

# COVER SHEET

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S.E.C. Registration Number

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(Company's Full Name)

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

<b>Alain Charles J. Veloso</b>
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Contact Person

<b>8819-4700</b>
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Company Telephone Number

1	2
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Month

3	1
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Day

Fiscal Year

<b>SEC Form 20-IS</b>
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FORM TYPE

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Month

Annual Meeting

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Secondary License Type, If Applicable

M	S	R	D
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Dept. Requiring this Doc.

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Amended Articles Number/Section

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Total No. of Stockholders

Total Amount of Borrowings

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Domestic

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To be accomplished by SEC Personnel concerned

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File Number

LCU

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Document I.D.

Cashier

STAMPS
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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 20  
OF THE SECURITIES REGULATION CODE ("Code")

1. Check the appropriate box:

☒ Preliminary Information Statement

☐ Definitive Information Statement

2. Name of Registrant as specified in its charter **GRAND PLAZA HOTEL CORPORATION**
3. **City of Pasay, Philippines**  
Province, country or other jurisdiction of incorporation or organization
4. SEC Identification Number **166878**
5. BIR Tax Identification Code **000-460-602-000**
6. **10/F, The Heritage Hotel Manila, Roxas Blvd. cor. EDSA Ext., Pasay City 1300**  
Address of principal office Postal Code
7. **(632) 8854-8838** Fax : **(632) 8854-8825**  
Registrant's telephone number, including area code
8. **16 May 2022, 11:30 a.m., through Remote Communication (Audio/Video Conferencing) or, if the prevailing circumstances allow, The Heritage Ballroom of The Heritage Hotel Manila, located at the Second Floor, The Heritage Hotel Manila, Roxas Blvd. cor. EDSA Extension, Pasay City, Philippines**  
Date, time and place of the meeting of security holders
9. **25 April 2022** date on which the electronic copies of the Information Statement will be uploaded to the Company website (<http://www.grandplazahotelcorp.com>) and the PSE EDGE and may be accessed by the security holders<sup>1</sup>.
10. In case of Proxy Solicitations: Not applicable

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<sup>1</sup> In accordance with SEC Notice dated 16 February 2022 (Alternative Mode for Distributing and Providing Copies of the Notice of Meeting, Information Sheet, and other Documents in connection with the holding of Annual Stockholders' Meeting ("ASM") for 2022).

Name of Person Filing the  
Statement/Solicitor: Not applicable

Address and Telephone  
No.: Not applicable

11. Securities registered pursuant to Sections 8 and 12 of the Code or Section 4 and 8 of the Revised Securities Act (information on number of shares and amount of debt is applicable only to corporate registrants):

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

12. Are any or all of Registrant's security listed on a Stock Exchange?

Yes   x   No       

If yes, disclose the name of such Stock Exchange and the class of securities listed therein:

Stock Exchange	:	Philippine Stock Exchange
Securities	:	Common Shares

## **GRAND PLAZA HOTEL CORPORATION**

### **NOTICE OF ANNUAL STOCKHOLDERS' MEETING**

To All Stockholders:

Notice is hereby given that the annual stockholders' meeting of Grand Plaza Hotel Corporation ("Company") will be held on **16 May 2022**, Monday, at 11:30 a.m., through **remote communication (audio / video teleconference)** or, if the prevailing circumstances allow, at the Heritage Ballroom of The Heritage Hotel Manila, located at the Second Floor, The Heritage Hotel Manila, Roxas Blvd. cor. EDSA Extension, Pasay City, Philippines.

The agenda for the meeting are as follows:

1. Certification of quorum.
2. Presentation of the Annual Report for the year ended 31 December 2021.
3. Approval of the Minutes of the Stockholders' Meeting of 17 May 2021.
4. Ratification of the Renewal of the Management Agreement between Elite Hotel Management Services Pte. Ltd. (as Manager) and the Company (as Owner) for a term of five years from 1 January 2022 to 31 December 2027.
5. Ratification of all acts and proceedings of the Board of Directors, acting within the scope of their delegated authority, during the year 2021-2022.
6. Election of the Board of Directors, including the two (2) Independent Directors.
7. Appointment of the Independent Auditor and the authority of the Directors to fix the Independent Auditors' remuneration.
8. Remuneration/ per diem of the Directors.
9. Consideration of such other business as may properly come before the meeting.
10. Adjournment.

Minutes of the various meetings of the Corporation's Board of Directors and of the stockholders (including those held during the year 2021 to present date) will be available for inspection during office hours (9:00 a.m. to 5:00 p.m.) on business days at the office of the Corporate Secretary at the 16<sup>th</sup> Floor, One/NEO Building, 26<sup>th</sup> Street corner 3<sup>rd</sup> Avenue, Crescent Park West, Bonifacio Global City, Taguig, Metro Manila, from 29 April 2022 to 13 May 2022.



All proxies must be in the hands of the Corporate Secretary for validation before 11:00 a.m. of 16 May 2022. Proxies may be submitted to the office of the Corporate Secretary at the address indicated above during business days and at office hours on or before 5:00 p.m. of 13 May 2022. All proxies submitted after 11:00 a.m. of 16 May 2022 shall not be honored and shall not be deemed as a valid proxy for the 16 May 2022 annual stockholders' meeting. For your convenience in registering your attendance, please have available some form of identification such as driver's license, community tax certificate, passport, etc.

Only stockholders of record at the close of business on 18 April 2022 are entitled to notice of, and to vote at, the annual stockholders' meeting. Stockholders who intend to participate in the ASM through remote communication shall notify the Presiding Officer and the Corporate Secretary of his/her intention to do so by clicking on the registration link (<https://bit.ly/2MHHxHr>) or may also send an email to [gphc.thhm@gmail.com](mailto:gphc.thhm@gmail.com) to signify his/her intention to attend the ASM.

The Company's Definitive SEC Form 20-IS will be uploaded to the Company website (<http://www.grandplazahotelcorp.com>) and the PSE EDGE, for your reference. Hard copies of this notice, Definitive SEC Form 20-IS, and its attachments, shall be provided upon request.

Taguig City, Philippines, 5 April 2022.

FOR THE BOARD OF DIRECTORS

Alain Charles J. Veloso  
Corporate Secretary

## GRAND PLAZA HOTEL CORPORATION

### Guidelines on the Attendance and Participation of Stockholders in the Annual Stockholders' Meeting of the Corporation through Teleconferencing and other Remote or Electronic Means of Communication

#### 1. Objectives

In accordance with SEC Memorandum Circular No. 6, Series of 2020<sup>2</sup>, these guidelines shall provide the internal procedures which will allow the stockholders of Grand Plaza Hotel Corporation (the “**Corporation**”) to participate and vote in the Annual Stockholders' Meeting (“**ASM**”) through teleconferencing or through other remote or electronic means of communication such as audio or video conferencing.

#### 2. Participation in the ASM through Remote Communication (Audio/Video Teleconferencing)

- 2.1. Stockholders, directors, and other officers of the Corporation who cannot physically attend the ASM may participate in the said meeting via audio or video conferencing. If a stockholder intends to participate in the ASM through remote communication, he/she shall notify the Presiding Officer and the Corporate Secretary of his/her intention to do so by clicking on the **registration link** (<https://bit.ly/2MHHxHr>) to be provided in the Notice of the Meeting. A stockholder may also send an email to **gphc.thhm@gmail.com** to signify his/her intention to attend the ASM.
- 2.2. Stockholders shall be required to complete all the requested information in the registration link.
- 2.3. The registration link shall be open from the date of the first publication of the Notice of the Meeting until one day prior to the date of the holding of the ASM to allow the Corporate Secretary and the Corporation's Stock and Transfer Agent to verify the identity of the stockholders who registered their attendance to the ASM.
- 2.4. The ASM shall be conducted via Microsoft Teams, Zoom or such other secure audio/video conferencing application to be provided in the Notice of the Meeting. Registered participants will be able to attend the audio/video conference by clicking on the **Meeting Link** which will be provided to them upon successful registration.
- 2.5. Details on how to participate in the ASM via audio/video conference will also be available on the Corporation's website at <http://www.grandplazahotelcorp.com>
- 2.6. The ASM shall be fully recorded by the Corporate Secretary and shall be available to the stockholders of the Corporation upon request and may be viewed during office hours (9:00 AM to 5:00 PM) on business days at the office of the Corporate Secretary at the 16th Floor, One/NEO Building, 26<sup>th</sup> Street corner 3<sup>rd</sup> Avenue, Crescent Park West, Bonifacio Global City, Taguig, Metro Manila.

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<sup>2</sup> Guidelines on the Attendance and Participation of Directors, Trustees, Stockholders, Members and other persons of Corporations in Regular and Special Meetings through Teleconferencing, Video Conferencing and Other Remote or Electronic Means of Communication.

- 2.7. The Corporation shall ensure that the audio/ video conferencing platform will enable the participants to clearly read or hear the discussion substantially and to vote during the meeting, with the necessary mechanism to protect the integrity and secrecy of the votes.

### **3. Quorum**

The quorum shall consist of the stockholders representing the majority of the outstanding capital stock of the Corporation. A stockholder who participates through remote communication shall be deemed present for purposes of the quorum.

### **4. Right to Vote in the Election of Directors Through Remote Communication**

The right to vote of stockholders may be exercised through audio or video conference (and such other means of electronic communication), as approved by the majority of the Board of Directors on 9 February 2021.<sup>3</sup>

### **5. Venue of Meeting of Stockholders**

If the prevailing circumstances allow, the venue for those who want to attend the meeting in person shall be at the Heritage Ballroom of The Heritage Hotel Manila, located at the Second Floor, The Heritage Hotel Manila, Roxas Blvd. cor. EDSA Extension, Pasay City, Philippines.

### **6. Notices**

Notices of the Annual Stockholders' Meeting shall be sent by the Corporate Secretary to all stockholders in accordance with the manner of giving notices as stated in the Corporation's By-Laws, SEC Memorandum Circular No. 3, Series of 2020<sup>4</sup> and the SEC Notice dated 16 February 2022<sup>5</sup>.

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<sup>3</sup> The authority granted by the Board of Directors is continuing and remains valid and in force unless otherwise revoked by the Board of Directors.

<sup>4</sup> Notice of Regular Meetings of Stockholders / Members

<sup>5</sup> Alternative Mode for Distributing and Providing Copies of the Notice of Meeting, Information Statement, and Other Documents in Connection with the Holding of Annual Stockholders' Meeting for 2021.

## **PART I. INFORMATION REQUIRED IN INFORMATION STATEMENT**

### **A. GENERAL INFORMATION**

#### **Item 1. Date, time and place of meeting of security holders**

1.     Date     :     16 May 2022  
          Time   :     11:30 a.m.  
          Place  :     via Remote Communication (Audio / Video Conferencing) or, if the prevailing circumstances allow, Heritage Ballroom, of The Heritage Hotel Manila, located at the Second Floor, The Heritage Hotel Manila, Roxas Blvd. cor. EDSA Extension, Pasay City, Philippines

Complete mailing address of Grand Plaza Hotel Corporation (the “**Company**”):

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

The approximate date on which electronic copies of the Information Statement will be uploaded to the Company website (<http://www.grandplazahotelcorp.com>) and the PSE EDGE and may be accessed by the security holders is on or before 25 April 2022.

**WE ARE NOT ASKING FOR A PROXY AND YOU ARE REQUESTED NOT TO SEND US A PROXY.**

#### **Item 2. Dissenter’s Right of Appraisal**

There are no matters or proposed corporate actions included in the agenda of the meeting which may give rise to a possible exercise by security holders of their appraisal rights.

As a rule, in the instances mentioned under Section 6.1.6 of the Company’s Revised Manual on Corporate Governance (based on Section 80 of the Revised Corporation Code of the Philippines or the “**RCC**”<sup>6</sup>), the stockholders of the Company have the right of appraisal provided that the procedure and the requirements of Title X of the RCC, governing the exercise of the right is complied with and/or followed. The instances when the right of appraisal may be exercised by dissenting stockholders of the Company are, as follows:

1.     An amendment to the articles of incorporation that has the effect of changing or restricting the rights of shareholders or of authorizing preferences over those of outstanding shares, or of changing the term of corporate existence;
2.     Sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided under the RCC;
3.     Mergers or consolidations; and
4.     Investment of corporate funds for any purpose other than the primary purpose of the corporation.

Please note that a stockholder must have voted against the above-mentioned corporate actions in order to avail of the appraisal right.

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<sup>6</sup> Republic Act No. 11232

Based on Section 81 of the Revised Corporation Code, the dissenting stockholder/s who votes against a proposed corporate action may exercise the right of appraisal by making a written demand on the corporation for the payment for the fair value of shares held within thirty (30) days from the date on which the vote was taken. The failure to make a demand within such period shall be deemed a waiver of the appraisal right. If the proposed corporate action is implemented, the Company shall pay the stockholder, upon surrender of the certificate or certificates of stock representing the stockholders' shares, the fair value thereof as the day before the vote was taken, excluding any appreciation or depreciation in anticipation of such corporate action.

If within sixty (60) days from the approval of the corporate action by the stockholders, the withdrawing stockholder and the Company cannot agree on the fair value of the shares, it shall be determined and appraised by three (3) disinterested persons, one of whom shall be named by the stockholder, another by the corporation, and the third by the two (2) thus chosen. The findings of the majority of the appraisers shall be final, and their award shall be paid by the Company within thirty (30) days after such award was made: Provided, that no payment shall be made to any dissenting shareholder unless the Company has unrestricted retained earnings in its books to cover such payment. Upon payment by the Company of the agreed or awarded price, the stockholder shall forthwith transfer the shares to the Company.

### **Item 3. Interest of Certain Persons in or Opposition to Matters to be Acted Upon**

Except for the election of the directors of the Company, the agenda for the annual stockholders' meeting does not include any matter to be acted upon in which the following persons may have any substantial interest, direct or indirect, by security holdings or otherwise:

1. The directors or officers of the Company who acted as such director or officer during the last fiscal year;
2. The nominees for directors of the Company; and
3. Any association of the foregoing persons.

The Company has no knowledge/or information on whether a director or a security holder of the Company intends to oppose any action to be taken by the Company during the meeting.

### **B. CONTROL AND COMPENSATION INFORMATION**

#### **Item 4. Voting Securities and Principal Holders Thereof.**

1. As of 31 March 2022, the Company has [53,717,369] common shares outstanding<sup>7</sup>, all of which are entitled to vote. The Company has 33,600,901 treasury shares.
2. The record date with respect to this Information Statement and for the annual stockholders' meeting is 18 April 2022.
3. With respect to the election of the seven (7) directors, each stockholder may vote such number of shares for as many as seven (7) directors he may choose to elect from the list of nominees, or he may cumulate said shares and give one candidate as many votes as the number of his shares multiplied by seven (7) shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit, provided that the total number of votes cast by him shall not exceed the number of shares owned by him as shown in the books of the Company multiplied by seven (7). Out of the seven (7) directors to be elected, two (2) seats shall be allocated for the position of the independent directors. Only the candidates for independent directors selected by the Corporate Governance Committee are eligible to be elected as independent director. No other nominations for independent director shall be accepted during the annual stockholders' meeting. Please refer to the discussion under "Directors and Executive Officers of the Company".

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<sup>7</sup> This amount excludes Treasury Shares, which are not considered outstanding shares. As at 31 March 2022, [47,187,610] shares are owned by foreign shareholders and this is [87.84%] of total issued and outstanding shares.

## Security Ownership of Certain Record and Beneficial Owners and Management

The following entities are directly or indirectly the beneficial owners of more than 5% of the Company's voting shares (common), as of 31 March 2022.

### Security Ownership of Certain Record and Beneficial Owners of More than 5%

Title of Class	Name and Address of Record Owner, and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percentage of Shareholding (inclusive of treasury shares)
Common	The Philippine Fund Limited ("TPFL") Milner House, 18 Parliament Street, Hamilton, Bermuda; shareholder of issuer	Please refer to footnote two below <sup>8</sup>	Bermuda	29,128,932	33.36%
Common	Zatrio Pte Ltd 36 Robinson Road 04-01 City House Singapore 068877; shareholder of issuer	Please refer to footnote three below <sup>9</sup>	Singapore	17,727,149	20.30%

Traditionally, the shares held by TPFL and Zatrio Pte. Ltd. are voted by the Company's Chairman and President, or the Company's General Manager, Chief Financial Officer and Compliance Officer, Mr. Yam Kit Sung, or in their absence, the Chairman of the stockholders' meeting, by virtue of a proxy validly issued for the scheduled annual stockholders' meeting

## Security Ownership of Management

The following table shows the shareholdings beneficially held by the directors and officers of the Company as of 31 March 2022.

<sup>8</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. Pathfinder Asia Limited No. 6 Bosham Close, Campredown Heights P.O. Box SP 63801, Nassau, Bahamas		
3. Robina Manila Hotel Limited 8/F BangkokBankBuilding 28 Des Voeux Road, Central Hong Kong	Ordinary	20%

<sup>9</sup>Zatrio Pte Ltd is wholly owned with ordinary shares of stock by Republic Hotels & Resorts Limited, with address at 36 Robinson Road, #04-01 City House, Singapore 068877.

### Shares Beneficially Held By Officers

<b>Title of Class</b>	<b>Name of Beneficial Owner</b>	<b>Amount and Nature of beneficial ownership</b>	<b>Citizenship</b>	<b>Percent of class</b>
Common shares	Yam Kit Sung	3,000 shares (direct)	Singaporean	Less than 1%
Common shares	Arlene de Guzman	1,000 shares (direct)	Filipino	Less than 1%
		Total: 4,000 shares beneficial		Less than 1%

### Shares Held by Current Directors

<b>Title of Class</b>	<b>Name of Beneficial Owner</b>	<b>Amount and Nature of beneficial ownership</b>	<b>Citizenship</b>	<b>Percent of class</b>
Common shares	Kwek Eik Sheng	1 share (direct)	Singaporean	Less than 1%
Common shares	Bryan Cockrell	1 share (direct)	American	Less than 1%
Common shares	Yam Kit Sung	3,000 share (direct)	Singaporean	Less than 1%
Common shares	Wong Kok Ho	1,001 share (direct)	Hong Kong	Less than 1%
Common shares	Mia Gentugaya	1 share (direct)	Filipino	Less than 1%
Common shares	Simeon Ken R. Ferrer	1 share (direct)	Filipino	Less than 1%
Common shares	Ricardo Pio Castro, Jr.	1 share (direct)	Filipino	Less than 1%
		Total: 4,006shares		Less than 1%

Aggregate number of shares held by the current directors and officers of the Company is 5,006 shares.

The aggregate beneficial shareholdings of the directors and the officers of the Company is less than 1% of the outstanding capital stock of the Company. The seven (7) shares of the seven (7) current directors are held to qualify them to be elected as members of the Board of Directors of the Company. Five (5) directors are nominees of TPFL and Zatrio Pte Ltd and two (2) are independent directors. Each independent director, Ms. Mia Gentugaya and Simeon Ken R. Ferrer, directly owns one (1) share of the Company.

### **Voting Trust Holders of 5% or More**

There is no party holding any voting trust or any similar agreement for 5% or more of the Company's voting securities.

### **Change in Control**

There are no arrangements, which may result in a change of control of the Company. No change in control in the Company occurred since the beginning of the last fiscal year.



## Item 5. Directors and Executive Officers of the Company

Meeting Attendance of the Company's Board of Directors from 9 February 2021 to date:

2021:

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

2022:

Date of Board of Directors' meetings	Name of Directors						
	Kwek Eik Sheng	Bryan Cockrell	Wong Kok Ho	Mia Gentugaya	Simeon Ferrer	Yam Kit Sung	Ricardo Pio Castro, Jr.
15 February 2022	Present	Present	Present	Present	Present	Present	Present
***							
Total	1/1	1/1	1/1	1/1	1/1	1/1	1/1
Percentage of Attendance	100%	100%	100%	100%	100%	100%	100%

Meeting Attendance of the Company's Audit Committee from 9 February 2021 to date:

2021:

Date of the Audit Committee meetings	Name of Directors		
	Bryan Cockrell	Mia Gentugaya	Ricardo Pio Castro, Jr.
9 February 2021	Present	Present	N/A (not yet elected)
4 May 2021	Present	Present	N/A (not yet elected)
6 August 2021	Present	Present	Present
2 November 2021	Present	Present	Present

15 December 2021	Present	Absent	Present
***			
Total	5/5	4/5	3/3
Percentage of Attendance	100%	80%	100%

2022:

Date of the Audit Committee meetings	Name of Directors		
	Bryan Cockrell	Mia Gentugaya	Ricardo Pio Castro, Jr.
15 February 2022	Present	Present	Present
***			
Total	1/1	1/1	1/1
Percentage of Attendance	100%	80%	100%

Meeting Attendance of the Company's Corporate Governance Committee from 9 February 2021 to date:

2021:

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

2022:

Date of the Corporate Governance Committee meetings	Name of Directors				
	Kwek Eik Sheng	Simeon Ken R. Ferrer	Bryan Cockrell	Ricardo Castro, Jr.	Mia Gentugaya
15 February 2022	Present	Present	Present	Present	Present
15 March 2022	Present	Present	Present	Present	Present
****					

Total	2/2	2/2	2/2	2/2	2/2
Percentage of Attendance	100%	100%	100%	100%	100%

The incumbent directors and executive officers and relevant data about them are listed below:

Name	Office	Citizenship	Family Relation	Age
Kwek Eik Sheng	Chairman & President	Singaporean	No relation	40
Bryan Cockrell	Director	American	No relation	74
Wong Kok Ho	Director	Hong Kong	No relation	73
Simeon Ken R. Ferrer	Independent Director	Filipino	No relation	65
Mia Gentugaya	Independent Director	Filipino	No relation	70
Yam Kit Sung	Director/General Manager of the Company / Chief Finance Officer / Compliance Officer / Chief Audit Executive / Member The Heritage Hotel Manila Management Executive Committee	Singaporean	No relation	51
Ricardo Pio Castro, Jr.	Director	Filipino	No relation	69
Alain Charles J. Veloso	Corporate Secretary	Filipino	No relation	42
Lesley Anne C. Mondez	Assistant Corporate Secretary	Filipino	No relation	35
Arlene De Guzman	Treasurer	Filipino	No relation	61
Josefina P. Malpas	Director of Finance / Member The Heritage Hotel Manila Management Executive Committee	Filipino	No relation	59
Juancho Baltazar	Director of Human Resources/ Member The Heritage Hotel Manila Management Executive Committee, Data Privacy Officer	Filipino	No relation	61
Geraldine Nono Gaw	Director of Marketing / Member The Heritage Hotel Manila Management Executive Committee	Filipino	No relation	54
Farid Alain Schoucair	General Manager – Heritage Hotel Manila Management Executive Committee	Swiss	No relation	65

Ramon Perez Jr., PME	Director of Engineering, Member - Heritage Hotel Manila Management Executive Committee	Filipino	No relation	62
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Ms. Mia G. Gentugaya and Mr. Simeon Ken R. Ferrer are the incumbent independent directors.

