><i>How transmitted:</i> the notice is transmitted by personal delivery, mail, facsimile, telex, telegraph or cable to each stockholder of record entitled to vote to his last known address</p> <p><i>When transmitted:</i> at least 7 days before the date of the hearing</p>



**(I) Definitive Informative Statements and Management Report**

Number of Stockholders entitled to receive Definitive Information Statements and Management Report and Other Materials	506
Date of Actual Distribution of Definitive Information Statements and Management Report and Other Materials held by market participants/certain beneficial owners	23 April 2013
Date of Actual Distribution of Definitive Information Statements and Management Report and Other Materials held by stockholders	23 April 2013
If yes, indicate whether requesting stockholders were provided hard copies	Yes.

**(J) Does the Notice of Annual/Special Stockholders' Meeting Include the following:**

Each resolution to be taken up deals with only one item.	Yes.
Profiles of directors (at least age, qualification, date of first appointment, experience, and directorships in other listed companies) nominated for election/re-election.	Yes. Individual profile of directors and Board meeting attendance and performance are publicly disclosed and presented to the shareholders in the Information Statement and during the Annual Stockholders' Meeting.
The auditors to be appointed or re-appointed.	Yes. Adequate information on the external auditor including the name of the handling partner, their fees and other engagements with the company (tax, consulting, etc.) are publicly disclosed.
An explanation of the dividend policy, if any dividend is to be declared.	Yes. Dividends are declared by the Board based on results of operations and the balance of the unrestricted retained earnings. In Item 6.1.5 of its CG Manual, the Corporation is required to declare dividends when its unrestricted retained earnings exceed 100% of its paid-up capital stock.
The amount payable for final dividends.	Yes. Dividends are declared by the Board based on results of operations and the balance of the unrestricted retained earnings. In Item 6.1.5 of its CG Manual, the Corporation is required to declare dividends when its unrestricted retained earnings exceed 100% of its paid-up capital stock.
Documents required for proxy vote.	Yes. The Corporation adopts a presumption of regularity in the execution of proxies and the same shall be accepted in the absence of a timely and valid challenge.

Should any of the foregoing information be not disclosed, please indicate the reason thereto.

**2) Treatment of Minority Stockholders**

**a) State the company's policies with respect to the treatment of minority stockholders.**

Policies	Implementation
Minority shareholders are given full nomination and voting rights	Shareholders shall have the right to elect, remove and replace directors and vote on certain corporate acts in accordance with the Corporation Code.  Cumulative voting shall be used in the election of directors.  A director shall not be removed without cause if it will deny

<p>Minority shareholders have the right to participate in corporate governance</p>	<p>minority shareholders representation in the Board</p> <p>The minority shareholders shall be granted the right to propose the holding of a meeting, and the right to propose items in the agenda of the meeting, provided the items are for legitimate business purposes. The By-Laws of the Corporation provides that shareholders representing at last ten percent (10%) of the outstanding capital stock of the Corporation may request the holding of a special shareholders meeting.</p>
<p>Minority shareholders have the right to information</p>	<p>The minority shareholders shall have access to any and all information relating to matters for which the management is accountable for and which concerns the stockholders making the request, provided that such right shall be subject to existing law and contract. A report on the information pertaining to such matters may be included in the agenda of any meeting of the shareholders.</p> <p>If such not included in the agenda, then the minority shareholders shall be allowed to propose to include such matters in the agenda of shareholder's meeting, such item in the agenda will be considered as being within the definition of "legitimate purposes".</p>

**b) Do minority stockholders have a right to nominate candidates for board of directors?**

Yes. The Rules and Procedure of the Nomination Committee provide for such a procedure.