One of the grounds for the temporary disqualification of a director under the Revised Manual on Corporate Governance of the Company is 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.

### **Final List of Nominees for Election**

The Corporate Governance Committee prepared the final list of candidates for independent directors based on the recommendations and information submitted by the nominating stockholders:

- Procedure for the Nomination and Election of Independent Directors

Under the Company's By-Laws, the Company shall elect such number of independent director/(s) as the relevant laws or regulations may require. 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 of Directors shall meet to appoint a Corporate Governance Committee. The Corporate Governance Committee shall consist of at least five (5) members, two of whom shall be an incumbent independent director.

The Corporate Governance Committee shall prepare the list of candidates for independent director/(s) based upon qualified candidates nominated by the stockholders. The Corporate Governance Committee, subject to the approval by the Board of Directors, shall promulgate the rules, guidelines and criteria to govern the conduct of the nomination. Only the candidates whose nominations are confirmed by the Corporate Governance 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.

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.

In case of a vacancy in the position of independent director, the vacancy shall be filled by a vote of at least a majority of the directors, if still constituting a quorum, based upon the nomination of the Corporate Governance Committee. In the absence of such quorum, the

vacancy shall be filled in a meeting of the stockholders duly called for that purpose. An independent director so elected to fill a vacancy shall serve only for the unexpired term of his predecessor in office.

In its organizational meeting held on 17 May 2021, the Board of Directors appointed the members of the Company's Corporate Governance Committee.

On 15 February 2022, the Board of Directors and the Corporate Governance Committee approved the materials and timetable for the selection of nominees for the Company's independent directors, for election in the annual stockholders' meeting to be held on 16 May 2022.

For 2022, the Board of Directors and the Corporate Governance Committee approved the following timetable:

- a. 28 February 2022 – sending out of notices to stockholders that the Corporate Governance Committee is accepting nominations for independent directors;
- b. 5:00 pm of 14 March 2022 – deadline for the submission of the recommendation and acceptance of recommendation forms;
- c. 15 March 2022 - deliberations of the Corporate Governance Committee and preparation of final list of candidates.

• Final List of Candidates for Independent Directors

On 15 March 2022, the Corporate Governance Committee approved the final candidates for independent directors, consisting of the following individuals:

- a. Natividad N. Alejo

Ms. Alejo was nominated by The Philippine Fund Limited. She is not related to The Philippine Fund Limited. She is 65 years old, Filipino, and a Philippine resident. Please refer to the description of her business experience below.

- b. Simeon K. Ferrer

Atty. Ferrer was nominated by Zatrio Pte Ltd. He is not related to Zatrio Pte Ltd. He is 65 years old, Filipino, and a Philippine resident.

Atty. Ferrer heads the Corporate Services Department of SyCip Salazar Hernandez & Gatmaitan. He was admitted to the Philippine Bar in 1982 after completing his legal education at the University of the Philippines (LL.B.). He also graduated with a Master of Laws degree (LL.M) from the University of Michigan in 1985. He also serves in Board of Directors of various companies.

We attach as Annexes "A" and "B", the Certification of Qualification of Independent Directors signed by Ms. Alejo and Atty. Ferrer, respectively.

Under the By-Laws of the Company, each director elected during the annual stockholders' meeting shall hold office until the next annual stockholders' meeting and until his or her successor has been elected and has qualified.

None of the directors has resigned or has refused to stand for re-election because of a disagreement with the Company regarding the Company's operations.

Except for the nominees selected by the Corporate Governance Committee for the position of independent directors, there are no named nominees for the position of regular directors yet. The actual nominations for the position of regular directors will be made during the annual stockholders' meeting.

**Business Experience of Directors and Officers (covering at least the past five (5) years):**

A brief description of the business experience of the incumbent directors and officers for the past five years is provided below:

**KWEK EIK SHENG  
CHAIRMAN & DIRECTOR**

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

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

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

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

**BRYAN K. COCKRELL  
DIRECTOR**

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

**SIMEON KEN R. FERRER**  
**INDEPENDENT DIRECTOR**

Simeon Ken Ferrer is currently Of Counsel at SyCipLaw, having recently retired as a Senior Partner and Head of the Corporate Services Department. His practice areas include corporate governance, banking, finance and securities, foreign investments, mergers and acquisitions. He was listed in Euromoney Legal Group's Guide to the World's Leading Capital Market Lawyers for several years. He was cited in the area of capital market in IFLR's The Guide to the World's Leading International Law Firms and in Legal 500. He has also been listed as a leading lawyer in the Philippines in the area of commercial and corporate law in AsiaLaw Profiles. More recently, he received the IFLR Asia Best Lawyers award in 2020. Finally, as a Corporate Secretary of Meralco, the largest public utility in the Philippines, he has been consistently recognized as an Asian Company Secretary of the Year by Corporate Governance Asia. He is an SEC-accredited lecturer on corporate governance and is a member of the faculty of the Ateneo Law School. Mr. Ferrer is a member of the Integrated Bar of the Philippines and the Philippine Bar Association and a Fellow of the Institute of Corporate Directors. He is also the International Alumni Contact for the Philippines of the University of Michigan Alumni Association. He was first appointed as an independent director of Grand Plaza on 17 May 2021.

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

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

**RICARDO PIO CASTRO, JR.**  
**DIRECTOR**

Ricardo P.C. Castro Jr. is a retired International Partner of Baker McKenzie law firm where he was a member of its Policy Committee and of its Manila member firm, Quisumbing Torres, where he was the Managing Partner for eight years. His practice areas included Dispute Resolution and Litigation, Global Mobility, and Corporate Compliance. At present, he is a member of the Advisory Board of Southwestern Institute for International and Comparative Law based in Texas, U.S.A. and of the Board of Trustees of the University of San Agustin. He is involved with Christoffel Blindenmission (CBM), a foundation based in Germany extending

assistance to the disabled in the world's 80 poorest countries, where he was a member of its International Board for eight years. He is a lecturer in the Mandatory Continuing Legal Education program for lawyers. He has been a law professor, bar reviewer, and was a Bar Examiner in the 2004 bar examinations. After his retirement from active law practice in 2015, Mr. Castro has been elected and is presently an officer or a director of more than 30 corporations involved in property development, business process outsourcing, minerals, tourism, fashion, and manufacturing. He was first appointed as a director of Grand Plaza on 17 May 2021.

**WONG KOK HO**  
**DIRECTOR**

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

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

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

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

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

Ms. Arlene de Guzman has been the Company's Treasurer since August 1997. She is also a former director and president of the Company. She graduated with a B.S. Business Economics (cum laude) degree from the University of the Philippines in 1981. Her business experience



includes: Senior Project Evaluation Officer, National Development Company, Head, Financial Risk Management, Philippine Associated Smelting and Refining Corporation (PASAR) and currently Senior Vice President of the Pathfinder Group. She is presently a director and/or officer of the various companies under the Pathfinder Group and Grand Plaza Hotel Corporation.

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

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

He joined Quisumbing Torres in 2006 after graduating class valedictorian and *cum laude* from the University of the Philippines College of Law in 2006. Mr. Veloso was admitted to the Philippine Bar in 2007 and ranked 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. Mr. Veloso studied EU Competition Law at the London School of Economics and Political Science in 2017. He is one of the authors of The Philippine Competition Act Annotated 2021 edition.

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

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

**LESLEY ANNE C. MONDEZ**  
**ASSISTANT CORPORATE SECRETARY**

Ms. Lesley Anne C. Mondez is an associate of the law firm Quisumbing Torres. Ms. Mondez was previously appointed as the Assistant Corporate Secretary of the company on 5 February 2018. Ms. Mondez has nine years of experience in the areas of mergers and acquisitions, capital markets, corporate reorganization and restructuring, commercial agreements and contracts, and general corporate and commercial work. She has participated in the conduct of legal due

diligence on several target companies, including listed companies, and has drafted and assisted in the negotiations of transaction documents relating to mergers and acquisitions, commercial lending and project finance. Ms. Mondez's practice spans several industries, including banking, gaming, manufacturing, real estate, and energy mining and infrastructure. Ms. Mondez likewise previously handled disclosure and regulatory requirements of a company listed on the PSE, and acted as Corporate Secretary and Assistant Corporate Secretary for several companies, and performed various corporate secretarial work such as preparation of minutes of meetings, secretary's certificates, period reports submitted to the PSE and the SEC, preparation and issuance of stock certificates, and other general corporate housekeeping work. Ms. Mondez is not an officer or director of other public companies or companies that are grantees of secondary licenses from the SEC.

**FARID SCHOUCAIR**

**GENERAL MANAGER – HERITAGE HOTEL MANILA MANAGEMENT EXECUTIVE COMMITTEE**

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

**GERALDINE NONO GAW**

**DIRECTOR OF SALES & MARKETING, MEMBER – HERITAGE HOTEL MANILA MANAGEMENT EXECUTIVE COMMITTEE**

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

**JOSEFINA P. MALPAS**  
**DIRECTOR OF FINANCE, MEMBER – HERITAGE HOTEL MANILA**  
**MANAGEMENT EXECUTIVE COMMITTEE**

Josefina "Josie" Malpas joined the Heritage Hotel as the Director of Finance on February 1, 2021. Josie is a graduate of Bachelor of Science in Business Administration Major in Accounting in 1983 from the University of the East Manila and passed the Certified Public Accountant board examinations the following year. Ms. Malpas has 36 years of experience in the hotel industry, having first joined the Hyatt Regency in 1985. Ms. Malpas left Hyatt in 2006 to join The Peninsula Manila as Chief Accountant and was later on promoted to the position of Assistant Financial Controller.

**JUANCHO BALTAZAR**  
**DIRECTOR OF HUMAN RESOURCE, MEMBER – HERITAGE HOTEL MANILA**  
**MANAGEMENT EXECUTIVE COMMITTEE, DATA PRIVACY OFFICER**

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

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

Mr. Ramon Perez, Jr. join the company on 26 August 2021. A seasoned engineer, Ramon has extensive background in the hospitality industry and exposure in opening hotels. Prior to joining the Heritage Hotel he held the position of Director of Engineering at Grand Hyatt Manila as part of the Pre-opening Team until 2020. He also held several senior positions in various hotels & resorts in Metro Manila, namely the Solaire Resort & Casino, Dusit Thani Manila, Hyatt Regency Manila and New World Hotel Makati.

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

Based on the records of the Company and on the confirmation that we obtained from the directors and key executive officers of the Company as of 31 March 2022, the following directors or key executive officers of the Company are not currently connected with any government agencies or its instrumentalities:

1. Kwek Eik Sheng
2. Bryan Cockrell
3. Ricardo Pio Castro, Jr.
4. Simeon Ken R. Ferrer
5. Wong Kok Ho
6. Yam Kit Sung
7. Geraldine Gaw
8. Juancho Baltazar
9. Josefina Malpas
10. Arlene de Guzman
11. Farid Alain Schoucair
12. Ramon Perez, Jr.

On the other hand, based on the confirmation received by the Company, one of the directors, Mia G. Gentugaya, currently serves as a lecturer at the University of the Philippines College of Law, a Philippine state university. Ms. Gentugaya shall cease to be an independent director of the Company after the election of Natividad Alejo as an independent director in the annual stockholders' meeting scheduled on 16 May 2022. Ms. Gentugaya has served the nine-year term limit for independent directors.

We attach as **Annex "E"** a Secretary's Certificate attesting to the foregoing matters.

#### **Members of the Corporate Governance Committee**

1. Simeon Ken R. Ferrer - Chairman
2. Mia Gentugaya - Independent Director
3. Kwek Eik Sheng - Member
4. Bryan Cockrell - Member
5. Ricardo Pio Castro, Jr. - Member

The Board of Directors appointed The Heritage Hotel Management Executive Committee to perform the functions of the Remuneration and Compensation Committee of the Company.

#### **Significant Employees**

The Company has no significant employees.

#### **Family Relationships**

There are no family relationships up to the fourth civil degree either by consanguinity or affinity among the Directors, Executive Officers or persons nominated.

#### **Pending Legal Proceedings**

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

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

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

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

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

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

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

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

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

In addition, on 10 June 2016, management of the Company was also informed by the Lank Bank of the Philippines ("Land Bank"), that the BIR has issued a Warrant of

Garnishment with Warrant No. 125-2015-011 against the Company in connection with the Deficiency Tax Case. To date, the Company has not received the original Warrant from the BIR. Pursuant to the Warrant, the BIR seeks to garnish the Company's deposits with the Land Bank, which are currently in the amount of PhP71,718.54 as may be necessary to satisfy the alleged tax deficiency of the Company.

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

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

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

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

On 4 July 2018, the CTA rendered its Decision.

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

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

#### Amended Decision

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

In its Amended Decision, the CTA held that it had jurisdiction to review collection proceedings by the CIR pursuant to its powers under Section 7(a)(1) of the Tax Code, and in particular, "other matters" arising under the National Internal Revenue Code.

The CTA held that while there is no disputed assessment, it can assume jurisdiction over the Petition under "other matters".

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

MR filed by CIR

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

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

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

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

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

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

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

Petition for Review filed by the CIR

On 23 March 2021, Management of the Corporation was advised by the Corporation's tax counsel that it had received a copy of the Petition for Review dated 8 March 2021

filed by the CIR with the Philippine Supreme Court which seeks to set aside the CTA En Banc Decision dated 29 September 2020 (Decision) and CTA En Banc Resolution.

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

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

To the best knowledge and/or information of the Company, none of its directors, nominees for election as director, executive officers, underwriters, or controlled persons, have been involved during the past five (5) years, up to 31 March 2022, in any of the following events that are material to an evaluation of their ability or integrity:

- (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 years prior to that time;
- (b) Any conviction by final judgment, including the nature of the offense, in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses;
- (c) Being subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities; and
- (d) Being found by a domestic or foreign court of competent jurisdiction (in a civil action), the Securities and Exchange Commission or comparable foreign body, or a domestic or foreign Exchange or other organized trading market or self regulatory organization, to have violated a securities or commodities law or regulation, and the judgment has not been reversed, suspended, or vacated.

### **Certain Relationships and Related Transactions**

In the last two years, there were no material transactions or proposed transactions between the Company and any director in which the director had a material interest.

Aside from the related party transactions disclosed in Note 14 of the Notes to Financial Statements of the Company, the Company has no other relationships and related transactions.



**Item 6. Compensation of Directors and Officers**

Aggregate Compensation of Directors and Officers (i.e., President / CEO and 4 most highly compensated officers– in Pesos)

**Year 2022\***

NAME	POSITION	YEAR	SALARY	BONUS	OTHERS/ DIRECTOR ALLOWA NCES
Farid Alain Schoucair	General Manager of Hotel	2022			
Josie Malpas	Director of Finance	2022			
Angelica Vicencio	Director of Sales	2022			
Gigi Gaw	Director of Sales & Marketing	2022			
Juancho Baltazar	Director of Human Resources	2022			
Total		2022	14,000,000	500,000	
Directors allowances		2022			800,000
All officers & Directors as a group		2022	14,000,000	500,000	800,000

\*the figures for year 2022 are estimated amounts.

**Year 2021**

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

**Year 2020**

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

#### Year 2019

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

The proposed remuneration of the officers named above shall be fixed and approved in a special meeting of the Board of Directors of the Company, to be held prior to the annual stockholders' meeting, as provided in the Company's By-Laws.

The proposed per diem of the directors for 2022 above will be presented to the Board of Directors for approval and will be disclosed to the stockholders at the 2022 annual stockholders' meeting. Please note that the per diem of the directors 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 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.

#### **Description of the Terms and Conditions of each Employment Contract between the Company and Executive Officers**

All the key officers who are foreigners are on one-year to two-year employment contracts that may be renewed for another term upon mutual agreement of the parties. The local officers following the Philippine Labor Code are on permanent contract of employment upon confirmation of their 6-months probation.

The employment contracts of the executive officers do not require such executive officers of the Company to be paid a total amount exceeding PhP2,500,000 as a result of their resignation or termination from the Company, or if there is a change in control of the Company.

#### **Description of the Terms and Conditions of the Compensatory Plan or Arrangement for the Company's Executive Officers**

The foreign executive officers of the Company are paid a monthly fixed salary with variable bonus depending on performance. They are also on fixed employment period between 1-2 years and renewable depending on performance.

#### **Warrants and Options Outstanding**

There are no outstanding warrants or options held by the President, the named executive officers, and all officers and directors as a group.

### **Item 7. Independent Public Accountants**

#### **Election, Approval or Ratification**

R. G. Manabat & Co. is the Company's current independent public accountant. The handling partner for year 2022 is Ms. Alicia Columbres, replacing Mr. Enrico Baluyut.

In compliance with the Securities Regulation Code Rule 68, paragraph 3(b)(ix), the independent auditor or in the case of an audit firm, the signing partner, shall be rotated after every five (5) years of engagement, subject to the observance of the two-year cooling off period in the re-engagement of the same signing partner or individual auditor.

In view of the foregoing, the Company's Audit Committee has recommended R. G. Manabat & Co. for re-appointment at the annual stockholders' meeting, with Ms. Alicia Columbres as the new handling partner. Under the Revised Manual on Corporate Governance of the Company, the Audit Committee shall recommend the nominees for the independent public accountants of the Company.

#### **The Members of the Audit Committee of the Company are as follows:**

1. Mia Gentugaya – Independent Director
2. Bryan Cockrell
3. Ricardo Pio Castro, Jr.

The Chairperson of the Audit Committee is Ms. Mia Gentugaya.

Representatives of R. G. Manabat & Co are expected to be present at the annual stockholders' meeting and will be given the opportunity to make a statement if they desire to do so. Likewise, they are expected to be available to respond to any appropriate questions that may be raised during the meeting.

#### **Compliance with SRC Rule 68 par. 3 (b) (iv)**

In compliance with SRC Rule 68, par, 3(b)(iv), the independent auditor shall be rotated every five (5) years of engagement. In case of a firm, the signing partner shall be rotated every five (5) years. On 15 May 2019, Mr. Enrico Baluyut was appointed as handling partner in place of Mr. Dindo Marco M. Dioso. The Company's Audit Committee has recommended R. G. Manabat & Co. for re-appointment at the annual stockholders' meeting, with Ms. Alicia Columbres as the handling partner, to replace Mr. Enrico Baluyut.

#### **Item 8. Compensation Plans**

There are no matters or actions to be taken up in the meeting with respect to any plan pursuant to which cash or non-cash compensation may be paid or distributed.

### **C. ISSUANCE AND EXCHANGE OF SECURITIES**

#### **Item 9. Authorization or Issuance of Securities Other than for Exchange**

There are no matters or actions to be taken up in the meeting with respect to the authorization or issuance of any securities of the Company.

#### **Item 10. Modification or Exchange of Securities**

There are no matters or actions to be taken up in the meeting with respect to the modification of any class of securities of the Company, or the issuance or authorization for issuance of one class of securities of the Company in exchange for outstanding securities of another class.

#### **Item 11. Financial and Other Information**

The Company's audited financial statements for the year ended 31 December 2021 (attached hereto as Annex "C") and other information related to the Company's financial statements are contained in the Company's SEC Form 17-A for the year ended 31 December 2021 which is attached hereto as Annex "G". The management report required under paragraph (4) of SRC Rule 20 is attached hereto as Annex "D".

#### **Item 12. Mergers, Consolidations, Acquisitions and Similar Matters**

There are no matters or actions to be taken up in the meeting with respect to merger, consolidation, acquisition by, sale or liquidation of the Company.

### **Item 13. Acquisition or Disposition of Property**

There are no matters or actions to be taken up in the meeting with respect to the acquisition or disposition of any property.

### **Item 14. Restatement of Accounts**

There are no matters or actions to be taken up in the meeting with respect to the restatement of any asset, capital, or surplus account of the Company.

## **D. OTHER MATTERS**

### **Item 15. Action with Respect to Reports**

1. Approval of the Minutes of the Annual Meeting of the Stockholders of the Company held on 17 May 2021 (“**Minutes**”), attached hereto as Annex "F".
2. Approval of the Annual Report and the audited financial statements for the year ended 31 December 2021.

The Annual Report to be ratified by the stockholders during the annual stockholders’ meeting, has been disclosed to the stockholders in SEC Form 17-A. The Company’s audited financial statements for the year ended 31 December 2021 are attached hereto as Annex “C”. Action on the Minutes will not constitute approval or disapproval of any of the matters referred to in the Minutes.

#### **Brief summary of the Minutes:**

The Minutes provides for the stockholders' approval of the following matters:

1. Presentation and Approval of the 2020 Annual Report;
2. Approval and Ratification of the Minutes of the Stockholders’ Meeting of 8 July 2020;
3. Ratification of all acts and proceedings of the Board of Directors, acting within the scope of their delegated authority, during the year 2020-2021;
4. Election of the Board of Directors, including the two (2) Independent Directors for the year 2020-2021;
5. Appointment of the independent auditor and the grant of authority to the Directors to fix the independent auditors’ remuneration; and
6. Per diem of the Directors.

### **Item 16. Matters Not Required to be Submitted**

There are no matters or actions to be taken up in the meeting which does not require a vote of the stockholders.

### **Item 17. Other Proposed Action**

1. Ratification of all acts and proceedings of the Board of Directors during the year 2021-2022, acting within the scope of their delegated authority and adopted in the ordinary course of business involving:

- a. Approval of the quarterly reports of the Corporation for the year 2021.
- b. Presentation by the Management of Grand Plaza's financial statements and annual report on SEC Form 17-A for the fiscal year 2021; Review and approval by the Board of Directors of Grand Plaza's audited financial statements and annual report on SEC Form 17-A for the fiscal year 2021.
- c. Approval of the *per diem* of the directors and the members of the Audit Committee of the Corporation for the period 17 May 2021 to 16 May 2022.
- d. Approval to open an account with Banco de Oro and designation of authorized signatories
- e. Authority of The Heritage Hotel to enter into a Merchant Agreement with Banco de Oro and Metrobank
- f. Appointment of Josefina Malpas as Group D signatory to the Corporation's bank accounts
- g. Registration with the Online Submission Tool of the Securities and Exchange Commission;
- h. Appointment of authorized signatories to sign papers in relation to the filing of visas, Alien Employment Permit (AEP), and other immigration related and Department of Labor and Employment (DOLE) applications and transactions.
- i. Authority of Mr. Kwek Eik Sheng, Mr. Bryan Cockrell, Mr. Yam Kit Sung, Mr. Charles Veloso, and Lesley Mondez to sign the SEC Form 17-A and the Statement of Management's Responsibility for Financial Statements on behalf of the Corporation; Authority of Mr. Bryan Cockrell and/or Mr. Yam Kit Sung, to sign the SEC Form 17-A and the Statement of Management's Responsibility for Financial Statements on behalf of the Corporation's President, Mr. Kwek Eik Sheng;
- j. Approval of payments under Merchant Agreement.
- k. Deletion of Mr. Ryan Belarmino as an authorized representative of the hotel to access the safety deposit box in Metrobank and appointment of Mr. Marvin Vizcarra as Mr. Belarmino's replacement;
- l. Approval of the record date in connection with the ASM of the Corporation.
- m. Approval of the documents relating to the nomination of candidates for the two independent directors of the Corporation ("Nomination Materials") and the proposed timetable for the nomination process for the two independent directors ("Nomination Timetable").

2. Ratification of the Renewal of the Management Agreement between Elite Hotel Management Services Pte. Ltd. (as Manager) and the Company (as Owner) for a term of five years from 1 January 2017 to 31 December 2021.
3. Election of the Board of Directors, including the election of the two (2) Independent Directors.
4. Election of the independent auditor and the grant of authority to the Board of Directors to fix the independent auditor' remuneration.
5. Approval of the per diem of the Directors.

#### **Item 18. Voting Procedures**

1. The actions to be taken at the annual stockholders' meeting shall require the vote of the stockholders representing at least a majority of the Company's outstanding capital stock, except for (i) the election of directors, which shall be determined by cumulative voting under the RCC, and (ii) the ratification of the renewal of the Management Agreement, which must be approved by the stockholders of the Company owning at least two-thirds (2/3) of the total outstanding capital stock entitled to vote.
2. Each stockholder shall be entitled to vote in person and by proxy and, unless otherwise provided by law, he shall have one (1) vote for each share of stock entitled to vote and recorded in his name in the books of the Company.
3. The right to vote of stockholders may be exercised through audio or video conference (and such other means of electronic communication). The voting instructions will be included in the confirmation email upon successful registration by the stockholder.
4. The Corporate Secretary shall be responsible to count and validate the votes.

## **SIGNATURE PAGE**

**After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in Singapore on \_\_\_\_\_].**

**By:**

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**YAM KIT SUNG**  
**General Manager / Chief Financial Officer /**  
**Compliance Officer**  
**Grand Plaza Hotel Corporation**

**WITNESSES:**

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## **SIGNATURE PAGE**

**After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Taguig, Philippines, on \_\_\_\_\_.**

**By:**

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**ALAIN CHARLES J. VELOSO**  
**Corporate Secretary**  
**Grand Plaza Hotel Corporation**

**WITNESSES:**

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## **Annex “D”**

### **MANAGEMENT REPORT**

#### **BUSINESS AND GENERAL INFORMATION**

##### **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 Company leases the land occupied by the Hotel from Harbour Land Corp. (HLC), for a period of twenty five years up to 1 January 2015. On 1 August 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 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.

Information on the property and equipment of the Company, as well as its lease arrangements, are described further in Item nos. 10 and 20 of the Company's audited financial statements, which form part of Annex "C" to the Information Statement.

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

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

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

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

## **Competitive Position**

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

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

## **Raw Materials and Services**

The Hotel purchases its raw material for food and beverage ("F&B") from both local and foreign suppliers. The top 3 suppliers for raw materials are JC Seafood Supplies, Sofia Seafood and Erickel Enterprises.

## **Dependence on Single Customer**

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

## **Related Party Transactions**

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

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

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

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

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

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

a. Approval of individual Material RPTs

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

b. Approval of aggregate RPT transactions

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

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

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

- a. A summary of material related party transactions entered into during the reporting year which shall be disclosed in the Company's Integrated Annual Corporate Governance Report (I-ACGR) to be submitted annually every May 30.
- b. Advisement Report in the form prescribed by the SEC of any Material RPT filed within three calendar days from the execution date of the transaction. The Advisement Report shall be signed by the Company's Corporate Secretary or authorized representative.
- c. At a minimum, the disclosures in both (a) and (b) above shall include the following information:
  - i. complete name of the related party;
  - ii. relationship of the parties;

- iii. execution date of the Material RPT;
- iv. financial or non-financial interest of the related parties;
- v. type and nature of transaction as well as a description of the assets involved;
- vi. total assets (consolidated assets, if the reporting company is a parent company);
- vii. amount or contract price;
- viii. percentage of the contract price to the total assets of the reporting Company;
- ix. carrying amount of collateral, if any;
- x. terms and conditions;
- xi. rationale for entering into the transaction; and
- xii. the approval obtained (i.e., names of directors present, name of directors who approved the Material RPT and the corresponding voting percentage obtained).

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

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

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

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

No disclosure is needed for any transaction where:

- a. The transaction involves services at rates or charges fixed by law or governmental authority;
- b. The transaction involves services as a bank depository of funds, transfer agent, registrar, trustee under a trust indenture, or similar services;
- c. The amount involved in the transaction or a series of similar transactions has an aggregate value of less than Php2,500,000; or

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

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

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

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

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

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

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

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

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

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

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

### **Government Approval and Regulation**

The Hotel applies for Department of Tourism (“**DOT**”) accreditation annually. The accreditation is based on the 2012 Rules and Regulations to Govern the Accreditation of Accommodation Establishments of the DOT. The DOT inspects the Hotel to determine whether the Hotel meets the criteria of the DOT. The DOT certificate of accreditation has been renewed in 2021.

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

### **Development Activities**

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

### **Number of Employees**

The Hotel employed a total of 167 employees for the year ended 31 December 2021. Out of the 167 employees, 140 are regular employees and 27 are casual employees.

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

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

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

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

### **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.

## OPERATIONAL AND FINANCIAL INFORMATION

### Market for Company'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 first quarter of 2022, and for the years 2021 and 2020 (Amount in Philippine Peso):

	HIGH	LOW	HIGH	LOW	HIGH	LOW
	2022	2022	2021	2021	2020	2020
First Quarter			11.20	10.06	13.48	9.12
Second Quarter			16.50	9.62	18.98	9.11
Third Quarter			16.00	11.00	13.16	10.26
Fourth Quarter			16.48	10.38	12.70	10.1

The last recorded trade of the shares of the Company during the fiscal year covered by this report occurred on 8 March 2022. The share price was PhP 14.50.

### Top Twenty (20) Stockholders

The top twenty (20) stockholders of record of the Company as of 31 March 2022 are as follows:

	NAME OF SHAREHOLDER	NO. OF SHARES	% OF SHAREHOLDING (EXCLUSIVE OF TREASURY SHARES)
01	The Philippine Fund Limited	29,128,932	54.23%
02	Zatrio Pte Ltd	17,727,149	33.00%
03	PCD Nominee Filipino	3,814,435	7.10%
04	PCD Nominee Non-Filipino	235,167	0.44%
05	Alexander Sy Wong	34,505	0.06%
06	Cabanatuan Electric Corporation	11,084	0.02%
07	Asia Overseas Transport Co. Inc.	7,614	<0.01%
08	Fee Luna Naquines	6,869	<0.01%
09	School of St. Anthony	6,608	<0.01%
10	Zenaida Teo Lua	6,559	<0.01%
11	Yam Kum Cheong	6,000	<0.01%
12	Yam Poh Choo	6,000	<0.01%
13	Mui Phoon Lin	6,000	<0.01%
14	Yam Kit Seng	6,000	<0.01%
15	Rogelio Roleda Lim	5,361	<0.01%
16	Mary Dee Chinjen	4,878	<0.01%
17	Herbert Gochan Uy	4,801	<0.01%
18	Lucas M. Nunag	4,713	<0.01%



19	Vicente Bernardo Amador	4,093	<0.01%
20	Palawan Pawn Shop Inc.	4,002	<0.01%
	<b>TOTAL TOP 20 SHAREHOLDERS</b>	<b>51,030,770</b>	<b>95.00%</b>

The Company holds 33,600,901 shares as Treasury Stock, which comprises 38.48% of the Company's outstanding capital stock (inclusive of Treasury Stock).

### **Dividends**

No dividends were declared for FY2021 and FY2020.

Except for the restrictions provided by law (e.g., the availability of unrestricted retained earnings), there are no restrictions that limit the payment of dividends on the common shares.

### **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 or Exempt Securities**

There were no recent sales of unregistered or exempt securities of the Company. All of the outstanding common shares of the Company are registered with the Securities and Exchange Commission pursuant to the Revised Securities Act (now Securities Regulation Code).

## **MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION**

### **Management's Discussion and Analysis of Financial Condition and Results of Operations**

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

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

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

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

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

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

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

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

Below is a summary of room revenue contributed by foreign nationals for the last two fiscal years:

	Foreign room revenue	Total room revenue
FY2021	PhP1.1 million (<1%)	PhP284.6 million
FY2020	PhP11.7 million (5%)	PhP257.3 million

Rooms are distributed through direct sales by local sales staff, overseas representation and through internet like online travel agents. Food and Beverage are distributed through local sales staffs.

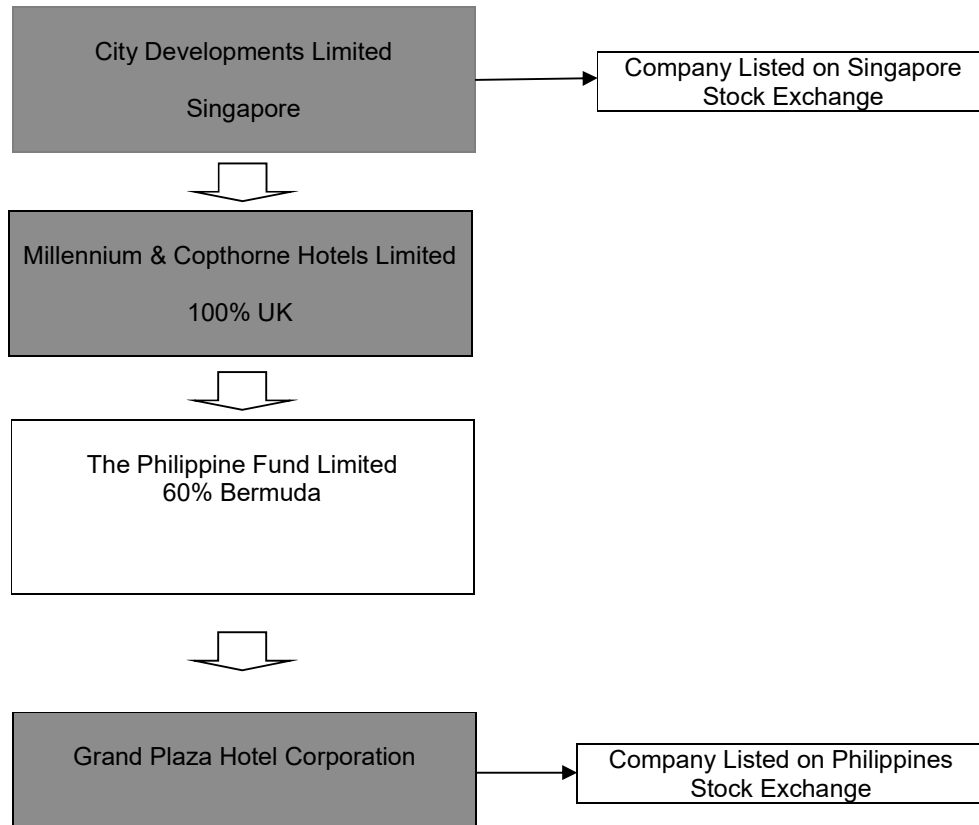
Management is not aware of:

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

- c. All material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Company with unconsolidated entities or other persons created during the reporting period.
- d. There are no material commitments for capital expenditures.
- e. Any known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations should be described.

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

**The Philippine Fund Limited Group Structure**



*As at 31 December 2021*

**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
<b>2021</b>	<b>1,269,060</b>	<b>367,693</b>
2020	1,225,861	359,027
2019	1,240,450	382,723

## 2021 Financial Conditions

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

### Assets/Liabilities and Equity:

- Cash and cash equivalents: This balance consists of cash and fixed deposits placed with banks. Cash increased by PhP102.1 million (36%) versus end of last fiscal year. With better profitability and improved collection from OWWA, the hotel is able to increase the cash balance.
- Accounts receivables – net: This balance decreased from PhP127.1 million to PhP99.1 million or 22% lower than prior year. In 2021, hotel was able to work closely with OWWA for them to pay more promptly and this improved the accounts receivables.
- Due from related parties: This balance increased by PhP2.5 million (35.7%) relative to last year as related parties have not settled its outstanding liabilities to the Company.
- Inventories: Inventories consist mainly of F&B, general supplies and engineering supplies. There is a drop in this balance by PhP0.6 million (11.5%) and this is due to lower inventories in food and beverage and general supplies.
- Prepaid expenses and other current assets: This consist mainly of prepaid insurance, prepaid income tax and input tax. This balance increased from PhP27.6 million to PhP37.9 million. The increase is mainly due to the increase in prepaid tax by PhP14 million.
- Property and equipment net: This balance fell by PhP33.7 million (5.7%) as compared to prior year. This is mainly due to depreciation charges for the year offset by acquisitions of new property and equipment.
- Deferred tax assets –net: Deferred tax assets are due to retirement benefits, impairment loss, exchange gain/loss and actuarial gain on defined benefit plan. This year, the balance decreased by PhP11.8 million (36%) as a result of recognition of higher deferred tax liabilities from unrealized foreign exchange gain.
- Other noncurrent assets: This balance mainly consists of lease deposit, advances to suppliers/contractors and miscellaneous investment and deposits. The balance as compared to last year increased marginally by PhP2.1 million (2.2%) as a result of higher advances to suppliers/contractors. This pertains to reduction in some capital expenditures that are still work in progress and had not been capitalized yet.
- Accounts payable and accrued expenses: There is an increase of PhP3.3 million or 25.9% versus prior year. As business recovered slowly with higher occupancy, the hotel's trade payable also increased.

- Due to related parties: As at end of year 2021, this balance has increased by PhP4.1 million (9.7%) as the Company has not settled its outstanding liability with related companies of which the majority pertains to rental expense to an associate.
- Lease liability – current portion and non-current portion: Lease liability arose due to the adoption of IFRS 16 on accounting of lease in January 2019. The decrease is due to the amortization during the year.

## **2020 Financial Conditions**

Total assets for the year 2020 decreased by PhP14.6 million (1.18%) as compared to 2019 while total liabilities also decreased by PhP23.7 million (6.19%).

### **Assets/Liabilities and Equity:**

- Cash and cash equivalents: This balance consists of cash and fixed deposits placed with banks. Cash decreased by PhP30.3 million (9.6%) versus end of last fiscal year. With a lower revenue versus 2019 and slower in collection due to the restricted movements in the Philippines, cash balance has decreased.
- Accounts receivables – net: This balance increased from PhP88.3 million to PhP127.1 million or 43.9% higher than prior year. As explained in previous paragraph, due to the restricted movements mandated by government in Philippines, collection has slow down and this caused accounts receivables to increase.
- Due from related parties: This balance increased from PhP0.075 million to PhP7.0 million as related parties have not settled its outstanding liabilities to the Company.
- Inventories: Inventories consist mainly of F&B, general supplies and engineering supplies. There is a drop in this balance by PhP2.3 million (30.6%) and this is due to lower inventories in food and beverage and general supplies which is consistent with the lower revenue.
- Prepaid expenses and other current assets: This consist mainly of prepaid insurance, prepaid income tax and input tax. This balance increased marginally from PhP26.6 million to PhP27.6 million. The increase is mainly due to the net variance between Creditable Withholding Tax and Prepaid Income Tax.
- Deferred tax assets –net: Deferred tax assets are due to retirement benefits, impairment loss, exchange gain/loss and actuarial gain on defined benefit plan. This year, the balance increased by PhP6.7 million (25.6%) as a result of higher retirement benefit and actuarial loss.
- Other noncurrent assets: This balance mainly consists of lease deposit, advances to suppliers/contractors and miscellaneous investment and deposits. The balance as compared to last year decreased marginally by PhP1.1 million (1.2%) as a result of higher advances to suppliers/contractors. This pertains to reduction in some capital expenditures that are still work in progress and had not been capitalized yet.

- Accounts payable and accrued expenses: There is a decrease of PhP35.3 million 38.8% versus prior year. As business has slowed down significantly during the year, trade payables also fell by PhP22.7 million (42.83%) versus 2019. Similarly, accruals for payroll and others also reduced by PhP12.62 million (22.86%).
- Due to related parties: As at end of year 2020, this balance has increased by PhP15.5 million (42.9%) as the Company has not settled its outstanding liability with related companies of which the majority pertains to rental expense to an associate.
- Lease liability – current portion and non-current portion: Lease liability arose due to the adoption of IFRS 16 on accounting of lease in January 2019. As a result, we have to recognize lease liability amounting to PhP3.9 million in current portion and PhP167.7 million for non-current portion.
- Accrued retirement benefits liability: This balance increased by PhP5.0 million or 17.3% from prior year. The increment is mainly due to actuarial loss of PhP3.4 million.

### **2019 Financial Conditions**

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

#### **Assets/Liabilities and Equity:**

- Cash and cash equivalents: This balance consists of cash and fixed deposits placed with banks. Cash increased by PhP55 million (21.2%) versus end of last fiscal year. The improvement in trading coupled with less capital expenditure for the year caused cash balance to show a healthy increase of 21.2%.
- Accounts receivables – net: This balance increased from PhP78 million to PhP88.3 million or 13.2% higher than prior year. The higher room revenue in November and December due to major events in Manila increase the revenue and consequently, accounts receivables also increased.
- Due from related parties: This balance fell by PhP0.124 million or 62.1% versus same period last year as the related companies have settled some of its outstanding liabilities to the Company.
- Inventories: Inventories consist mainly of F&B, general supplies and engineering supplies. There is a drop in this balance by PhP1.7 million (18.4%) and this is due to lower inventories in beverage and general supplies.
- Prepaid expenses and other current assets: This consist mainly of prepaid insurance, prepaid income tax and input tax. This balance increased from PhP23.5 million to PhP26.6 million. The increase in prepaid income tax and reduction in input tax are the cause of the variance.

- Investment in associate: There is a drop in this balance by PhP0.2 million and this is mainly due to the dividends received amounting to PhP1.6 million.
- Deferred tax assets –net: Deferred tax assets are due to retirement benefits, impairment loss, exchange gain/loss and actuarial gain on defined benefit plan. This year, the balance increased by PhP7.5 million (40.3%) as a result of higher retirement benefit and actuarial loss.
- Other noncurrent assets: This balance mainly consists of lease deposit, advances to suppliers/contractors and miscellaneous investment and deposits. The balance as compared to last year increased by PhP4.1 million (4.6%) as a result of higher advances to suppliers/contractors. This pertains to some capital expenditures that are still work in progress and had not been capitalized yet.
- Accounts payable and accrued expenses: There is an increase of PhP23.6 million 35.1% versus prior year. Trade payables increased by PhP20.8 million (64.5%) due to increase in revenue. In addition, accrued liabilities PhP4.3 million (42.1%) as a result of higher commissions and other accrued expenses.
- Due to related parties: As at end of year 2019, this balance has increased by PhP4.7 million (14.9%) as the Company has not settled its outstanding liability with related companies.
- Lease liability – current portion and non-current portion: As discussed earlier, this is due to the adoption of IFRS 16 on accounting of lease. As a result, we have to recognize a Right-of-use liability amounting to PhP3.5 million in current portion and PhP28.4 million for non-current portion.
- Accrued retirement benefits liability: This balance increased by PhP7.9 million or 37.6% from prior year. The increment is mainly due to actuarial loss of PhP5.3 million versus a gain in 2018 of PhP6.6 million.

### **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
<b>2021</b>	<b>334,990</b>	<b>33,669</b>
2020	329,900	12,065
2019	441,315	2,369

### **2021 Results of Operations**



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

**Revenue:**

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

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

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

**Cost of sales and services:**

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

**Administrative Expenses:**

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

**Other income/(expenses):**

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

## **2020 Results of Operations**

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

**Revenue:**

Total revenue fell from PhP441.3 million in 2019 to PhP329.9 million or a decrease of 33.7%. The global Covid-19 pandemic has severely impacted the hospitality business. With

international borders closed and restricted travelling or movements in the country, the Company's business is impacted.

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

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

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

Cost of sales and services:

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

Selling and Administrative Expenses:

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

Other income/(expenses):

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

## **2019 Results of Operations**

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

Revenue:

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

the prior year. However, this increment is offset by lower contribution from Wholesale and Association market segments.

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

Cost of sales and services:

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

Selling and Administrative Expenses:

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

Other income/(expenses):

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

## **PROSPECTS FOR YEAR 2022**

On a cautious note, in the first 2 months of trading in 2022, Hotel’s Revpar is lower than budget by 15% and it is 9% lower than prior year. Given that Philippines has relaxed its quarantine regulations, there are lesser quarantined guests in the hotel. In addition, with the start of the Russia invasion of Ukraine, there are more uncertainties in the world economy and this dim the trading outlook in 2022.

Management will continue to secure domestic and essential workers businesses from government related agencies. In addition, with the Philippines re-opening its borders, management is working to have more international travelers in the hotel. At the same time, hotel will be prudence in spending and conserve cash.

## **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 Company's audited financial statements.

### **Financial Statements**

The Company's audited financial statements for the year ended 31 December 2021 are attached hereto as Annex "C". Please refer also to the accompanying notes to the audited financial statements.