**K. INVESTORS RELATIONS PROGRAM**

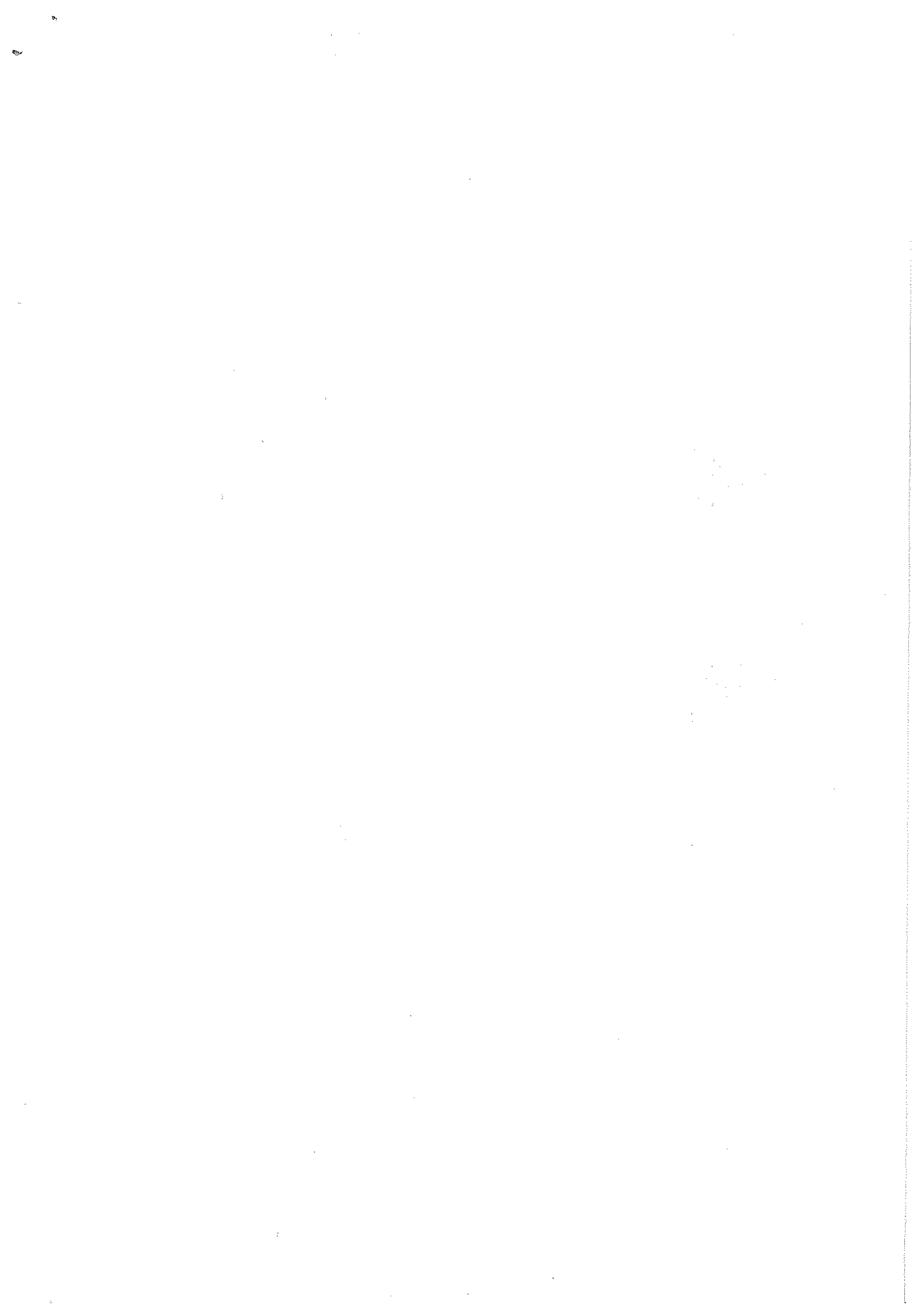
- 1) Discuss the company's external and internal communications policies and how frequently they are reviewed. Disclose who reviews and approves major company announcements. Identify the committee with this responsibility, if it has been assigned to committee.

Under the CG Manual, one of the Board's functions is to establish and maintain an investor relations program that will keep the stockholders informed of important developments in the Corporation. The Corporation's chief financial officer or such other officer as may be designated by the Board shall exercise oversight responsibility over this program.

- 2) Describe the company's investor relation program including its communications strategy to promote effective communication with its stockholders, other stakeholders and the public in general. Disclose the contact details (e.g. telephone, fax and email) of the officer responsible for investor relations

	Details
(1) Objectives	To keep the stockholders informed of important developments in the Corporation.
(2) Principles	<p>The Corporation recognizes that the most cogent proof of good corporate governance is that which is visible to the eyes of its investors.</p> <p>All material information about the Corporation which could adversely affect its viability or the interests of the stockholders should be publicly and timely disclosed. Such information should include, among others, earnings results, acquisition or disposition of assets, and related party transactions. All such information should be disclosed through the appropriate PSE mechanisms and submissions to the SEC.</p>





	<p>Other information that shall always be disclosed includes remuneration (including stock options) of all directors and senior management corporate strategy, and off balance sheet transactions.</p> <p>The Board shall commit at all times to fully disclose material information dealings. It shall cause the filing of all required information for the interest of the stakeholders.</p>
(3) Modes of Communication	<p>All material information should be disclosed through the appropriate PSE mechanisms and submissions to the SEC.</p> <p>The Corporation's website also discloses up-to-date information on business operation, financial statements, press releases, shareholding structure, organization structure, SEC Forms 17-A, Notice of ASM, and contact details for investor relations.</p> <p>The Corporation's website indicates the telephone number/ fax number and email address of the Corporation's investor relations officer.</p>
(4) Investors Relations Officer	<p>Yam Kit Sung, Chief Financial Officer of the Corporation</p>

3) What are the company's rules and procedures governing the acquisition of corporate control in the capital markets, and extraordinary transactions such as mergers, and sales of substantial portions of corporate assets?

Name of the independent party the board of directors of the company appointed to evaluate the fairness of the transaction price

Other than what is provided under the law and the applicable rules and regulations, the Corporation has not adopted any rules and procedures governing the acquisition of corporate control in the capital markets, and extraordinary transactions such as mergers, and sales of substantial portions of corporate assets. Considering that the Corporation does not regularly enter into the foregoing transactions, the Board has not appointed any independent party to evaluate the fairness of the transaction price.

#### L. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

Discuss any initiative undertaken or proposed to be undertaken by the company.

Initiative	Beneficiary
<p><b>Employee Empowerment:</b></p> <p><i>Internal movement &amp; succession</i> The Corporation provides opportunities for employees to manage their career path through an open and spontaneous performance review. Department Heads are encouraged to train their staff in all scopes of their jobs, multi-tasking and taking accountabilities to prepare them for greater responsibility. Internal movement or promotion within department is put on public knowledge through bulletin boards and e-mails and their colleagues celebrate and congratulate them for their achievements.</p> <p><i>Staff dialogue and monthly tea parties</i> Employees are empowered when they are given the opportunity to share their thoughts and concern about their jobs. Staff dialogue is scheduled for each department each month where the top executives and General Manager take time to listen and answer employees' inquiries. Monthly tea parties also served as venue for the General Manager to inspire, motivate and give updates on the direction the Hotel would take.</p> <p><b>Employee Development:</b></p>	<p>Employees</p>