### **External Audit Fees and Services**

The Company paid PhP1.9 million to PhP1.8 million in 2021 and 2020 respectively, each year, for the audit of the Company's annual financial statements or services that are normally provided by the independent auditor in connection with statutory and regulatory filings or engagements for those fiscal years.

The Company has paid no other audit-related fees and other fees to its independent auditor in the previous years. For the year 2022, the Company estimates to pay audit fees in the amount of PhP1.9 million to its independent auditor.

### **Audit Committee's approval policy and procedure for the external audit fees and services**

The Company's Management presents the proposed audit fees for the year of review and the previous year for deliberation by the Audit Committee before the Audit Committee approves it.

### **Change in and disagreements with accountants on accounting and financial disclosure**

There are no changes and/or disagreements with the accountants of the Company or of the Hotel on any matter relating to accounting principles or practices, financial disclosures, auditing scope and procedure.

### **Compliance with leading practice on Corporate Governance**

#### **a) Evaluation system established by the Company**

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

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

The Company also regularly updates its Annual Corporate Governance Report ("ACGR"), which it files with the SEC and is posted on the Company's website. The ACGR contains an extensive discussion on the Company's implementation and compliance with leading practices on corporate governance.

**b) Measures being undertaken by the Company to fully comply with the adopted leading practices on good corporate governance**

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

**c) Deviations from the Company's Manual on Corporate Governance in 2019.**

For the year 2019, the Company, its directors, officers and employees substantially complied, and has taken reasonable action towards complying, with the leading practices and principles on good corporate governance as embodied in the Company's Manual on Corporate Governance, and in the Revised Code of Corporate Governance. The Company is not aware of any material deviation from the Company's Manual on Corporate Governance in 2019.

**d) Plan to improve corporate governance of the Company**

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

**Upon written request of any shareholder of record entitled to notice of and vote at the meeting, the Company shall furnish such shareholder with a copy of the Company's Annual Report on SEC Form 17-A without charge. Any such written request shall be addressed to:**

**GRAND PLAZA HOTEL CORPORATION  
10/F, The Heritage Hotel Manila  
Roxas Boulevard cor. EDSA Extension  
Pasay City**

**Attention: Mr. Yam Kit Sung  
General Manager / Chief Financial Officer / Compliance Officer**

## SCHEDULES SUPPORTING FINANCIAL STATEMENTS

- a. Marketable Securities**  
This is not applicable to the Company.
- b. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Affiliates)**  
No significant amount is involved. No separate schedule is attached.
- c. Non-Current Marketable Equity Securities, Other Long Term Investments in Stock, and Other Investments.**  
This is not applicable to the Company.
- d. Indebtedness of Unconsolidated Subsidiaries And Affiliates**  
This is not applicable to the Company.
- e. Property, Plant and Equipment**  
See Note 10 of the Financial Statements.
- f. Accumulated Depreciation**  
See Note 10 of the Financial Statements.
- g. Intangible Assets - Other Assets**  
This is not applicable to the Company.
- h. Long Term Debt**  
This is not applicable to the Company.
- i. Indebtedness to Affiliates and Related Parties (Long Term loans from related companies)**  
Attached is the Company's Audited Financial Statements for the fiscal year ended 31 December 2021, 2020, and 2019 reflecting under Note 9 the loan advanced to Rogo Realty Corporation ("RRC") collateralized by RRC's investment in shares of stock and Note 14 on Related Party Transactions.
- j. Guarantees of Securities of Other Issuers**  
This is not applicable to the Company.
- k. Capital Stock**  
Attached is the list of top 20 stockholders of the Company, comprising of 95.00% of the Company's total shares outstanding as at 31 March 2022.

### CERTIFICATION OF INDEPENDENT DIRECTOR

I, Natividad N. Alejo, of legal age, Filipino, with address at 15 Toledo St., Merville Park, Parañaque City, Philippines, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of Grand Plaza Hotel Corporation.
2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

Company/Organization	Position/Relationship	Period of Service
AlphaPrimus Advisors, Inc.	Co-Founder and Managing Director	December 2017 to present
BPI Direct Banko Inc.	Chairman & CEO	2017
	Director	2016 to present
Card-MRI Rizal Bank (A Rural Bank)	Advisor to the Board	2019 to present
	Director	2016 to 2018
BPI Family Savings Bank	President	March 2015 to May 2017
Bank of the Philippine Islands	Executive Vice President and Group Head for Retail Banking	January 2007 to March 2017
	Special Projects, M&A and Equity Investments	1996 to 2007
BPI Capital Corporation	President	2001 to 2007
Singlife Philippines Inc.	Independent Director	2021 to present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of Grand Plaza Hotel Corporation, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.
4. I am not related to the any director/officer/substantial shareholder of Grand Plaza Hotel Corporation and its subsidiaries and affiliates.
5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.
6. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.
7. I shall inform the Corporate Secretary of Grand Plaza Hotel Corporation of any changes in the abovementioned information within five days from its occurrence.

*[signature page follows]*



MAR 16 2022

Done, this \_\_\_\_\_ day of \_\_\_\_\_, at Taguig City.




Natividad N. Alejo  
Affiant

MAR 16 2022

SUBSCRIBED AND SWORN to before me this \_\_\_\_\_ day of \_\_\_\_\_ at Taguig City, affiant personally appeared before me and exhibited to me her Passport No. P2103448B issued at DFA Manila, on 06 May 2019, and expiring on 05 May 2029.

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Page No. 14 ;  
Book No. III ;  
Series of 2022.



  
Kevin C. Catapusan  
Notary Public for Taguig City  
Appointment No. 67, valid until June 30, 2022  
(pursuant to Supreme Court En Banc Resolution  
dated September 28, 2021 - B.M. No. 3795)  
16th Floor, One NICO Building, 26th St., cor. 3rd Ave.  
Crescent Park West, Bonifacio Global City, Taguig City 1634  
Roll of Attorneys No. 73208  
PTR No. 4540828 - 3/2/22 Taguig City  
IBP Membership Receipt No. 17/882; 02/10/2022; Makati Chapter

### CERTIFICATION OF INDEPENDENT DIRECTOR

I, Simeon Ken R. Ferrer, Filipino, of legal age and a resident of 21 Wack Wack Street, Mandaluyong City, Philippines, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of Grand Plaza Hotel Corporation.
2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

Company/Organization	Position/Relationship
SyCip Salazar Hernandez & Gatmaitan Law Office	Of Counsel
Manila Electric Company	Corporate Secretary
AMMIC Philippines, Inc.	Director Corporate Secretary
Crown Lift Trucks Philippines Corporation	Director
Dunlop International (Philippines), Inc.	Director Corporate Secretary
Korn Ferry Futuresteps (The Philippines), Inc.	Director Corporate Secretary
NTT Global Networks Services Incorporated	Director
Red Hat Philippines Software Solutions Corp.	Director
Rimes Technologies Corporation	Director
Savencia Fromage and Dairy Philippines	Director
Transcend Towers Infrastructure (Philippines), Inc.	Director
VA Tech Wabag (Philippines) Inc.	Director
SGS Asia Pacific Limited	Resident Agent

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of Grand Plaza Hotel Corporation, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.
4. I am not related to the any director/officer/substantial shareholder of Grand Plaza Hotel Corporation and its subsidiaries and affiliates.

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.
6. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.
7. I shall inform the Corporate Secretary of Grand Plaza Hotel Corporation of any changes in the abovementioned information within five days from its occurrence.

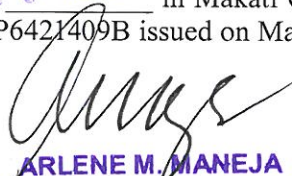
Done, this 18<sup>th</sup> day of March 2022 in Makati City.



SIMEON KEN R. FERRER  
Affiant

SUBSCRIBED AND SWORN to before me this MAR 18 2022 day of MAR in Makati City, affiant personally appeared before me and exhibited to me his Passport No. P6421409B issued on March 3, 2021 at DFA NCR East.

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Page No. 10 ;  
Book No. 1 ;  
Series of 2022.



**ARLENE M. MANEJA**  
Notary Public for Makati City  
Appointment No. M-232 until Dec. 31, 2022  
Roll of Attorneys. No. 48279  
PTR No. 8857048MJ • 01/5/2022 • Makati City  
IBP Lifetime Member No. 014236 • 01/06/2016 • Makati Chapter  
SyCipLaw Center, 105 Paseo de Roxas  
Makati City, 1226 Metro Manila  
Philippines

# GRAND PLAZA HOTEL CORPORATION

**FINANCIAL STATEMENTS**  
**December 31, 2021, 2020 and 2019**

With Independent Auditors' Report



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

## 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 Audit of the Financial Statements

#### *Opinion*

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

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

#### *Basis for Opinion*

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

#### Firm Regulatory Registration & Accreditation:

PRC-BOA Registration No. 0003, valid until November 21, 2023

SEC Accreditation No. 0003-SEC, Group A, valid for five (5) years covering the audit of 2020 to 2024

financial statements (2019 financial statements are covered by SEC Accreditation No. 0004-FR-5)

IC Accreditation No. 0003-IC, Group A, valid for five (5) years covering the audit of 2020 to 2024

financial statements (2019 financial statements are covered by IC Circular Letter (CL) No. 2019-39, Transition clause)

BSP Accreditation No. 0003-BSP, Group A, valid for five (5) years covering the audit of 2020 to 2024

financial statements (2019 financial statements are covered by BSP Monetary Board Resolution No. 2161, Transition clause)



### *Key Audit Matter*

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

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

#### *The risk*

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

#### *Our response*

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





### *Other Information*

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

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

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

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

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

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

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

### *Auditors' Responsibilities for the Audit of the Financial Statements*

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



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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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





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

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

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

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

ALICIA S. COLUMBRES

Partner

CPA License No. 069679

SEC Accreditation No. 1590-AR-1, Group A, valid until August 7, 2022

Tax Identification No. 120-964-156

BIR Accreditation No. 08-001987-027-2020

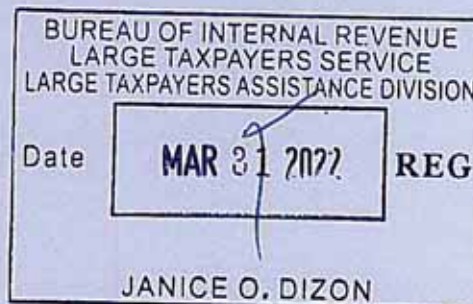
Issued July 20, 2020; valid until July 19, 2023

PTR No. MKT 8854058

Issued January 3, 2022 at Makati City

March 29, 2022

Makati City, Metro Manila





# GRAND PLAZA HOTEL CORPORATION

## STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS


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

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

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

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

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

  
Bryan Cockrell  
Vice Chairman  
Arlene De Guzman  
Treasurer  
Yam Tat Sung  
Chief Financial Officer

Signed this 30th day of March 2022.



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



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

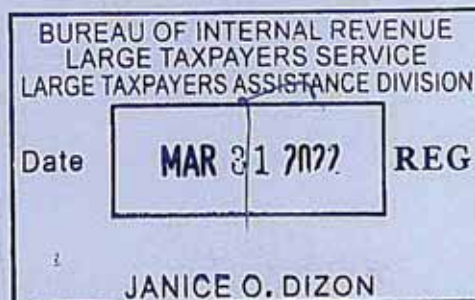
See Notes to the Financial Statements.



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

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

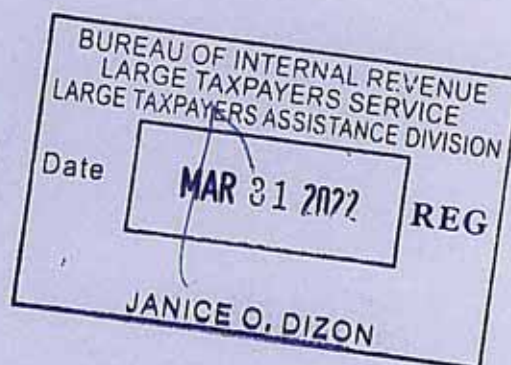
See Notes to the Financial Statements.



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

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

*See Notes to the Financial Statements.*

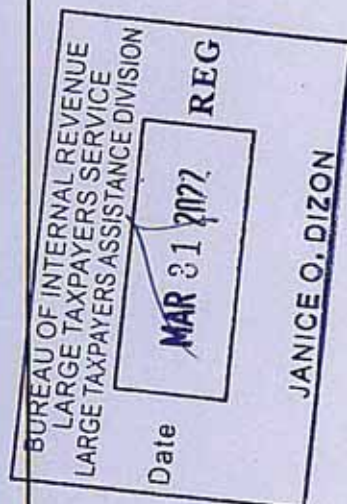




**GRAND PLAZA HOTEL CORPORATION**  
**STATEMENTS OF CHANGES IN EQUITY**

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

See Notes to the Financial Statements.

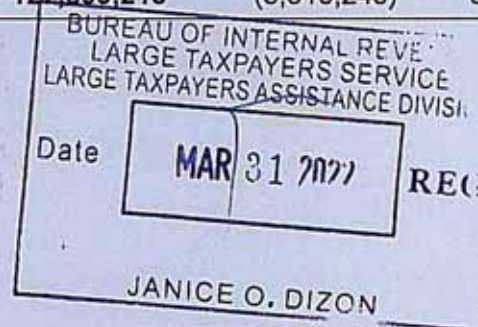




**GRAND PLAZA HOTEL CORPORATION**  
**STATEMENTS OF CASH FLOWS**

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

Forward



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

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 Revised Securities Regulation Code and its shares are listed on the Philippine Stock Exchange (PSE). The immediate parent of the Company is The Philippine Fund Limited (TPFL) owning 54%, a corporation organized in the Islands of Bermuda. The ultimate parent of the Company is Hong Leong Investment Holdings Pte Ltd., a corporation organized in Singapore. The Company’s intermediary parents are Hong Leong Limited, City Developments Limited and Millenium & Copthorne Hotels Limited.

The Company owns and operates The Heritage Hotel (the “Hotel”), its only operating segment, which is a deluxe class hotel that offers 450 rooms and facilities and amenities such as restaurants, function halls, and a coffee shop. The address of the Company’s registered and principal office is the 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 compliance with Philippine Financial Reporting Standards (PFRSs). PFRSs are based on International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB). PFRSs which are issued by the Philippine Financial Reporting Standards Council (FRSC), consist of PFRSs, Philippine Accounting Standards (PASs), and Philippine Interpretations.

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

##### Basis of Measurement

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

##### Functional and Presentation Currency

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

#### Use of Estimates and Judgments

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

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

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

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

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

#### *Determining whether an Agreement Contains a Lease*

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

#### *Operating Lease*

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

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

#### Company as Lessor

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

#### Company as Lessee

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

#### *Determining Term and Discount Rate of Lease Arrangement*

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

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

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

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

#### *Estimating Allowance for Impairment Losses on Receivables*

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

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

#### *Estimating Useful Lives of Property and Equipment*

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

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

#### *Estimating Realizability of Deferred Tax Assets*

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

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

#### *Estimating Retirement Benefit Obligations*

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

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

#### *Estimating Allowance for Impairment Losses on Nonfinancial Assets*

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

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

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

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

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

#### *Estimating Provisions and Contingencies*

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

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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. There are no new standards, amendments to standards and interpretations effective starting January 1, 2021 that have a significant impact on the Company's financial statements.

#### Standards Issued But Not Yet Adopted

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

#### *Effective January 1, 2022*

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

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

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

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

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

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

- *Annual Improvements to PFRS Standards 2018-2020*. This cycle of improvements contains amendments to four standards of which PFRS 9, *Financial Instruments* is relevant to the Company.
  - *Fees in the '10 per cent'. Test for Derecognition of Financial Liabilities (Amendment to PFRS 9)*. The amendment clarifies that for the purpose of performing the '10 per cent' test for derecognition of financial liabilities, the fees paid net of fees received included in the discounted cash flows include only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. It applies to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

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



Effective January 1, 2023

- *Classification of Liabilities as Current or Non-current (Amendments to PAS 1, Presentation of Financial Statements)*. To promote consistency in application and clarify the requirements on determining whether a liability is current or non-current, the amendments:
  - removed the requirement for a right to defer settlement of a liability for at least twelve months after the reporting period to be unconditional and instead requires that the right must have substance and exist at the end of the reporting period;
  - clarified that a right to defer settlement exists only if the company complies with conditions specified in the loan agreement at the end of the reporting period, even if the lender does not test compliance until a later date; and
  - clarified that settlement of a liability includes transferring a company's own equity instruments to the counterparty, but conversion options that are classified as equity do not affect classification of the liability as current or non-current.

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

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

- Conditions which the entity must comply within twelve months after the reporting period will have no effect on the classification as current or non-current.
- Additional disclosure requirements will apply to non-current liabilities subject to such conditions to enable the assessment of the risk that the liability could become repayable within twelve months.
- Separate presentation in the statement of financial position will be required for non-current liabilities for which the right to defer settlement is subject to conditions within 12 months after the reporting period.
- The effective date of the amendments will be deferred to no earlier than January 1, 2024.

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

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

- clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
- clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

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

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

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

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

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

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

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

#### Financial Instruments

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

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

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



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

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

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

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

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

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

- a. the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;
- b. how the performance of the portfolio is evaluated and reported to the Company's management;
- c. the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- d. how managers of the business are compensated - e.g., whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- e. the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

## Financial Liabilities

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

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

## Impairment of Financial Assets

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

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

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

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

- actual and expected significant changes in the political, regulatory and technological environment of the debtor or in its business activities;
- payment record - this includes overdue status as well as a range of variables about payment ratios; and
- existing and forecast changes in the business, financial and economic conditions

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

- the debtor is unlikely to pay its credit obligation to the Company in full, without recourse by the Company to actions such as realizing security (if any is held); or
- the debtor is past due more than 90 days on any material credit obligation to the Company.

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

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

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

#### Offsetting of Financial Assets and Liabilities

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

#### Derecognition of Financial Instruments

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

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

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

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

#### Determination of Fair Values

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

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

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

#### Inventories

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

#### Investment in an Associate

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

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

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

#### Property and Equipment

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

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

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

The estimated useful lives are as follows:

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

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

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

#### Impairment of Nonfinancial Assets

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

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

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

#### Capital Stock

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

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

#### Treasury Stock

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

#### Retained Earnings

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

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

#### Revenue

##### *Revenue from Contracts with Customers*

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



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

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

*Hotel Rooms and Function Halls*

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

*Food and Beverage*

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

*Other Operating Departments*

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

*Other Revenues*

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

Other Income

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

Costs and Expenses

Costs and expenses are recognized when incurred.

Foreign Currency Transactions

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

Operating Segment

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

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

## Leases

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

### *As a Lessor*

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

### *As a Lessee*

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

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

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

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

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

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

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



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

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

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

#### *Short-term Leases and Leases of Low-value Assets*

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

#### Taxes

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

#### *Current Tax*

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

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

#### *Deferred Tax*

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

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

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

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

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

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

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

#### 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. 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.

#### 4. Cash and Cash Equivalents

This account consists of:

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

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

#### 5. Receivables - net

This account consists of:

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

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

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

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

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

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

## 6. Inventories

Inventories carried at cost consists of:

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

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

## 7. Prepaid Expenses and Other Current Assets

This account consists of:

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

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

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

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

## 8. Investment in an Associate

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

This account consists of:

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

A summary of the information of HLC as follows:

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

## 9. Loan Receivable

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

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

## 10. Property and Equipment - net

The movements and balances in this account are as follows:

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

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

### *Valuation Techniques and Significant Unobservable Inputs*

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

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

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

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

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



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

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

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

	<b>Change Required for Carrying Amount to Equal Recoverable Amount</b>
Discount rate	<b>5.4%</b>
Terminal value rate	<b>4.3%</b>

## **11. Other Noncurrent Assets**

This account consists of:

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

Miscellaneous deposits consist of utility and rent deposits.

## **12. Accounts Payable and Accrued Expenses**

This account consists of:

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

Trade payables have normal terms of 30 to 45 days.

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

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



### 13. Other Current Liabilities

This account consists of:

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

### 14. Related Party Transactions

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

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

Due from related parties is included in the following accounts:

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

- a. The Company grants/obtains advances to/from related parties for working capital purposes. These advances are non-interest bearing, unsecured and receivable/payable on demand.
- b. The interest receivable from HLC, an associate, represents the uncollected interest on the lease deposit of the Company to HLC at 5% a year (see Note 20). The related interest income amounted to P3,900,000 annually for the three-year period ended December 31, 2021.
- c. The interest receivable from RRC, an entity under common control, represents the uncollected interest on the loan granted by the Company to RRC at 5% per annum (see Note 9). The related interest income amounted to P775,000 annually for the three-year period ended December 31, 2021.
- d. The Company has a Management Agreement with Elite Hotel Management Services Pte. Ltd - Philippine Company (Elite), an entity under common control, under which the latter provides management, technical and administrative services. In return, the Company pays monthly basic management and incentive fees based on a percentage of the hotel's revenue (2%) and gross operating profit (7%), respectively, starting April 2011. The agreement was last renewed in April 2017 and is effective until December 31, 2021. The renewal of the agreement is in process as at report date.
- e. The rent income from HLC, RRC and Elite represents the sub-leased portion of an office space consisting of 30 square meters, 25 square meters and 65 square meters, respectively, located at the Hotel. The lease covers a period of 2.5 years until December 31, 2016, and was renewed for another three (3) years until December 31, 2019. The contract was further renewed for another one (1) year from January 1 until December 31, 2021, and is renewable for another one (1) year.
- f. The Company leases the land occupied by the Hotel from HLC (see Note 20).
- g. Transactions with Key Management Personnel

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

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

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

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

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

## 15. Payroll and Employee Benefits

This account consists of:

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

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

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

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

## 16. Cost of Sales and Services

This account consists of:

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

## 17. Administrative Expenses

This account consists of:

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

## 18. Earnings Per Share

Basic and diluted earnings per share is computed as follows:

	<b>Note</b>	<b>2021</b>	2020	2019
Weighted average number of common shares:				
Balance at beginning and end of year	24	<b>P53,717,369</b>	P53,717,369	P53,717,369
	<b>Note</b>	<b>2021</b>	2020	2019
Net income for the year		<b>P33,669,054</b>	P12,065,708	P2,369,489
Divided by weighted average number of outstanding shares	24	<b>53,717,369</b>	53,717,369	53,717,369
		<b>P0.63</b>	P0.22	P0.04

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

## 19. Refundable Deposits

This account consists of:

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

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

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

## 20. Leases

### Company as Lessor

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

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

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

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

Contractual cashflows are as follows:

	2021	2020
Due within one year	<b>P600,000</b>	P600,000

#### Company as Lessee

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

- Annual rental on the land of P10,678,560;
- Required lease deposit (shown as part of "Other noncurrent assets" in the statements of financial position) of P78,000,000; and
- Interest rate of 5% or P3,900,000 per annum on the lease deposit which the lessor is obligated to pay to the Company.

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

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

Payments made include as follows:

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

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

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

Contractual cashflows are as follows:

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

## 21. Retirement Cost

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

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

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

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

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

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



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

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

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

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

	2021	2020	2019
Discount rate	<b>5%</b>	4%	5%
Future salary increases	<b>2%</b>	2%	2%

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

#### *Sensitivity Analysis*

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

2021	Increase	Decrease
Discount rate (1% movement)	<b>(P2,315,154)</b>	<b>P2,600,631</b>
Future salary increase rate (1% movement)	<b>2,448,544</b>	<b>(2,221,888)</b>
2020	Increase	Decrease
Discount rate (1% movement)	(P2,522,351)	P2,864,237
Future salary increase rate (1% movement)	2,683,656	(2,411,175)

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

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

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



The maturity analysis of the benefit payments is as follows:

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

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

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

## 22. Income Tax

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- a) Corporate Income Tax rate is reduced from thirty percent (30%) to twenty percent (20%) for domestic corporations with net taxable income not exceeding five million pesos (P5,000,000) and with total assets not exceeding one hundred million pesos (P100,000,000). All other domestic corporations and resident foreign corporations will be subject to twenty-five percent (25%) income tax. Said reductions are effective starting July 1, 2020.
- b) MCIT rate is reduced from two percent (2%) to one percent (1%) effective July 1, 2020 to June 30, 2023.

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

- BIR RR No. 2-2021, *Amending Certain Provisions of RR No. 2-98, As Amended, to Implement the Amendments Introduced by Republic Act (RA) No. 11534, or the CREATE to the National Internal Revenue Code (NIRC) of 1997, as Amended, Relative to the Final Tax on Certain Passive Income.*
- BIR RR No. 3-2021, *Rules and Regulations Implementing Section 3 RA No. 11534, Otherwise Known as CREATE, Amending Section 20 of the NIRC of 1997, As Amended.*
- BIR RR No. 4-2021, *Implementing the Provisions on VAT and Percentage Tax Under Republic Act (RA) No. 11534, Otherwise Known as the CREATE, Which Further Amended the NIRC of 1997, as Amended, as Implemented by RR No. 16-2005 (Consolidated VAT Regulations of 2005), As Amended.*
- BIR RR No. 5-2021, *Implementing the New Income Tax Rates on the Regular Income of Corporations, on Certain Passive Incomes, Including Additional Allowable Deductions from Gross Income of Persons Engaged in Business or Practice of Profession Pursuant to RA No. 11534 or the CREATE, Which Further Amended the NIRC of 1997.*

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

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

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

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## 23. Retained Earnings

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

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## 24. Share Capital

### a. Capital Stock

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

### b. Treasury Stock

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

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

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

- Credit Risk
- Liquidity Risk
- Market Risk

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

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

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

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

The Company's Audit Committee assists the BOD in fulfilling its oversight responsibility of the Company's corporate governance process relating to the:

- a) quality and integrity of the Company's financial statements and financial reporting process and the Company's systems of internal accounting and financial controls;
- b) performance of the internal auditors;
- c) annual independent audit of the Company's financial statements, the engagement of the independent auditors and the evaluation of the independent auditors' qualifications, independence and performance;
- d) compliance by the Company with legal and regulatory requirements, including the Company's disclosure control and procedures;
- e) evaluation of management's process to assess and manage the Company's enterprise risk issues; and
- f) fulfillment of the other responsibilities set out by the BOD.

The Audit Committee also prepares the reports required to be included in the Company's annual report.

#### Credit Risk

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

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

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

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

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

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

\*Excluding cash on hand of P4,291,238 and P4,214,082 in 2021 and 2020, respectively.

\*\*Excluding deposits to suppliers of P28,247 in 2021 and 2020.

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

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

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

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

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

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

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

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

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

#### *Estimating ECL*

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

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



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

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

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

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

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

#### Liquidity Risk

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

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

#### Market Risk

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



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

#### *Room Rates*

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

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

#### *Interest Rate Risk*

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

#### *Foreign Currency Risk*

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

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

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

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

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

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

### Fair Values

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

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

\*Excluding payables to government and Output VAT Payable of P21,928,258 and P9,091,193 in 2021 and 2020, respectively.

\*\*Excluding deposits to suppliers of P28,247 in 2021 and 2020.

\*\*\*Including current and noncurrent portion.

### *Estimation of Fair Values*

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

#### *Cash and Cash Equivalents*

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

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

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

#### *Lease Deposit*

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

#### *Lease Liability - Noncurrent Portion*

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

### Capital Management

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

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

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

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

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

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

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

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## **26. Other Matter - BIR 2008 Tax Case**

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

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

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

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

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

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

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

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

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

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

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

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

On 4 July 2018, the CTA rendered its Decision.

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

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

#### Amended Decision

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

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

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

#### MR Filed by CIR

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

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

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

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

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

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

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

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

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

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

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

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## **27. Impact of COVID-19**

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

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

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



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

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

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

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

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

### Based on RR No. 15-2010

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

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



**B. Withholding Taxes**

Tax on compensation and benefits	<b>P9,725,772</b>
Creditable withholding taxes	<b>6,311,014</b>
	<b>P16,036,786</b>

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

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

**D. Deficiency Tax Assessments and Tax Cases**

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

COVER SHEET  
For  
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

1	6	6	8	7	8				
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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

--

Secondary License Type, If Applicable

--

COMPANY INFORMATION

Company's email Address

--

Company's Telephone Number/s

854-8838
----------

Mobile Number

--

No. of Stockholders

--

Annual Meeting (Month / Day)

--

Fiscal Year (Month / Day)

December 31
-------------

CONTACT PERSON INFORMATION

The designated contact person MUST be an Officer of the Corporation

Name of Contact Person

Mr. Yam Kit Sung
------------------

Email Address

--

Telephone Number/s

854-8838
----------

Mobile Number

--

CONTACT PERSON'S ADDRESS

10 <sup>th</sup> Floor, The Heritage Hotel Manila EDSA corner Roxas Boulevard, Pasay City
---

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

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



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

## 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

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

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

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

**Firm Regulatory Registration & Accreditation:**

PRC-BOA Registration No. 0003, valid until November 21, 2023

SEC Accreditation No. 0003-SEC, Group A, valid for five (5) years covering the audit of 2020 to 2024  
financial statements (2019 financial statements are covered by SEC Accreditation No. 0004-FR-5)

IC Accreditation No. 0003-IC, Group A, valid for five (5) years covering the audit of 2020 to 2024

financial statements (2019 financial statements are covered by IC Circular Letter (CL) No. 2019-39, Transition clause)

BSP Accreditation No. 0003-BSP, Group A, valid for five (5) years covering the audit of 2020 to 2024

financial statements (2019 financial statements are covered by BSP Monetary Board Resolution No. 2161, Transition clause)



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

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

A handwritten signature in black ink, appearing to read 'A. Columbres', written over a faint circular embossed seal.

ALICIA S. COLUMBRES

Partner

CPA License No. 069679

SEC Accreditation No. 1590-AR-1, Group A, valid until August 7, 2022

Tax Identification No. 120-964-156

BIR Accreditation No. 08-001987-027-2020

Issued July 20, 2020; valid until July 19, 2023

PTR No. MKT 8854058

Issued January 3, 2022 at Makati City

March 29, 2022

Makati City, Metro Manila





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

## **INDEPENDENT AUDITOR'S REPORT ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS**

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

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

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



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

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

ALICIA S. COLUMBRES  
Partner

CPA License No. 069679

SEC Accreditation No. 1590-AR-1, Group A, valid until August 7, 2022

Tax Identification No. 120-964-156

BIR Accreditation No. 08-001987-027-2020

Issued July 20, 2020; valid until July 19, 2023

PTR No. MKT 8854058

Issued January 3, 2022 at Makati City

March 29, 2022

Makati City, Metro Manila



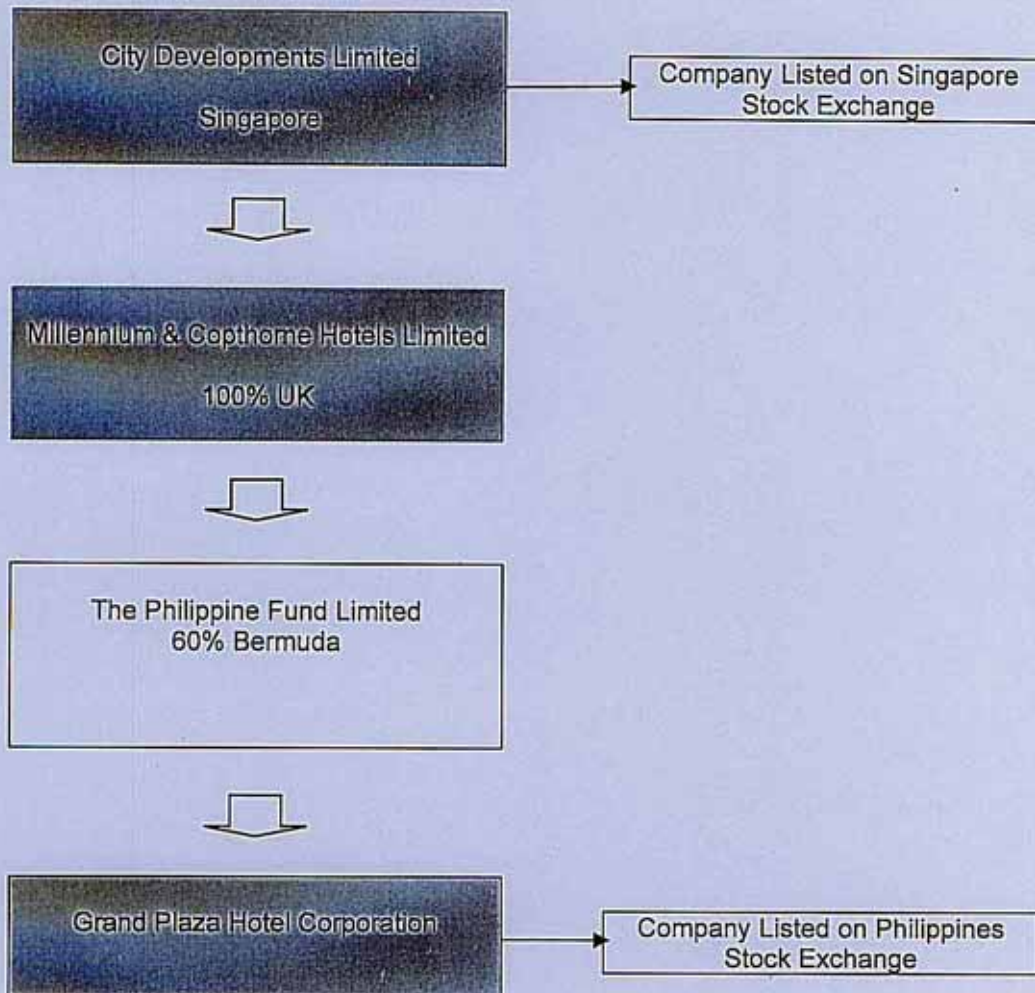
**GRAND PLAZA HOTEL CORPORATION**  
**SCHEDULE OF RECONCILIATION OF RETAINED EARNINGS AVAILABLE**  
**FOR DIVIDEND DECLARATION**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

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



## The Group Structure

### The Philippine Fund Limited Group Structure



As at 31 December 2021

# Grand Plaza Hotel Corporation

## Schedule showing Financial Soundness Indicators

Key Performance Indicators	Formula (Amounts in millions)	2021	2020
Current ratio	<div>Total Current Assets553</div> <div>Divide by: Total Current Liabilities170</div> <div>Current ratio3.25</div>	3.25	2.97
Acid test ratio	<div>Total Current Assets553</div> <div>Less: Inventories(5)</div> <div>Other current assets(38)</div> <div>Quick assets510</div> <div>Divide by: Total Current Liabilities170</div> <div>Acid test ratio3.00</div>	3.00	2.76
Debt to Equity Ratio	<div>Total Liabilities368</div> <div>Stockholder's Equity901</div>	0.41	0.41
Asset to Equity Ratio	<div>Total Assets1,269</div> <div>Stockholder's Equity901</div>	1.41	1.41
Profit before tax margin ratio	<div>Profit (Loss) Before Tax47.10</div> <div>Total Revenue334.99</div>	14.06%	2.66%
EBITDA (Earnings before interest, tax, depreciation & amortization)	<div>Profit (Loss) Before Tax47.10</div> <div>Add: Depreciation Expenses42.97</div> <div>Interest Expense13.89</div> <div>Less: Foreign Exchange Gain9.33</div> <div>Interest Income5.20</div> <div>Equity in Net Income of Associate1.59</div> <div>EBITDA87.84</div>	P87.84 million	P70.28 million
Return on Equity	<div>Net Income47.10</div> <div>Total Equity901.0</div>	5.23%	1.01%
Return on Assets	<div>Net Income47.10</div> <div>Average Total Assets1,269</div>	3.71%	0.7%



## Schedule A. Financial Assets

**•Part of Cash and cash equivalents**

Name and Designation of debtor	Balance December 31, 2020	Additions	Amounts Collected	Amounts written off	Current	Not Current	Balance-December 2021
HARBOUR LAND CORPORATION	6,846,228	4,272,720	9,168,948	-	1,950,000	-	1,950,000
ELITE HOTEL MANAGEMENT	700	103,300	-	-	104,000	-	104,000
SERVICES PTE LTD	207,177	1,181,734	1,085,994	-	322,917	-	322,917
ROGO REALTY CORPORATION							
<b>TOTAL</b>	<b>7,054,105</b>	<b>5,557,754</b>	<b>10,234,942</b>	<b>-</b>	<b>2,376,917</b>	<b>-</b>	<b>2,376,917</b>

Name and Designation of debtor	Balance December 31, 2020	Additions	Amounts Collected	Amounts written off	Current	Not Current	Balance December 2021
TOTAL	-	-	-	-	-	-	-

GRAND PLAZA HOTEL CORPORATION  
SCHEDULES TO FINANCIAL STATEMENTS

Schedule D. Intangible Assets - Other Assets

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

\* Allowance for impairment of input tax

Schedule E. Long Term Debt

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

Balance December 31, 2021		
------------------------------	--	--



GRAND PLAZA HOTEL CORPORATION  
SCHEDULES TO FINANCIAL STATEMENTS

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

Name of related party	Balance December 31, 2020	Balance December 31, 2021
	Nothing to report	
<b>TOTAL</b>	-	-

Schedule G. Guarantees of Securities of Other Issuers

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

GRAND PLAZA HOTEL CORPORATION  
SCHEDULES TO FINANCIAL STATEMENTS

Schedule H. Capital Stock

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



REPUBLIC OF THE PHILIPPINES )  
CITY OF TAGUIG ) S.S.

### SECRETARY'S CERTIFICATE

I, ALAIN CHARLES J. VELOSO, Filipino, of legal age, with office address at the 16<sup>th</sup> Floor, One/NEO Building, 26<sup>th</sup> Street corner 3<sup>rd</sup> Avenue, Crescent Park West, Bonifacio Global City, Taguig City, Philippines, after having duly sworn, hereby certify that:

1. I am the duly elected and qualified Corporate Secretary of **GRAND PLAZA HOTEL CORPORATION ("Corporation")**, a corporation duly organized and existing under the laws of the Republic of the Philippines.
2. Based on the corporate records of the Corporation and confirmation obtained from the directors or key officers of the Corporation identified under Item 5 of the Corporation's 20-IS for year 2022, the following directors and key officers of the Corporation are not currently connected with any government agencies or its instrumentalities:
  - 1) Kwek Eik Sheng
  - 2) Bryan Cockrell
  - 3) Ricardo Pio Castro, Jr.
  - 4) Simeon Ken R. Ferrer
  - 5) Wong Kok Ho
  - 6) Yam Kit Sung
  - 7) Geraldine Gaw
  - 8) Juancho Baltazar
  - 9) Josefina Malpas
  - 10) Arlene de Guzman
  - 11) Farid Alain Schoucair
  - 12) Ramon Perez, Jr.
3. Based on the confirmation received by the Corporation, one of the directors, Mia G. Gentugaya, currently serves as a lecturer at the University of the Philippine College of Law ("UP Law"), a Philippine state university. Ms. Gentugaya does not perform any administrative duties in UP Law. Attached as Annex 1 is the consent previously obtained by Ms. Gentugaya from UP Law.
4. I execute this Secretary's Certificate to comply with the requirements of the SEC, in connection with the Corporation's SEC Form 20-IS.


IN WITNESS WHEREOF, I have hereunto set my hand this 17 March 2022 at Taguig City, Philippines.

  
**Alain Charles J. Veloso**  
Corporate Secretary

SUBSCRIBED AND SWORN to before me by Alain Charles J. Veloso, this MAR 17 2022, at Taguig City, Philippines, affiant exhibiting to me his Passport No. P0173706B issued on 09 January 2019 at DFA NCR West, expiry date on 08 January 2029.

Doc. No. 71 ;  
Page No. 15 ;  
Book No. III ;  
Series of 2022.



  
Kevin C. Catapusan  
Notary Public for Taguig City  
Appointment No. 67, valid until June 30, 2022  
(pursuant to Supreme Court En Banc Resolution  
dated September 28, 2021 - B.M. No. 3795)  
16th Floor, One/NEO Building, 26th St., cor. 3rd Ave.  
Crescent Park West, Bonifacio Global City, Taguig City 1634  
Roll No. 73208  
BP Membership Receipt No. 17/88111 02/10/2022 Makati Chapter



OFFICE OF THE DEAN

06 April 2021

**SECURITIES AND EXCHANGE COMMISSION**

Secretariat Building, PICC Complex  
Roxas Boulevard, Metro Manila Philippines


Attention: Vicente Graciano P. Felizmenio, Jr.  
Director, Markets and Securities Regulation Department

RE: Atty. Mia G. Gentugaya as Independent Director of  
Grand Plaza Hotel Corporation

Ladies and Gentlemen,

The University of the Philippines College of Law has no objection to the election of Atty. Mia G. Gentugaya as an independent director of Grand Plaza Hotel Corporation. Atty. Gentugaya is a [Senior Lecturer 3] at the UP College of Law and is under no impediment to assume the office of an independent director.

Very truly yours,

  
EDGARDO CARLO L. VISTAN, II  
Dean

**MINUTES OF THE ANNUAL MEETING  
OF THE STOCKHOLDERS OF  
GRAND PLAZA HOTEL CORPORATION  
17 May 2021**

The annual meeting of the stockholders of Grand Plaza Hotel Corporation (**Corporation**) was held via video conference through Zoom (in accordance with the Philippine Securities and Exchange Commission's Notice dated 16 March 2021 on the Alternative Mode for Distributing and Providing Copies of the Notice of Meeting, Information Sheet, and other Documents in connection with the holding of Annual Stockholders' Meeting for 2021), on 17 May 2021 at 11:33 a.m..

Mr. Bryan Cockrell, the Vice Chairman of the Board of Directors, presided over the meeting via video conference from Bonifacio Global City, Taguig City, while the Corporate Secretary, Mr. Alain Charles J. Veloso, recorded the minutes thereof.

Mr. Veloso informed the Vice Chairman that, based on the attendance record submitted by Stock Transfer Service, Inc. (**STSI**), the stock and transfer agent of the Corporation, stockholders owning or representing 87.24% of the outstanding capital stock of the Corporation were present, in person or by proxy. Hence, Mr. Veloso certified the existence of a quorum for the meeting. Attached as **Annex "A"** and forming an integral part of these Minutes is the certification of STSI of the attendance report for the meeting.

The Vice Chairman confirmed and recognized, for purposes of the meeting, the proxies presented, and directed that they be attached to the minutes.

The following directors also attended the meeting:

- Mr. Kwek Eik Sheng, the Chairman of the Board of Directors and President of the Corporation, attended the meeting from Singapore, via video conference;
- Mr. Wong Kok Ho, a Director of the Corporation, attended the meeting from Hong Kong, via video conference;
- Mr. Yam Kit Sung, the General Manager, Chief Audit Executive, Chief Financial Officer, Compliance Officer and a member of the Management Committee, attended the meeting from Singapore, via video conference;
- Ms. Mia Gentugaya, an Independent Director and Chairperson of the Audit Committee, attended the meeting from Muntinlupa City, via video conference;

The following persons also attended the meeting:

- Mr. Simeon Ken R. Ferrer, a stockholder of the Corporation and nominated as an Independent Director in the Recommendation Forms submitted by Zatrio Pte. Ltd. and The Philippine Fund Limited;
- Mr. Ricardo Pio Castro, Jr., a stockholder of the Corporation;
- Mr. Alain Charles J. Veloso, Corporate Secretary of the Corporation, attended the meeting from Taguig City, via video conference;
- Ms. Lesley Anne C. Mondez, Assistant Corporate Secretary of the Corporation, attended the meeting from Taguig City, via video conference;
- Mr. Farid Alain Schoucair, the General Manager of The Heritage Hotel, attended the meeting from the Board Room of The Heritage Hotel, Pasay City, via video conference;

Ms. Josefina P. Malpas, Director of Finance of The Heritage Hotel, attended the meeting from the Board Room of The Heritage Hotel, Pasay City, via video conference;  
Ms. Cecille Bernardo, Assistant Compliance Officer, attended the meeting from the Board Room of The Heritage Hotel, Pasay City, via video conference;  
Ms. Camille Agapito, Ms. Emerald Bagnes, Mr. Enrico Baluyut, and Ms. Jazmine del Rosario of R.G. Manabat & Co. (a Member Firm of KPMG International) (**KPMG**), the Corporation's Independent Auditor, attended the meeting via video conference; and  
Kathlyn Villegas Flaminiano of Stock Transfer Service Inc., the Corporation's Stock Transfer Agent, attend the meeting via video conference.