<p><b>OSE Training</b> To adapt the Group corporate culture in terms of behavioral norms, the Hotel conducts discussion and implementation of Outstanding Service themes to all employees at all levels. Daily assignment of OSE or OSE calendar is sent to all departments as their point of discussion in their daily briefing and endorsement.</p> <p><b>Work Life Balance</b></p> <p><i>Sports activity</i> The Hotel holds an annual sports event to prompt the importance of active lifestyles and develop social skills by engaging in sports. Employees find time to associate with other employees outside their department and develop friendships that thrive even when they go back to their respective offices. Social values and behaviors such as team work, will to win and sportsmanship are demonstrated and cultivated on these activities.</p> <p><i>Employee center</i> Employees are encouraged to engage in sports activity within the comforts of their work. Vinluan, an empty space in the Hotel transformed into employee center where they can play table tennis, darts and board games.</p> <p><i>5 day work week</i> The Hotel recently embraced the five-day work week to all administrative personnel to give weekends away for leisure, relaxation and other activities that would keep them refreshed and passionate for another week of challenges at work.</p>	
<p><b>Disaster Preparedness</b></p> <p>The Corporation has established a team of trained employees to respond to possible disasters like fire, earthquakes and other accidents our guests and employees might experience during their stay in the Hotel. Instructors from Philippine National Red Cross trained our staff with basic first aid management and CPR (cardio-pulmonary resuscitation) while a team from the local fire department taught our employees with procedures in emergency rescue transfer and use of fire fighting equipment.</p>	Customers and employees
<p><b>Environmental Awareness</b></p> <p><i>Energy and water conservation</i> The reduction of working days for administrative personnel or offices aims not only to achieve work life balance but also to reduce the Hotel's energy consumption. A Hotel wide campaign on the best cost management practices of departments educates and inspires associates to conserve and preserve supplies and resources.</p> <p><i>Engineering Department helps in devising ways to improve electricity consumption by using halogen and fluorescent lights. Room guests are also encouraged to save water and laundry detergent consumption by re-using bed linens and towels when possible. Scraps and old newspapers are recycled into flowers and pots to decorate our restaurants and other sections of the Hotel.</i></p> <p><i>Earth Hour</i> The Hotel actively participates in the annual Earth Hour, a worldwide campaign of turning off the lights for an hour in efforts to increase awareness on energy consumption and climate change. This event is spearheaded by the World Wildlife Fund (WWF), an international environmental advancement group and reported to have remarkable drop in energy usage in key cities of participating countries.</p>	The environment
<p><b>Community Involvement</b></p>	The community and society

<p><b>Blood letting</b> The Hotel is a consistent recipient of the Philippine National Red Cross Meritorious Service Award for its continuous participation in blood letting activities. The Corporation have organized eight blood donation activities since 2008 and have forwarded a total of 97,150 ml of blood to Red Cross.</p> <p><b>Readiness for career</b> The Hotel offers educational experiences and Hotel-life skills training for students interested to have careers in hospitality industry. As contribution to the industry, the Corporation helps prepare future hoteliers with the competencies and attitudes to make them confident and fit to explore their lot in the marketplace. Students from various universities and training centers across the metro and provinces have seen and experienced the Hotel standards in terms of cleanliness and service and end the year-2012 with 47 graduating students fully equipped the 5 star way.</p> <p><b>Job opportunities</b> The Hotel is a long-standing figure of stability providing career opportunities for professionals and people recently graduated from school. The Corporation have provided employment security Pasay City and other neighboring cities and provinces thus providing their families and communities decent way of living.</p> <p><b>Funds for charitable institutions</b> The Hotel capitalizes on accumulating funds to support our beneficiaries during Christmas season and Chinese New Year. A wishing well is placed at the Hotel lobby where guests and employees can share their piece of good fortune to scholars and less privileged families of Pasay City through "Our Lady of Sorrows Outreach Foundation". A total of PhP17,000.00 was forwarded to the foundation from the proceeds of Chinese New Year donation drive and PhP20,000 in check from the Christmas wishing well.</p> <p>Pangarap Foundation, a shelter for street children and out of school youth of Pasay City is a donee Institution of the Hotel through its donation box placed at Front Desk where guests can donate upon check-in and out.</p> <p>Charming children from Children's Joy Foundation are invited to participate in the Christmas caroling in the Hotel from December 16-25, 2012. It gives them the opportunity to exhibit their talents, entertain our guests and gather significant amount of donations from the hotel's guests.</p>	
<p><b>Bridging International Relations</b></p> <p>The Hotel is a venue for many events and functions of diplomatic organizations in the country. The Corporation have hosted a number of parties, exhibits, fashion shows to promote distinctive cultures of our international clients and improved our relationships with them</p> <p>The Corporation have also participated in the Bowling Tournament in honor of H.E. Dato' Seri Dr. Ibrahim Saad, Malaysian Ambassador to the Republic of the Philippines last June 16, 2012 and brought the honor as second placer.</p>	<p>Philippine tourism</p>