#### **I. Presentation and Approval of the 2020 Annual Report**

The Vice Chairman indicated to the stockholders that the Annual Report and Audited Financial Statements for the period ended 31 December 2020 may be found in the Information Statement, which was circulated to the stockholders pursuant to the requirements of the Securities Regulation Code and the Philippine SEC Notice dated 16 March 2021.

Upon motion made, seconded and unanimously approved by the stockholders present it was:

RESOLVED, that the annual report and the audited financial statements of the Corporation for the year ended 31 December 2020 be hereby approved.

#### **II. Approval and ratification of the minutes of the stockholders' meeting held on 8 June 2020**

The Vice Chairman inquired with the Corporate Secretary whether the minutes of the Annual Stockholders' Meeting held on 8 June 2020 were made available for review of the stockholders. The Corporate Secretary advised the Vice Chairman that the Minutes of the Annual Meeting of the Stockholders held on 8 June 2020 were made available to the stockholders for their review and inspection at the office of the Corporate Secretary.

Upon motion made, seconded and unanimously approved by the stockholders present it was:

RESOLVED, that the Minutes of the Annual Stockholders' Meeting of the Corporation held on 8 June 2020 be hereby approved.

#### **III. Ratification of All Acts and Proceedings of the Board of Directors, Acting within the Scope of its Delegated Authority, for the Year 2020 to 2021**

The Vice Chairman proceeded to the next item on the agenda, which is the confirmation and ratification of the acts and the resolutions of the Board of Directors (**Board**) during the year 2020 to 2021. The Vice Chairman stated that the acts and proceedings of the Board during the year 2020 to 2021 are listed on pages 31 to 33 of the Information Statement, which was circulated to the stockholders pursuant to the requirements of the Securities Regulation Code and the SEC Notice dated 16 March 2021. The Vice Chairman inquired with the Corporate Secretary whether the minutes of the Board meetings for the year 2020 to 2021 were made available for review and inspection of the stockholders. The Corporate Secretary advised the Vice Chairman that the minutes

of the Board meetings were made available to the stockholders for their review and inspection at the office of the Corporate Secretary.

Upon motion made, seconded and unanimously approved by the stockholders present it was:

RESOLVED, that the stockholders of the Corporate hereby approve and ratify all acts, decisions, contracts and proceedings done, taken, and effected by the Board of Directors of the Corporation, and resolutions approved and issued by the Board of Directors, acting within the scope of their authority, during the year 2020 to 2021.

#### **IV. Election of the Board of Directors**

The Vice Chairman called for the nomination and election of the members of the Board who shall serve until the next annual stockholders' meeting or until their successors are duly elected and qualified. There are seven seats in the Board of Directors: five seats are for the regular members, while two seats are for independent directors.

The Vice Chairman mentioned that the Corporation is required by law to elect two independent directors. Only the candidates for independent directors who are included on the final list of candidates prepared by the Corporate Governance Committee are eligible to be elected independent directors. No further nominations for independent directors are allowed.

The Vice Chairman informed the stockholders that the Corporate Governance Committee has submitted to the Chairman the final list of candidates for independent directors. Based on the list, there are two nominees for independent directors, Ms. Mia G. Gentugaya and Mr. Simeon Ken R. Ferrer. The description of the background and qualifications of Ms. Gentugaya and Mr. Ferrer are found on pages 15 to 16 of the Information Statement which was distributed to the stockholders prior to the meeting.

The Chairman then opened the table for the nomination of five (5) regular directors of the Corporation. The Chairman gave the floor to the Corporate Secretary, Mr. Veloso, who discussed the qualifications and disqualifications of a regular director.

The following persons were nominated:

Mr. Kwek Eik Sheng  
Mr. Bryan K. Cockrell  
Mr. Yam Kit Sung  
Mr. Wong Kok Ho  
Mr. Ricardo Pio Castro, Jr.

There were no other nominations. The nominating stockholder stated that the qualifications and business experience of the nominees, except for Mr. Castro's are found on pages 16 to 18 of the Information Statement which was distributed to the stockholders prior to the meeting. Meanwhile, the qualification and business experience of Mr. Castro, Jr., were discussed upon his nomination as a director of the Corporation.

Upon motion made, seconded, and unanimously approved by the stockholders present it was:

RESOLVED, that the following:

Mr. Kwek Eik Sheng  
Mr. Bryan K. Cockrell  
Mr. Yam Kit Sung  
Mr. Wong Kok Ho  
Mr. Pio Castro, Jr.

are hereby elected as members of the Corporation for the year 2021 to 2022, to hold office until the next annual meeting of the stockholders of the Corporation, and until their successors are duly elected and qualified;

RESOLVED, FURTHER, that Ms. Mia G. Gentugaya and Mr. Simeon Ken R. Ferrer are hereby elected as independent directors for the year 2021 to 2022, to hold office until the next annual meeting of the stockholders of the Corporation, and until their successors are duly elected and qualified.

**V. Appointment of External Auditor and Authority of the Board to Fix Auditors' Remuneration**

The Vice Chairman informed the stockholders of the need to appoint the external auditor of the Corporation, and to authorize the Board to fix the remuneration of the external auditor. Pursuant to the requirements of the Revised Manual Corporate Governance of the Corporation, the Audit Committee and the Board recommended KPMG as the external auditor of the Corporation for the fiscal year 2021, with Mr. Enrico Baluyut as handling partner. KPMG is a professional partnership established under Philippine law, and is a member firm of KPMG International, a Swiss cooperative.

Upon motion made, seconded and unanimously approved by the stockholders present, it was:

RESOLVED, that the Corporation hereby appoints R.G. Manabat & Co. (a Member Firm of KPMG International), as the Corporation's external auditor for the fiscal year 2021, with Mr. Enrico Baluyut as handling partner;

RESOLVED, FURTHER, that the Board of Directors of the Corporation be hereby authorized to fix the remuneration or professional fees to be paid to R.G. Manabat & Co..

**VI. Per Diem of Directors of the Corporation**

The Vice Chairman informed the stockholders that the Corporate Governance Committee of the Corporation recommended that each regular director will be paid a per diem of PHP15,000, net of taxes, and each independent director will be paid a per diem of PHP15,720, net of taxes, for each attendance in a meeting of the Board of Directors. Members of the Audit Committee will also be paid a per diem of PHP15,000, net of taxes, for each attendance in a meeting of the Audit Committee.



There was a total of eight Board of Directors' meetings<sup>1</sup> and four Audit Committee meetings<sup>2</sup> for the period 8 July 2020 to 17 May 2021. Thus, a regular director who attended all of the Board of Directors meetings in 2020-2021 will be entitled to a total per diem of PhP120,000, net of taxes, while an independent director who attended all of the Board of Directors meetings in 2020-2021 will be entitled to a total per diem of PhP125,760, net of taxes. An Audit Committee member who attended all of the Audit Committee meetings in 2020-2021, will be entitled to a total per diem of PhP60,000, net of taxes. The Chairman informed the stockholders that other than the per diem, the directors will not receive any other form of compensation or remuneration for their services.

Upon motion made, seconded and unanimously approved by the stockholders present, it was:

RESOLVED, that the stockholders of the Corporation approve the payment (i) to each regular director of a per diem of PhP15,000 net of taxes, for each attendance in a meeting of the Board of Directors, (ii) to each independent director a per diem of PhP15,720, net of taxes, for each attendance in a meeting of the Board of Directors, and (iii) to each member of the Audit Committee of a *per diem* of PhP15,000, net of taxes, for each attendance in a meeting of the Audit Committee.

## **VII. Adjournment**

There being no further questions from the stockholders and no further business to transact, the meeting thereupon adjourned.

**ALAIN CHARLES J. VELOSO**  
Corporate Secretary

Attest:

**BRYAN COCKRELL**  
Chairman of the Meeting

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<sup>1</sup> 8 July 2020, 5 August 2020, 26 October 2020, 17 December 2020, 9 February 2021, 17 March 2021, 4 May 2021, and 17 May 2021.

<sup>2</sup> 5 August 2020, 26 October 2020, 9 February 2021, and 4 May 2021.

**Annex "A"**  
**Attendance Report**

*Stock Transfer Service, Inc.*

**Grand Plaza Hotel Corporation**

**Annual Stockholders' Meeting**

**17 May 2021 at 11:00 A.M.**

Through remote communication


**ATTENDANCE REPORT**

	<u>No. of Shares</u>	<u>Percentage</u>
PROXIES (Tabulated by CORSEC)	<u>46,856,081</u>	<u>87.23%</u>
ATTENDANCE	<u>5,004</u>	<u>00.01%</u>
TOTAL PROXIES AND ATTENDANCE	<u><u>46,861,085</u></u>	<u><u>87.24%</u></u>

<b>TOTAL ISSUED &amp; OUTSTANDING SHARES</b>	<b>:</b>	<b>53,717,369</b>
<b>(Net of Treasury Shares of 33,600,901 )</b>		<u><u>53,717,369</u></u>

Certified by:

**STOCK TRANSFER SERVICE, INC.**

  
**RICARDO D. REGALA, JR.**  
General Manager

**Stock Transfer Service, Inc.**

34-D Rufino Pacific Tower, 6784 Ayala Avenue, Makati City

Telephone Nos.: 8403-2410 / 8403-2412

Fax No.: 8403-2414

# SECURITIES AND EXCHANGE COMMISSION

## SEC FORM 17-A, AS AMENDED

### 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  
Dec 31, 2021
2. SEC Identification Number  
166878
3. BIR Tax Identification No.  
000-460-602
4. Exact name of issuer as specified in its charter  
Grand Plaza Hotel Corporation
5. Province, country or other jurisdiction of incorporation or organization  
Pasay City, Metro Manila
6. Industry Classification Code(SEC Use Only)
7. Address of principal office  
10th Floor, Heritage Hotel Manila, EDSA corner Roxas Boulevard  
Postal Code  
1300
8. Issuer's telephone number, including area code  
02-8854 8838
9. Former name or former address, and former fiscal year, if changed since last report  
NA
10. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Stocks	87,318,270

11. Are any or all of registrant's securities listed on a Stock Exchange?

☒ Yes ☐ No

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

Philippine Stock Exchange - 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 17.1 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

-

### 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.

☒ 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 information statement filed pursuant to SRC Rule 20

-

(c) Any prospectus filed pursuant to SRC Rule 8.1

-

*The Exchange does not warrant and holds no responsibility for the veracity of the facts and representations contained in all corporate disclosures, including financial reports. All data contained herein are prepared and submitted by the disclosing party to the Exchange, and are disseminated solely for purposes of information. Any questions on the data contained herein should be addressed directly to the Corporate Information Officer of the disclosing party.*

# Grand Plaza Hotel Corporation

## GPH

**PSE Disclosure Form 17-1 - Annual Report**  
**References: SRC Rule 17 and**  
**Section 17.2 and 17.8 of the Revised Disclosure Rules**

For the fiscal year ended	Dec 31, 2021
Currency	Peso

### Balance Sheet

	Year Ending	Previous Year Ending
	Dec 31, 2021	Dec 31, 2020
<b>Current Assets</b>	553,119,343	466,729,866
<b>Total Assets</b>	1,269,060,380	1,225,861,852
<b>Current Liabilities</b>	170,218,322	156,889,249
<b>Total Liabilities</b>	367,693,497	359,027,825
<b>Retained Earnings/(Deficit)</b>	1,684,651,009	1,650,981,955
<b>Stockholders' Equity</b>	901,366,883	866,834,027
<b>Stockholders' Equity - Parent</b>	-	-
<b>Book Value Per Share</b>	10.32	9.92

### Income Statement

	Year Ending	Previous Year Ending
	Dec 31, 2021	Dec 31, 2020
<b>Gross Revenue</b>	334,990,541	329,900,587
<b>Gross Expense</b>	379,864,218	356,903,447
<b>Non-Operating Income</b>	2,225,809	-18,232,413
<b>Non-Operating Expense</b>	-	-
<b>Income/(Loss) Before Tax</b>	47,099,486	8,770,447
<b>Income Tax Expense</b>	13,430,432	-3,295,261
<b>Net Income/(Loss) After Tax</b>	33,669,054	12,065,708
<b>Net Income/(Loss) Attributable to Parent Equity Holder</b>	-	-
<b>Earnings/(Loss) Per Share (Basic)</b>	0.63	0.22
<b>Earnings/(Loss) Per Share (Diluted)</b>	-	-

**Financial Ratios**

	Formula	Fiscal Year Ended	Previous Fiscal Year
		Dec 31, 2021	Dec 31, 2020
Liquidity Analysis Ratios:			
Current Ratio or Working Capital Ratio	Current Assets / Current Liabilities	3.2	2.97
Quick Ratio	(Current Assets - Inventory - Prepayments) / Current Liabilities	2.99	2.76
Solvency Ratio	Total Assets / Total Liabilities	3.45	3.41
Financial Leverage Ratios			
Debt Ratio	Total Debt/Total Assets	0.28	0.29
Debt-to-Equity Ratio	Total Debt/Total Stockholders' Equity	0.4	0.41
Interest Coverage	Earnings Before Interest and Taxes (EBIT) / Interest Charges	-	-
Asset to Equity Ratio	Total Assets / Total Stockholders' Equity	1.4	1.41
Profitability Ratios			
Gross Profit Margin	Sales - Cost of Goods Sold or Cost of Service / Sales	0.78	0.75
Net Profit Margin	Net Profit / Sales	0.1	0.36
Return on Assets	Net Income / Total Assets	0.02	0
Return on Equity	Net Income / Total Stockholders' Equity	0.03	0.01
Price/Earnings Ratio	Price Per Share / Earnings Per Common Share	23	49

**Other Relevant Information**

-

**Filed on behalf by:**

<b>Name</b>	Kit Sung Yam
<b>Designation</b>	General Manager





NC0M1907KH

## NOTARIAL CERTIFICATE

TO ALL TO WHOM these presents shall come

I, Ho Suk Tsing Leslie, NOTARY PUBLIC duly admitted, authorised to practise in the Republic of Singapore, DO HEREBY CERTIFY

**THAT** the document "**SECURITIES AND EXCHANGE COMMISSION - SEC FORM 17-A**" hereunto annexed was signed and executed by **KWEK EIK SHENG** the person named and mentioned in the said document for and on behalf of **GRAND PLAZA HOTEL CORPORATION**.

IN FAITH AND TESTIMONY whereof I the said notary have subscribed my name and set and affixed my seal of office at Singapore, this 15th day of February 2022.

NOTARY PUBLIC  
SINGAPORE



By virtue of Rule 8(3)(c) of the Notaries Public Rules, a Notarial Certificate must be authenticated by the Singapore Academy of Law in order to be valid.

With effect from 16 September 2021, a Notarial Certificate shall be deemed to be validly authenticated by the affixing of an Apostille to the back of the Notarial Certificate.

# APOSTILLE

(Convention de La Haye du 5 Octobre 1961)

This Apostille only certifies the authenticity of the signature, seal or stamp and the capacity of the person who has signed the attached Singapore public document, and, where appropriate, the identity of the seal or stamp. It does not certify the authenticity of the underlying document.

If this document is to be used in a country not party to the Hague Convention of the 5th of October 1961, it should be presented to the consular section of the mission representing that country.

To verify this Apostille, go to

<https://legalisation.sal.sg>

or scan QR code:



Verification code: 57308171

1. Country:	Singapore
This public document	
2. Has been signed by:	Ho Suk Tsing Leslie
3. Acting in the capacity of:	Notary Public
4. Bears the seal/stamp of:	Notary Public
Certified	
5. At:	Singapore Academy of Law
6. The:	15th February 2022
7. By:	Melissa Goh, Deputy Director, SAL
8. No.:	AC0M1A0MRC
9. Seal/Stamp:	10. Signature: 



**SECURITIES AND EXCHANGE COMMISSION**

**SEC FORM 17-A**

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

1. For the fiscal year ended 31 December 2021
2. SEC Identification Number 166878    3. BIR Tax Identification No. 000-460-602-000
4. Exact name of issuer as specified in its charter GRAND PLAZA HOTEL CORPORATION ("Company")
5. City of Pasay, Philippines  
Province, Country or other jurisdiction  
of incorporation or organization
6.  (SEC Use Only)  
Industry Classification Code:
7. 10/F, The Heritage Hotel Manila, Roxas Blvd. Cor. EDSA Ext., Pasay City    1300  
Address of principal office    Postal Code
8. Tel No. (632) 854-8838 ; Fax No. (632) 854-8825  
Issuer's telephone number, including area code
9. N/A  
Former name, former address, and former fiscal year, if changed since last report.
10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
<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 17 January 2022 is PhP14.32 and the total voting stock held by non-affiliates of the Company is 6,857,283. Therefore, the aggregate market value of the voting stock held by non-affiliates of the Company is PhP98,196,292.56.

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

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

Yes ☐ No ☐

**DOCUMENTS INCORPORATED BY REFERENCE**

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

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

## **PART I – BUSINESS & GENERAL INFORMATION**

### **ITEM 1. BUSINESS**

#### **General**

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

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

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

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

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

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

#### **Competitive Position**

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

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

#### **Raw Materials and Services**

The Hotel purchases its raw material for food and beverage ("F&B") from both local and foreign suppliers. The top 3 suppliers for raw materials are JC Seafood Supplies, Sofia Seafood and Erickel Enterprises.

#### **Dependence on Single Customer**

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

## Related Party Transactions

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

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

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

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

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

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

a. Approval of individual Material RPTs

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

b. Approval of aggregate RPT transactions



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

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

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

- a. A summary of material related party transactions entered into during the reporting year which shall be disclosed in the Company's Integrated Annual Corporate Governance Report (I-ACGR) to be submitted annually every May 30.
- b. Advisement Report in the form prescribed by the SEC of any Material RPT filed within three calendar days from the execution date of the transaction. The Advisement Report shall be signed by the Company's Corporate Secretary or authorized representative.
- c. At a minimum, the disclosures in both (a) and (b) above shall include the following information:
  - i. complete name of the related party;
  - ii. relationship of the parties;
  - iii. execution date of the Material RPT;
  - iv. financial or non-financial interest of the related parties;
  - v. type and nature of transaction as well as a description of the assets involved;
  - vi. total assets (consolidated assets, if the reporting company is a parent company);
  - vii. amount or contract price;
  - viii. percentage of the contract price to the total assets of the reporting Company;
  - ix. carrying amount of collateral, if any;
  - x. terms and conditions;
  - xi. rationale for entering into the transaction; and
  - xii. the approval obtained (i.e., names of directors present, name of directors who approved the Material RPT and the corresponding voting percentage obtained).

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

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

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

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

No disclosure is needed for any transaction where:

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

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

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

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

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

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

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

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

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

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

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

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

### **Government Approval and Regulation**

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

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

### **Development Activities**

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

### **Number of Employees**

The Hotel employed a total of 167 employees for the year ended 31 December 2021. Out of the 167 employees, 140 are regular employees and 27 are casual employees.

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

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

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

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

## **ITEM 2. PROPERTIES**

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

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

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

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

## **ITEM 3. LEGAL PROCEEDINGS**

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

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

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

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

On 24 July 2015, the Company received a Warrant of Distraint and/or Levy dated 24 July 2015 from the BIR ("Warrant"). The Warrant relates to the tax case for year 2008. Considering that a Petition for Review has been earlier filed with the CTA on 20 February 2015 to question the validity of the collection proceedings initiated by the CIR and that the matter is currently being litigated at the CTA, the Company has taken

appropriate legal measures to ensure that such Warrant is not implemented during the course of the trial proceedings.

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

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

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

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

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

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

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

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

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

On 4 July 2018, the CTA rendered its Decision.

In the Decision, the CTA held that it does not have jurisdiction to entertain the Petition. It explained that the CTA only has jurisdiction to review decisions of the CIR involving disputed assessments, and not those assessments which have become final and executory. The CTA held that due to the Company's failure to file a protest within the

reglementary period, the assessment became final, executory, and demandable. In light of the foregoing, the CTA held that it had no jurisdiction to entertain the Petition.

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

#### Amended Decision

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

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

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

#### MR filed by CIR

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

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

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

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



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

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

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

#### *Petition for Review filed by the CIR*

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

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

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

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

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

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

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

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

## PART II – OPERATIONAL AND FINANCIAL INFORMATION

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

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

The following are the high and low share prices of the Company for the year 2021 and 2020:

Amount in Peso:

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

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

#### Holders of Securities

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

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

The list of the top 20 shareholders is as follows:

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

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

### Dividends

No dividends were declared for FY2021 and FY2020.

### Dividend Policy

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

### Recent Sales of Unregistered Securities

The Company does not have any unregistered securities.

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

### (A) Full Fiscal Year

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

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

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

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

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

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

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

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

Management is not aware of:

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

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

## **Results of Operations:**

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

YEAR	REVENUE – PHP’000	NIAT – PHP’000
<b>2021</b>	<b>334,990</b>	<b>33,669</b>
220	329,900	12,065
2019	441,315	2,369

### **2021 Results of Operations**

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

#### **Revenue:**

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

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

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

#### **Cost of sales and services:**

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

#### **Administrative Expenses:**

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

#### **Other income/(expenses):**

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

## **2020 Results of Operations**

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

### **Revenue:**

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

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

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

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

### **Cost of sales and services:**

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

### **Selling and Administrative Expenses:**

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

### **Other income/(expenses):**

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

## **2019 Results of Operations**

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



#### Revenue:

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

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

#### Cost of sales and services:

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

#### Selling and Administrative Expenses:

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

#### Other income/(expenses):

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

#### Financial Conditions:

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

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

## 2021 Financial Conditions

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

### Assets/Liabilities and Equity:

- Cash and cash equivalents: This balance consists of cash and fixed deposits placed with banks. Cash increased by PhP102.1 million (36%) versus end of last fiscal year. With better profitability and improved collection from OWWA, the hotel is able to increase the cash balance.
- Accounts receivables – net: This balance decreased from PhP127.1 million to PhP99.1 million or 22% lower than prior year. In 2021, hotel was able to work closely with OWWA for them to pay more promptly and this improved the accounts receivables.
- Due from related parties: This balance increased by PhP2.5 million (35.7%) relative to last year as related parties have not settled its outstanding liabilities to the Company.
- Inventories: Inventories consist mainly of F&B, general supplies and engineering supplies. There is a drop in this balance by PhP0.6 million (11.5%) and this is due to lower inventories in food and beverage and general supplies.
- Prepaid expenses and other current assets: This consist mainly of prepaid insurance, prepaid income tax and input tax. This balance increased from PhP27.6 million to PhP37.9 million. The increase is mainly due to the increase in prepaid tax by PhP14 million.
- Property and equipment net: This balance fell by PhP33.7 million (5.7%) as compared to prior year. This is mainly due to depreciation charges for the year offset by acquisitions of new property and equipment.
- Deferred tax assets –net: Deferred tax assets are due to retirement benefits, impairment loss, exchange gain/loss and actuarial gain on defined benefit plan. This year, the balance decreased by PhP11.8 million (36%) as a result of recognition of higher deferred tax liabilities from unrealized foreign exchange gain.
- Other noncurrent assets: This balance mainly consists of lease deposit, advances to suppliers/contractors and miscellaneous investment and deposits. The balance as compared to last year increased marginally by PhP2.1 million (2.2%) as a result of higher advances to suppliers/contractors. This pertains to reduction in some capital expenditures that are still work in progress and had not been capitalized yet.
- Accounts payable and accrued expenses: There is an increase of PhP3.3 million or 25.9% versus prior year. As business recovered slowly with higher occupancy, the hotel's trade payable also increased.
- Due to related parties: As at end of year 2021, this balance has increased by PhP4.1 million (9.7%) as the Company has not settled its outstanding liability with related companies of which the majority pertains to rental expense to an associate.