**M. BOARD, DIRECTOR, COMMITTEE AND CEO APPRAISAL**

Disclose the process followed and criteria used in assessing the annual performance of the board and its committees, individual director, and the CEO/President.

	Process	Criteria
Board of Directors	N.A.	N.A.

Board of Committees	N.A.	N.A.
Individual Directors	N.A.	N.A.
CEO/President	N.A.	N.A.

The Corporation does not assess the annual performance of the board and its committees, individual director, and the CEO/President.

**N. INTERNAL BREACHES AND SANCTIONS**

Discuss the internal policies on sanctions imposed for any violation or breach of the corporate governance manual involving directors, officers, management and employees.

Violations	Sanctions
Violation of the provisions of the CG Manual and the Revised CG Code	<p>In case of first violation, the subject person shall be reprimanded.</p> <p>Suspension from office shall be imposed in case of second violation. The duration of the suspension shall depend on the gravity of the violation.</p> <p>For third violation, the maximum penalty of removal from office shall be imposed.</p> <p>The commission of a third violation by any member of the Board shall be a sufficient cause for removal as director.</p> <p>The Compliance Officer shall recommend to the Board the procedure for determining whether violations have been committed. Such procedure must observe the principle of due process, particularly the requirements of prior notice and hearing.</p> <p>The Compliance Officer shall decide whether any violation of the CG Manual has been committed and shall recommend to the Chairman of the Board the imposable penalty for such violation, for further review and approval by the Board.</p>

Pursuant to the requirement of the Securities and Exchange Commission, this Annual Corporate Governance Report is signed on behalf of the registrant by the undersigned, thereunto duly authorized, in the City of Singapore on 22 May, 2013

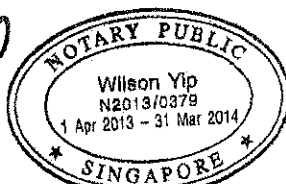
**SIGNATURES**

*Wong Hong Ren*  
WONG HONG REN

Chairman of the Board / Chief Executive Officer

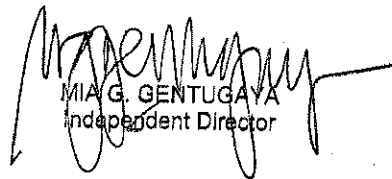
notary attestation

*Wilson Yip*





  
ANGELITO C. IMPERIO  
Independent Director

  
MIA G. GENTUGAYA  
Independent Director

  
YAM KIT SUNG  
Compliance Officer


SUBSCRIBED AND SWORN to before me this 28th **MAY 28 2013** day of May 2013, affiant(s) exhibiting to me their Passport Number, as follows:

NAME/NO.  
Angelito C. Imperio  
Mia G. Gentugaya  
Yam Kit Sung

DATE OF ISSUE  
5 February 2010  
10 February 2011  
TIN NO. 909-330-062

PLACE OF ISSUE  
DFA Manila / XX5459015  
DFA Manila / EB1901120

NOTARY PUBLIC

  
ATTY. VIRGILIO B. BATALLA  
NOTARY PUBLIC FOR MAKATI CITY  
APPOINTMENT NO. M-35  
UNTIL DECEMBER 31, 2014  
ROLL OF ATTORNEY 48348  
MCLE COMPLIANCE NO. III - 21854  
IBP NO. 706762 - LIFETIME MEMBER  
PTR NO. 386 - 4328 JAN. 2, 2013  
EXECUTIVE BLDG. CENTER  
MAKATI AVE. COR JUNIPER ST.