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

## **2020 Financial Conditions**

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

### **Assets/Liabilities and Equity:**

- Cash and cash equivalents: This balance consists of cash and fixed deposits placed with banks. Cash decreased by PhP30.3 million (9.6%) versus end of last fiscal year. With a lower revenue versus 2019 and slower in collection due to the restricted movements in the Philippines, cash balance has decreased.
- Accounts receivables – net: This balance increased from PhP88.3 million to PhP127.1 million or 43.9% higher than prior year. As explained in previous paragraph, due to the restricted movements mandated by government in Philippines, collection has slow down and this caused accounts receivables to increase.
- Due from related parties: This balance increased from PhP0.075 million to PhP7.0 million as related parties have not settled its outstanding liabilities to the Company.
- Inventories: Inventories consist mainly of F&B, general supplies and engineering supplies. There is a drop in this balance by PhP2.3 million (30.6%) and this is due to lower inventories in food and beverage and general supplies which is consistent with the lower revenue.
- Prepaid expenses and other current assets: This consist mainly of prepaid insurance, prepaid income tax and input tax. This balance increased marginally from PhP26.6 million to PhP27.6 million. The increase is mainly due to the net variance between Creditable Withholding Tax and Prepaid Income Tax.
- Deferred tax assets –net: Deferred tax assets are due to retirement benefits, impairment loss, exchange gain/loss and actuarial gain on defined benefit plan. This year, the balance increased by PhP6.7 million (25.6%) as a result of higher retirement benefit and actuarial loss.
- Other noncurrent assets: This balance mainly consists of lease deposit, advances to suppliers/contractors and miscellaneous investment and deposits. The balance as compared to last year decreased marginally by PhP1.1 million (1.2%) as a result of higher advances to suppliers/contractors. This pertains to reduction in some capital expenditures that are still work in progress and had not been capitalized yet.
- Accounts payable and accrued expenses: There is a decrease of PhP35.3 million 38.8% versus prior year. As business has slowed down significantly during the year, trade payables also fell by PhP22.7 million (42.83%) versus 2019. Similarly, accruals for payroll and others also reduced by PhP12.62 million (22.86%).

- Due to related parties: As at end of year 2020, this balance has increased by PhP15.5 million (42.9%) as the Company has not settled its outstanding liability with related companies of which the majority pertains to rental expense to an associate.
- Lease liability – current portion and non-current portion: Lease liability arose due to the adoption of IFRS 16 on accounting of lease in January 2019. As a result, we have to recognize lease liability amounting to PhP3.9 million in current portion and PhP167.7 million for non-current portion.
- Accrued retirement benefits liability: This balance increased by PhP5.0 million or 17.3% from prior year. The increment is mainly due to actuarial loss of PhP3.4 million.

### **2019 Financial Conditions**

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

#### **Assets/Liabilities and Equity:**

- Cash and cash equivalents: This balance consists of cash and fixed deposits placed with banks. Cash increased by PhP55 million (21.2%) versus end of last fiscal year. The improvement in trading coupled with less capital expenditure for the year caused cash balance to show a healthy increase of 21.2%.
- Accounts receivables – net: This balance increased from PhP78 million to PhP88.3 million or 13.2% higher than prior year. The higher room revenue in November and December due to major events in Manila increase the revenue and consequently, accounts receivables also increased.
- Due from related parties: This balance fell by PhP0.124 million or 62.1% versus same period last year as the related companies have settled some of its outstanding liabilities to the Company.
- Inventories: Inventories consist mainly of F&B, general supplies and engineering supplies. There is a drop in this balance by PhP1.7 million (18.4%) and this is due to lower inventories in beverage and general supplies.
- Prepaid expenses and other current assets: This consist mainly of prepaid insurance, prepaid income tax and input tax. This balance increased from PhP23.5 million to PhP26.6 million. The increase in prepaid income tax and reduction in input tax are the cause of the variance.
- Investment in associate: There is a drop in this balance by PhP0.2 million and this is mainly due to the dividends received amounting to PhP1.6 million.

- **Deferred tax assets –net:** Deferred tax assets are due to retirement benefits, impairment loss, exchange gain/loss and actuarial gain on defined benefit plan. This year, the balance increased by PhP7.5 million (40.3%) as a result of higher retirement benefit and actuarial loss.
- **Other noncurrent assets:** This balance mainly consists of lease deposit, advances to suppliers/contractors and miscellaneous investment and deposits. The balance as compared to last year increased by PhP4.1 million (4.6%) as a result of higher advances to suppliers/contractors. This pertains to some capital expenditures that are still work in progress and had not been capitalized yet.
- **Accounts payable and accrued expenses:** There is an increase of PhP23.6 million 35.1% versus prior year. Trade payables increased by PhP20.8 million (64.5%) due to increase in revenue. In addition, accrued liabilities PhP4.3 million (42.1%) as a result of higher commissions and other accrued expenses.
- **Due to related parties:** As at end of year 2019, this balance has increased by PhP4.7 million (14.9%) as the Company has not settled its outstanding liability with related companies.
- **Lease liability – current portion and non-current portion:** As discussed earlier, this is due to the adoption of IFRS 16 on accounting of lease. As a result, we have to recognize a Right-of-use liability amounting to PhP3.5 million in current portion and PhP28.4 million for non-current portion.
- **Accrued retirement benefits liability:** This balance increased by PhP7.9 million or 37.6% from prior year. The increment is mainly due to actuarial loss of PhP5.3 million versus a gain in 2018 of PhP6.6 million.

## **Risks**

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

## **ITEM 7. FINANCIAL STATEMENTS**

Please see attachments.

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

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

### PART III – CONTROL AND COMPENSATION INFORMATION

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

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

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

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

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

## **Business Experience**

### **KWEK EIK SHENG**

#### *CHAIRMAN & PRESIDENT*

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

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

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

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



**BRYAN K. COCKRELL**  
*DIRECTOR*

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

**SIMEON KEN R. FERRER**  
*INDEPENDENT DIRECTOR*

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

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

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

**RICARDO PIO CASTRO JR.**

## *DIRECTOR*

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

## **WONG KOK HO**

### *DIRECTOR*

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

## **YAM KIT SUNG**

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

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

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

**ARLENE DE GUZMAN**  
*TREASURER*

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

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

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

He joined Quisumbing Torres in 2006 after graduating class valedictorian and *cum laude* from the University of the Philippines College of Law in 2006. Mr. Veloso was admitted to the Philippine Bar in 2007 and ranked 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* and is a Certified Public Accountant. Mr. Veloso studied EU Competition Law at the London School of Economics and Political Science in 2017. He is one of the authors of The Philippine Competition Act Annotated 2021 edition.

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

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

**LESLEY ANNE C. MONDEZ**  
*ASSISTANT CORPORATE SECRETARY*

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

**FARID SCHOUCAIR**  
*GENERAL MANAGER – HERITAGE HOTEL MANILA MANAGEMENT EXECUTIVE COMMITTEE*

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

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

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

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

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

**JUANCHO BALTAZAR**

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

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

**RAMON PEREZ JR., PME**

*DIRECTOR OF ENGINEERING, MEMBER - HERITAGE HOTEL MANILA MANAGEMENT  
EXECUTIVE COMMITTEE*

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

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

## Attendance Record

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

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

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

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

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

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

## ITEM 10. EXECUTIVE COMPENSATION

### EXECUTIVE AND DIRECTORS COMPENSATION

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

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

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



**FOR THE LAST 2 FINANCIAL YEARS – 2020 and 2019**

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

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

In 2021, the directors were given the following per diem allowance for their attendance in meetings in 2021: for the regular directors, PhP15,000 per meeting of the Audit Committee and the Board, and for independent directors, PhP15,000 per meeting of the Audit Committee and PhP15,720 per meeting of the Board. The allowance and compensation of the directors (i.e., in 2021) do not involve any other form of remuneration. There are no arrangements, such

as consulting contracts, pursuant to which any director of the Company was compensated, or is to be compensated, directly or indirectly, during the Company's last completed fiscal year, and the ensuing year, for any service provided as director.

There are no agreements that require, if any such executive officers resign or are terminated by the Company, or if there is a change in control of the Company, the executive officers of the Company to be compensated a total amount exceeding Php2,500,000.

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

### **Security Ownership of Management**

The following table shows the shareholding beneficially held by the officers of the Company as at 31 December 2021.

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

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

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

## **ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS**

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

## **ITEM 13. CORPORATE GOVERNANCE**

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

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

### **Exhibits**

None

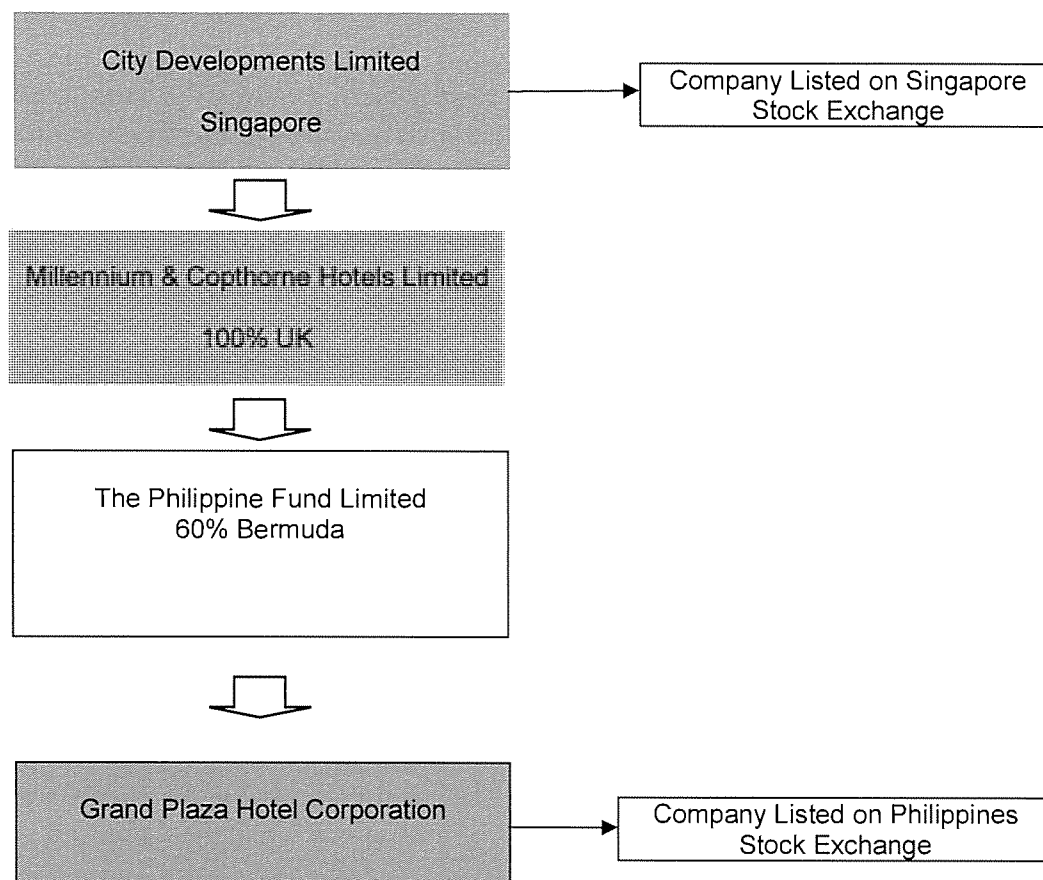
## Reports on SEC Form 17-C

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

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

## The Group Structure

### The Philippine Fund Limited Group Structure



As at 31 December 2021

## SIGNATURES

Pursuant to the requirements of Section 17 of the Securities Regulation Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of \_\_\_\_\_ on \_\_\_\_\_, 2022.

By:



**Kwek Eik Sheng**  
Chairman and President



**Yam Kit Sung**  
Director and General Manager/  
Chief Financial Officer

**Alain Charles J. Veloso**  
Corporate Secretary

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

<b>Names</b>	<b>CTC/Passport No.</b>	<b>Date of Issue</b>	<b>Place of Issue</b>
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\_\_\_\_\_  
**Notary Public**

Doc. No.  
Page No.  
Book No.  
Series of 2022.

Pursuant to the requirements of Section 17 of the Securities Regulation Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of \_\_\_\_\_ on \_\_\_\_\_, 2022.

By:

**Kwek Eik Sheng**  
**Chairman and President**

**Yam Kit Sung**  
**Director and General Manager/  
Chief Financial Officer**

**Alain Charles J. Veloso**  
**Corporate Secretary**

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

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By:

**Kwek Eik Sheng**  
**Chairman and President**

**Yam Kit Sung**  
**Director and General Manager/  
Chief Financial Officer**

**Alain Charles J. Veloso**  
**Corporate Secretary**

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

<b>Names</b>	<b>CTC/Passport No.</b>	<b>Date of Issue</b>	<b>Place of Issue</b>
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\_\_\_\_\_  
**Notary Public**

Doc. No.  
Page No.  
Book No.  
Series of 2022.



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## GRAND PLAZA HOTEL CORPORATION

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15 February 2022

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

#### SECURITIES AND EXCHANGE COMMISSION

CCP Complex

Pasay City

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

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

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

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

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



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**Kwek Eik Sheng**  
**Chairman and President**

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**Yam Kit Sung**  
**Director, General Manager & Chief Financial Officer**

Subscribed and sworn to before me a notary public for and in the City of SINGAPORE this  
\_\_\_\_\_ day of 15 FEB 2022 2022, 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
Kwek Eik Sheng	K2310445A	24 Oct 2021	Singapore

Doc. No.  
Page No.  
Book No.  
Series of 2022

Notary Public






## SIGNATURES

Pursuant to the requirements of Section 17 of the Securities Regulation Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of \_\_\_\_\_ on \_\_\_\_\_, 2022.

By:

**Kwek Eik Sheng**  
**Chairman and President**

  
**Yam Kit Sung**  
**Director and General Manager/  
Chief Financial Officer**

**Alain Charles J. Veloso**  
**Corporate Secretary**

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

<b>Names</b>	<b>CTC/Passport No.</b>	<b>Date of Issue</b>	<b>Place of Issue</b>
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\_\_\_\_\_  
**Notary Public**

Doc. No. \_\_\_\_\_  
Page No. \_\_\_\_\_  
Book No. \_\_\_\_\_  
Series of 2022.



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## GRAND PLAZA HOTEL CORPORATION

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15 February 2022

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

#### SECURITIES AND EXCHANGE COMMISSION

CCP Complex

Pasay City

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

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

\_\_\_\_\_  
**Kwek Eik Sheng**  
Chairman and President

  
\_\_\_\_\_  
**Yam Kit Sung**  
Director, General Manager & Chief Financial Officer



SINGAPORE

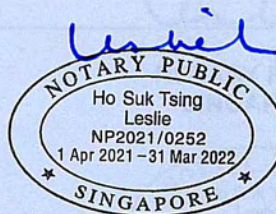
Subscribed and sworn to before me a notary public for and in the City of \_\_\_\_\_ this  
\_\_\_\_\_ day of 23 MAR 2022 2022, the signatories exhibiting to me their Community Tax  
Certificates/Passports details of which are as follows:

Name	Community Tax Certificate/ Passport Number	Date	Place of Issue
<del>Kwek Eik Sheng</del>	<del>E6279813L</del>	<del>22 Sep 2016</del>	<del>Singapore</del>
Yam Kit Sung	K0055917Z	22 Nov 2017	Singapore



Notary Public

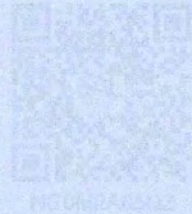
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Page No.  
Book No.  
Series of 2022



By virtue of Rule 8(1)(c) of the Notaries Public Rules, a Notarial Certificate must be authenticated by the Singapore Academy of Law in order to be valid.

With effect from 16 September 2021, a Notarial Certificate shall be deemed to be validly authenticated by the affixing of an Apostille to the back of the Notarial Certificate.





SINGAPORE

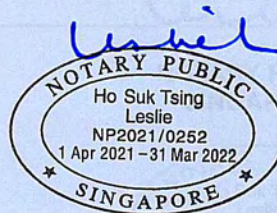
Subscribed and sworn to before me a notary public for and in the City of \_\_\_\_\_ this \_\_\_\_\_ day of 23 MAR 2022 2022, the signatories exhibiting to me their Community Tax Certificates/Passports details of which are as follows:

Name	Community Tax Certificate/ Passport Number	Date	Place of Issue
<del>Kwek Eik Sheng</del>	<del>E6279813L</del>	<del>22 Sep 2016</del>	<del>Singapore</del>
Yam Kit Sung	K0055917Z	22 Nov 2017	Singapore



Notary Public

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Book No.  
Series of 2022



By virtue of Rule 30(1)(a) of the Notaries Public Rules, a Notarial Certificate must be authenticated by the Singapore Academy of Law in order to be valid.

With effect from 26 September 2021, a Notarial Certificate shall be deemed to be validly authenticated by the affixing of an apostille to the body of the Notarial Certificate.



Ax1-22



NC0M2A05QZ

## NOTARIAL CERTIFICATE

TO ALL TO WHOM these presents shall come

I, Ho Suk Tsing Leslie, NOTARY PUBLIC duly admitted, authorised to practise in the Republic of Singapore, DO HEREBY CERTIFY

**THAT** I was present on the day hereof and did see **YAM KIT SUNG** the person named and mentioned in the document "**SEC FORM 17-A**" hereunto annexed sign and execute the said document **AND THAT** the signature therein subscribed is the proper handwriting of the said **YAM KIT SUNG**.

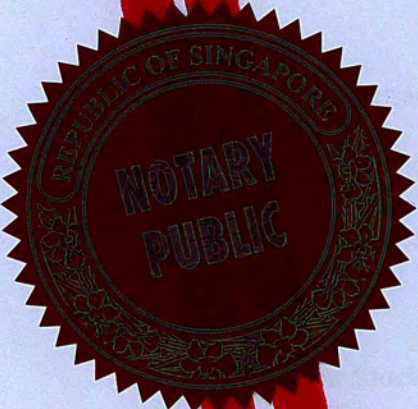
IN FAITH AND TESTIMONY whereof I the said notary have subscribed my name and set and affixed my seal of office at Singapore, this 23rd day of March 2022.

NOTARY PUBLIC  
SINGAPORE



By virtue of Rule 8(3)(c) of the Notaries Public Rules, a Notarial Certificate must be authenticated by the Singapore Academy of Law in order to be valid.

With effect from 16 September 2021, a Notarial Certificate shall be deemed to be validly authenticated by the affixing of an Apostille to the back of the Notarial Certificate.





# APOSTILLE

(Convention de La Haye du 5 Octobre 1961)

This Apostille only certifies the authenticity of the signature, seal or stamp and the capacity of the person who has signed the attached Singapore public document, and, where appropriate, the identity of the seal or stamp. It does not certify the authenticity of the underlying document.

If this document is to be used in a country not party to the Hague Convention of the 5th of October 1961, it should be presented to the consular section of the mission representing that country.

To verify this Apostille, go to  
<https://legalisation.sal.sg>  
or scan QR code:



Verification code: 88568465

1. Country: Singapore

## This public document

2. Has been signed by: Ho Suk Tsing Leslie

3. Acting in the capacity of: Notary Public

4. Bears the seal/stamp of: Notary Public

## Certified

5. At: Singapore Academy of Law

6. The: 23rd March 2022

7. By: Melissa Goh, Deputy Director, SAL

8. No.: AC0M2A0LPI

9. Seal/Stamp: 10. Signature:

Melissa





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 Taguig City on FEB 15 2022, 2022.

By:

**Kwek Eik Sheng**  
Chairman and President

**Yam Kit Sung**  
Director and General Manager/  
Chief Financial Officer

**Lesley Anne C. Mondez**  
Assistant Corporate Secretary

FEB 15 2022

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

Names	CTC/Passport No.	Date of Issue	Place of Issue
Lesley Anne Mondez	P 789 9752A	11 July 2018	DFA Manila

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Book No. II  
Series of 2022.



Notary Public

**KEVIN C. CATAPUSAN**  
Notary Public for Taguig City  
Appointment No. 67 valid until December 31, 2021  
12th Floor, OneNFO Building, 26th Street corner 3rd Avenue  
Crescent Park West, Bonifacio Global City, Taguig City 1634  
Bar of Attorneys No. 73208  
FTP No. 4445261 / 1-8-2021 / Taguig City  
IBP Membership Receipt No. 154758; 01/22/2021; Makati Chapter  
valid until 30 June 2022  
pursuant to BM no. 3795

Pursuant to the requirements of Section 17 of the Securities Regulation Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of \_\_\_\_\_ on \_\_\_\_\_, 2022.

By:

**Kwek Eik Sheng**  
**Chairman and President**

**Yam Kit Sung**  
**Director and General Manager/  
Chief Financial Officer**

**Alain Charles J. Veloso**  
**Corporate Secretary**

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

<b>Names</b>	<b>CTC/Passport No.</b>	<b>Date of Issue</b>	<b>Place of Issue</b>
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\_\_\_\_\_  
**Notary Public**

Doc. No.  
Page No.  
Book No.  
Series of 2022.