DOC. NO. 200  
PAGE NO. 43  
BOOK NO. 14  
SERIES NO. 2911

**LIST OF MR WONG'S DIRECTORSHIPS WITHIN THE GROUP**

	Corporate Name of the Group Company	Type of Directorship
1	ATOS Holding AG	Management Board
2	Beijing Fortune Hotel Co., Ltd.	Director
3	Birkenhead Holdings Pty. Ltd.	Director
4	Birkenhead Investments Pty. Ltd.	Director
5	Birkenhead Services Pty. Ltd.	Director
6	CDL Entertainment & Leisure Pte Ltd	Director
7	CDL Hotels (Korea) Ltd.	Director
8	CDL Hotels (Labuan) Limited	Director
9	CDL Hotels Holdings New Zealand Limited	Director/ Chairman
10	CDL Hotels Japan Pte. Ltd.	Director
11	CDL Investments New Zealand Limited	Director
12	CDL Land New Zealand Limited	Director
13	City Hotels Pte. Ltd.	Director
14	Copthorne Orchid Hotel Singapore Pte Ltd	Director
15	First Sponsor Capital Limited	Director
16	First Sponsor Group Limited	Director
17	Grand Plaza Hotel Corporation	Director/Chairman/President
18	Harbour Land Corporation	Director
19	Harrow Entertainment Pte Ltd	Director
20	Hospitality Holdings Pte. Ltd.	Director
21	Hotelcorp New Zealand Pty Ltd	Director
22	Idea Valley Group Limited	Director
23	International Design Link Pte Ltd	Director
24	KIN Holdings Limited	Director
25	Kingsgate Holdings Pty. Ltd.	Director
26	Kingsgate Hotel Pty. Ltd.	Director
27	Kingsgate International Corporation Limited	Non-Executive Director
28	Kingsgate International Pty Ltd.	Director
29	Kingsgate Investments Pty. Ltd.	Director
30	London Britannia Hotel Limited	Director
31	M&C (India) Holdings Pte. Ltd.	Director
32	M&C (Mauritius) Holdings Limited	Director
33	M&C Business Trust Management Limited	Non-Executive Director/ Chairman
34	M&C Holdings (Thailand) Ltd.	Director
35	M&C Hospitality Holdings (Asia) Limited	Director
36	M&C Hospitality International Limited	Director
37	M&C Hotel Enterprises (Asia) Limited	Director

38	M&C Hotel Investments Pte. Ltd.	Director
39	M&C Hotels Holdings Japan Pte. Ltd.	Director
40	M&C Hotels Holdings Limited	Director
41	M&C Hotels Holdings USA Limited	Director
42	M&C Hotels Japan Pte. Ltd.	Director
43	M&C REIT Management Limited	Non-Executive Director/ Chairman
44	Millennium & Copthorne Hotel Holdings (Hong Kong) Limited	Director
45	Millennium & Copthorne Hotels (Hong Kong) Limited	Director
46	Millennium & Copthorne Hotels New Zealand Limited	Director/ Chairman
47	Millennium & Copthorne Hotels plc	Executive Director, Chief Executive Officer
48	Millennium & Copthorne Hotels Pty Ltd	Director
49	Millennium & Copthorne International Limited	Director
50	Millennium & Copthorne Middle East Holdings Limited	Director
51	Newbury Investments Pte Ltd	Director
52	Quantum Limited	Director
53	Republic Hotels Suzhou Pte Ltd	Director
54	Republic Iconic Hotel Pte. Ltd.	Director
55	RHR Capital Pte. Ltd.	Director
56	Rogo Realty Corporation	Director
57	The Philippine Fund Limited	Director & President
58	TOSCAP Limited	Director
59	Zatrio Pte Ltd	Director
60	Zillion Holdings Limited	Director