# GRAND PLAZA HOTEL CORPORATION

**FINANCIAL STATEMENTS**  
**December 31, 2021, 2020 and 2019**

With Independent Auditors' Report



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

## 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 Audit of the Financial Statements

#### *Opinion*

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

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

#### *Basis for Opinion*

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

#### Firm Regulatory Registration & Accreditation:

PRC-BOA Registration No. 0003, valid until November 21, 2023

SEC Accreditation No. 0003-SEC, Group A, valid for five (5) years covering the audit of 2020 to 2024

financial statements (2019 financial statements are covered by SEC Accreditation No. 0004-FR-5)

IC Accreditation No. 0003-IC, Group A, valid for five (5) years covering the audit of 2020 to 2024

financial statements (2019 financial statements are covered by IC Circular Letter (CL) No. 2019-39, Transition clause)

BSP Accreditation No. 0003-BSP, Group A, valid for five (5) years covering the audit of 2020 to 2024

financial statements (2019 financial statements are covered by BSP Monetary Board Resolution No. 2161, Transition clause)



### *Key Audit Matter*

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

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

#### *The risk*

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

#### *Our response*

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



### *Other Information*

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

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

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

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

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

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

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

### *Auditors' Responsibilities for the Audit of the Financial Statements*

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





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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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



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

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

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

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

ALICIA S. COLUMBRES

Partner

CPA License No. 069679

SEC Accreditation No. 1590-AR-1, Group A, valid until August 7, 2022

Tax Identification No. 120-964-156

BIR Accreditation No. 08-001987-027-2020

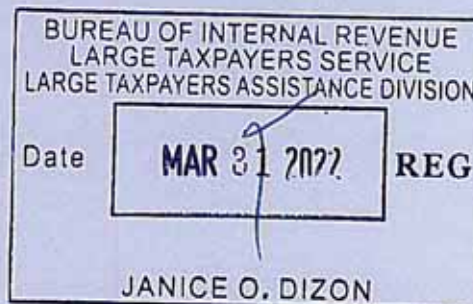
Issued July 20, 2020; valid until July 19, 2023

PTR No. MKT 8854058

Issued January 3, 2022 at Makati City

March 29, 2022

Makati City, Metro Manila





# GRAND PLAZA HOTEL CORPORATION

## STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS


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

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

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

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

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

  
Bryan Cockrell  
Vice Chairman  
Arlene De Guzman  
Treasurer  
Yam Tat Sung  
Chief Financial Officer

Signed this 30th day of March 2022.



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



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

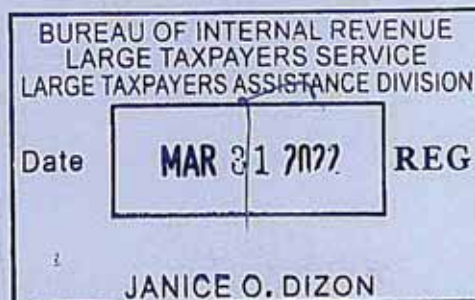
See Notes to the Financial Statements.



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

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

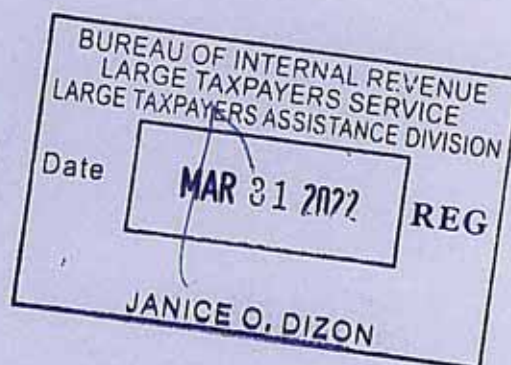
See Notes to the Financial Statements.



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

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

*See Notes to the Financial Statements.*

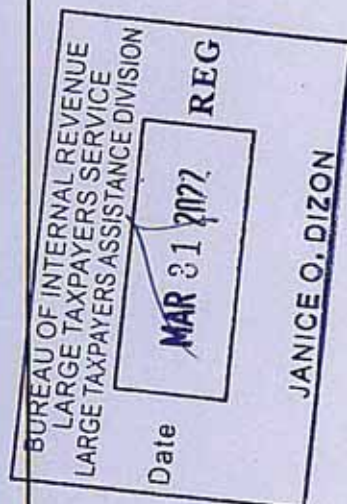




**GRAND PLAZA HOTEL CORPORATION**  
**STATEMENTS OF CHANGES IN EQUITY**

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

See Notes to the Financial Statements.

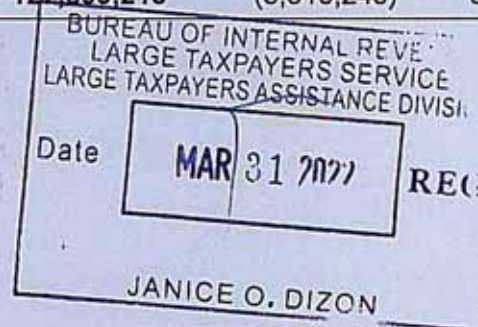




**GRAND PLAZA HOTEL CORPORATION**  
**STATEMENTS OF CASH FLOWS**

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

Forward



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

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 Revised Securities Regulation Code and its shares are listed on the Philippine Stock Exchange (PSE). The immediate parent of the Company is The Philippine Fund Limited (TPFL) owning 54%, a corporation organized in the Islands of Bermuda. The ultimate parent of the Company is Hong Leong Investment Holdings Pte Ltd., a corporation organized in Singapore. The Company’s intermediary parents are Hong Leong Limited, City Developments Limited and Millenium & Copthorne Hotels Limited.

The Company owns and operates The Heritage Hotel (the “Hotel”), its only operating segment, which is a deluxe class hotel that offers 450 rooms and facilities and amenities such as restaurants, function halls, and a coffee shop. The address of the Company’s registered and principal office is the 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 compliance with Philippine Financial Reporting Standards (PFRSs). PFRSs are based on International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB). PFRSs which are issued by the Philippine Financial Reporting Standards Council (FRSC), consist of PFRSs, Philippine Accounting Standards (PASs), and Philippine Interpretations.

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

##### Basis of Measurement

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

##### Functional and Presentation Currency

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

#### Use of Estimates and Judgments

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

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

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

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

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

#### *Determining whether an Agreement Contains a Lease*

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

#### *Operating Lease*

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

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



#### Company as Lessor

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

#### Company as Lessee

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

#### *Determining Term and Discount Rate of Lease Arrangement*

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

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

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

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

#### *Estimating Allowance for Impairment Losses on Receivables*

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

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



#### *Estimating Useful Lives of Property and Equipment*

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

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

#### *Estimating Realizability of Deferred Tax Assets*

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

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

#### *Estimating Retirement Benefit Obligations*

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

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

#### *Estimating Allowance for Impairment Losses on Nonfinancial Assets*

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

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

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

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

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

#### *Estimating Provisions and Contingencies*

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

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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. There are no new standards, amendments to standards and interpretations effective starting January 1, 2021 that have a significant impact on the Company's financial statements.

#### Standards Issued But Not Yet Adopted

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

#### *Effective January 1, 2022*

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

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

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

The amendments are effective for annual reporting periods beginning on or after January 1, 2022. Earlier application is permitted. The amendments apply retrospectively, but only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the company first applies the amendments.

- *Onerous Contracts - Cost of Fulfilling a Contract (Amendment to PAS 37, Provisions, Contingent Liabilities and Contingent Assets)*. The amendments clarify that the cost of fulfilling a contract when assessing whether a contract is onerous includes all costs that relate directly to a contract - i.e. it comprises both incremental costs and an allocation of other direct costs.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022 to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments is recognized as an opening balance adjustment to retained earnings or other component of equity, as appropriate. The comparatives are not restated. Earlier application is permitted.

- *Annual Improvements to PFRS Standards 2018-2020*. This cycle of improvements contains amendments to four standards of which PFRS 9, *Financial Instruments* is relevant to the Company.
  - *Fees in the '10 per cent'. Test for Derecognition of Financial Liabilities (Amendment to PFRS 9)*. The amendment clarifies that for the purpose of performing the '10 per cent' test for derecognition of financial liabilities, the fees paid net of fees received included in the discounted cash flows include only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. It applies to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022. Earlier application is permitted.

Effective January 1, 2023

- *Classification of Liabilities as Current or Non-current (Amendments to PAS 1, Presentation of Financial Statements)*. To promote consistency in application and clarify the requirements on determining whether a liability is current or non-current, the amendments:
  - removed the requirement for a right to defer settlement of a liability for at least twelve months after the reporting period to be unconditional and instead requires that the right must have substance and exist at the end of the reporting period;
  - clarified that a right to defer settlement exists only if the company complies with conditions specified in the loan agreement at the end of the reporting period, even if the lender does not test compliance until a later date; and
  - clarified that settlement of a liability includes transferring a company's own equity instruments to the counterparty, but conversion options that are classified as equity do not affect classification of the liability as current or non-current.

The amendments apply retrospectively for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted.

In November 2021, the International Accounting Standards Board issued the Exposure Draft, Non-Current Liabilities with Covenants after considering stakeholder feedback on the December 2020 tentative agenda decision issued by the IFRS Interpretations Committee about the amendments. The exposure draft proposes to again amend IAS 1 as follows:

- Conditions which the entity must comply within twelve months after the reporting period will have no effect on the classification as current or non-current.
- Additional disclosure requirements will apply to non-current liabilities subject to such conditions to enable the assessment of the risk that the liability could become repayable within twelve months.
- Separate presentation in the statement of financial position will be required for non-current liabilities for which the right to defer settlement is subject to conditions within 12 months after the reporting period.
- The effective date of the amendments will be deferred to no earlier than January 1, 2024.

Comments on the Exposure Draft is due on March 21, 2022.

- *Disclosure of Accounting Policies (Amendments to PAS 1, Presentation of Financial Statements and PFRS Practice Statement 2 Making Materiality Judgements)*. The amendments are intended to help companies provide useful accounting policy disclosures. The key amendments to PAS 1 include:
  - requiring companies to disclose their *material* accounting policies rather than their *significant* accounting policies;

- clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
- clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

The amendments to PFRS Practice Statement 2 includes guidance and additional examples on the application of materiality to accounting policy disclosures.

The amendments are effective from January 1, 2023. Earlier application is permitted.

- *Definition of Accounting Estimates (Amendments to PAS 8, Accounting Policies, Changes in Accounting Estimates and Errors).* To clarify the distinction between changes in accounting policies and changes in accounting estimates, the amendments introduce a new definition for accounting estimates, clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty.

The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that an accounting estimate is developed to achieve the objective set out by an accounting policy.

Developing an accounting estimate includes both selecting a measurement technique and choosing the inputs to be used when applying the chosen measurement technique. The effects of changes in such inputs or measurement techniques are changes in accounting estimates.

The definition of accounting policies remain unchanged. The amendments also provide examples on the application of the new definition.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted, and will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the amendments are applied.

#### Financial Instruments

*Non-derivative Financial Instruments.* Non-derivative financial instruments consist of cash and cash equivalents, receivables, loan receivable, due from related parties, deposits (included under other current and noncurrent assets), accounts payable and accrued expenses, due to related parties, refundable deposits, and other current liabilities except for output VAT payable and other statutory payables.

*Recognition and Initial Measurement.* Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at Fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.



*Classification and Subsequent Measurement.* On initial recognition, a financial asset is classified as measured at: amortized cost; fair value through other comprehensive income (FVOCI) - debt investment; FVOCI - equity investment; or FVTPL.

The Company has no financial assets classified as measured at: FVOCI - debt investment; FVOCI - equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

Included in this category are the Company's cash and cash equivalents, receivables, loan receivable, due from related parties and deposits.

Cash includes cash on hand and in banks which are stated at face value. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from dates of acquisition and are subject to an insignificant risk of changes in value.

*Business Model Assessment.* The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- a. the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;
- b. how the performance of the portfolio is evaluated and reported to the Company's management;
- c. the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- d. how managers of the business are compensated - e.g., whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- e. the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

## Financial Liabilities

*Classification, Subsequent Measurement and Gains and Losses.* Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

Included under other financial liabilities are the Company's accounts payable and accrued expenses, refundable deposits, due to related parties, lease liability - current portion and other current liabilities except for output VAT payable and other statutory payables.

## Impairment of Financial Assets

The Company uses the expected credit losses ("ECL") model which is applied to all debt instruments measured at amortized cost or FVOCI as well as to issued loan commitments and most financial guarantee contracts. The ECL model is a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition. Assets move through the three stages as credit quality changes and the stages dictate how an entity measures impairment losses. Stage 1 includes financial instruments that have not had a significant increase in credit risk since initial recognition or which have low credit risk at the reporting date. For these items, 12-month ECL are recognized. The 12-month ECL are the expected credit losses that result from default events that are possible within 12 months after the reporting date. Stage 2 includes financial instruments that have had a significant increase in credit risk since initial recognition (unless they have low credit risk at the reporting date) but are not credit impaired. For these items, lifetime expected credit losses are recognized which are the weighted average credit losses with the probability of default as the weight. Stage 3 includes financial assets that are credit impaired at the reporting date. For these items, lifetime expected credit losses are recognized.

A financial asset is 'credit impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience, credit assessment and including forward-looking information.

The information analyzed by the Company includes the following, among others:

- actual and expected significant changes in the political, regulatory and technological environment of the debtor or in its business activities;
- payment record - this includes overdue status as well as a range of variables about payment ratios; and
- existing and forecast changes in the business, financial and economic conditions

The Company considers a financial asset to be in default when:

- the debtor is unlikely to pay its credit obligation to the Company in full, without recourse by the Company to actions such as realizing security (if any is held); or
- the debtor is past due more than 90 days on any material credit obligation to the Company.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

Receivables are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Company determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, the financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

The carrying amount of the asset shall be reduced either directly or through use of an allowance account. The impairment loss for the period shall be recognized in the statement of comprehensive income. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the statement of comprehensive income, to the extent that the carrying amount of the asset does not exceed its amortized cost at the reversal date.

#### Offsetting of Financial Assets and Liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statements of financial position.

#### Derecognition of Financial Instruments

*Financial Assets.* A financial asset (or, where applicable, a part of a financial asset or a part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired;
- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Company has transferred its rights to receive cash flows from the asset and either: (a) has transferred substantially all the risks and rewards of the asset; or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a 'pass-through' arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to pay.

*Financial Liabilities.* A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

#### Determination of Fair Values

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and nonfinancial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes, when necessary. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

The different levels of fair value of financial instruments carried at fair value, by valuation method have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

#### Inventories

Inventories are measured at the lower of cost and net realizable value (NRV). Cost is determined using the first-in, first-out (FIFO) principle, and includes expenditures incurred in acquiring the inventories and bringing them to their existing location and condition. NRV is the estimated selling price in the ordinary course of business, less the estimated selling expenses. Obsolete inventories are disposed of and related costs are recognized in profit or loss.

#### Investment in an Associate

An associate is an entity in which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but not control or joint control over those policies.

The Company's investment in an associate is accounted for using the equity method. Under the equity method, the investment in an associate is initially recognized at cost. The carrying amount of the investment is adjusted to recognize the changes in the Company's share in the net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The Company discontinues applying the equity method when its investment in the investee company is reduced to zero. Accordingly, additional losses are not recognized unless the Company has guaranteed certain obligations of the investee company. When the investee company subsequently reports net income, the Company will resume applying the equity method but only after its share in net income equals the share in net losses not recognized during the period when the equity method was suspended.

#### Property and Equipment

Property and equipment are measured at cost less accumulated depreciation, amortization and impairment losses, if any.

Initially, an item of property and equipment is measured at its cost, which comprises its purchase price and any directly attributable costs of bringing the asset to its working condition. Subsequent expenditures are added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance, will flow to the Company. The costs of day-to-day servicing an asset are recognized in profit or loss in the period in which they are incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of property and equipment. Leasehold improvements are amortized over the estimated useful lives or the term of the lease, whichever is shorter.

The estimated useful lives are as follows:

	Number of Years
Building and building improvements	46 - 50
Right-of-use asset	21
Furniture, fixtures and equipment	5 - 10
Transportation equipment	5
Leasehold improvements	5 or term of the lease, whichever is shorter

Estimated useful lives and depreciation and amortization methods are reviewed at each reporting date to ensure that they are consistent with the expected pattern of economic benefits from these assets.

When an asset is disposed of, or is permanently withdrawn from use and no future economic benefits are expected from its disposal, the cost and accumulated depreciation, amortization and impairment losses, if any, are removed from the accounts and any resulting gain or loss arising from the retirement or disposal is recognized in profit or loss.

#### Impairment of Nonfinancial Assets

The carrying amounts of the Company's nonfinancial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.



The recoverable amount of an asset or cash-generating unit (CGU) is the greater of its value-in-use and its fair value less costs of disposal. Value-in-use is the present value of the future cash flows expected to be derived from an asset or CGU, while fair value less costs of disposal is the amount obtainable from the sale of an asset or CGU in an arm's length transaction between knowledgeable and willing parties, less the costs of disposal. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets or CGUs. An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

#### Capital Stock

Capital stock is classified as equity. Incremental costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

Additional paid-in capital includes any premiums received on the initial issuance of capital stock. Any transaction costs associated with the issuance of shares are deducted from additional paid-in capital, net of any related income tax benefit.

#### Treasury Stock

When share capital recognized as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognized as a deduction from equity. Repurchased shares are classified as treasury shares and are presented in the reserve for own shares. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is presented in additional paid-in capital.

#### Retained Earnings

The amount included in retained earnings includes earnings attributable to the Company's equity holders and reduced by dividends, if any, on capital stock. Dividends on capital stock are recognized as a liability and deducted from equity when they are declared by the Company's stockholders. Dividends for the year that are approved after the financial reporting date are dealt with as an event after the financial reporting date.

Retained earnings may also include prior year adjustments and the effect of changes in accounting policies as may be required by the standards' transitional provisions.

#### Revenue

##### *Revenue from Contracts with Customers*

The Company's business is primarily engaged in offering hotel rooms and facilities such as restaurants, function halls, coffee shops and all adjuncts and accessories, thereto.

The Company recognizes revenue when it transfers control over a product or service to a customer. Revenue is measured based on the consideration specified in a contract with a customer.

The following is a description of principal activities from which the Company generates its revenue. Revenue is disaggregated by major products/service lines as reflected in the statements of profit or loss.

*Hotel Rooms and Function Halls*

Revenue from hotel rooms and function halls is recognized at the point in time when control of the service is transferred to a customer, generally on actual occupancy. The normal credit terms for lease of hotel rooms and function halls is 30 days, when payment is made on credit.

*Food and Beverage*

Revenue from food and beverage is recognized at the point in time when the goods have been delivered.

*Other Operating Departments*

Revenue from other operating departments is recognized at the point in time when the service has been rendered. This pertains to the revenue from telephone use, internet and laundry services.

*Other Revenues*

Other revenues are recognized at the point in time when the service has been rendered.

Other Income

Interest income which is presented net of tax, is recognized when earned.

Costs and Expenses

Costs and expenses are recognized when incurred.

Foreign Currency Transactions

Transactions in foreign currencies are translated to Philippine peso based on the prevailing exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated using the exchange rates prevailing at the reporting date. The resulting foreign exchange gains or losses are recognized in profit or loss.

Operating Segment

A segment is a distinguishable component of the Company that is engaged either in providing related products or services (business segment), or providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those other segments.

The Company determines and presents operating segments based on the information that is internally provided to the Chief Financial Officer, who is the Company's chief operating decision maker. The Company assessed that its hotel business represents its only operating segment.

## Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

### *As a Lessor*

Leases where the Company does not transfer substantially all the risks and benefits of ownership of the assets are classified as operating leases. Rent income from operating leases is recognized as income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized as an expense over the lease term on the same basis as rent income. Contingent rents are recognized as income in the period in which they are earned.

### *As a Lessee*

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The Company determines its incremental borrowing rate by obtaining interest rates from external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and

- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

#### *Short-term Leases and Leases of Low-value Assets*

The Company has elected not to recognize right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

#### Taxes

Income tax expense is composed of current and deferred taxes. Income tax expense is recognized in profit or loss, except to the extent that it relates to items recognized directly in equity or in other comprehensive income, in which case it is recognized in equity or other comprehensive income.

#### *Current Tax*

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authority. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted as at reporting date.

The Company has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted for them under PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*.

#### *Deferred Tax*

Deferred tax assets and liabilities are recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, and the carryforward tax benefits of unused net operating loss carryover (NOLCO) and unused tax credits from excess minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT). Deferred tax is not recognized for temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss; temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and taxable temporary differences arising from the initial recognition of goodwill.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences and the carryforward tax benefits of unused NOLCO and unused tax credits from excess MCIT can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable income will allow the deferred tax assets to be recognized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and the deferred taxes relate to the same tax authority on the same taxable entity.

*Value-added Tax (VAT).* Revenue, expenses and assets are recognized net of the amount of VAT, except:

- where the VAT incurred on a purchase of assets or services are not recoverable from the tax authority, in which case the VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with amount of VAT included.

The input and output VAT are presented at gross and included under prepaid expenses and other current assets and other current liabilities, respectively, in the statements of financial position.

#### 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. 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.

#### 4. Cash and Cash Equivalents

This account consists of:

	<i>Note</i>	<b>2021</b>	<b>2020</b>
Cash on hand and in banks		<b>P183,284,150</b>	P90,746,196
Short-term investments		<b>202,961,228</b>	193,355,647
	<b>25</b>	<b>P386,245,378</b>	P284,101,843

Cash in banks earns annual interest at the prevailing bank deposit rates. Short-term investments consist mainly of time deposits which earn annual interest ranging from 0.05% to 0.10%, 0.05% to 1.79% and 1.30% to 2.05% in 2021, 2020 and 2019, respectively. Interest income earned from this account amounted to P524,246, P1,765,213 and P3,029,414 for the years ended December 31, 2021, 2020 and 2019, respectively.

#### 5. Receivables - net

This account consists of:

	<i>Note</i>	<b>2021</b>	<b>2020</b>
Trade:			
Charge customers	25	<b>P2,421,639</b>	P20,983,714
Others		<b>76,055,597</b>	82,617,439
		<b>78,477,236</b>	103,601,153
Utility charges		<b>33,442,882</b>	32,437,816
Advances to employees		<b>1,521,486</b>	1,430,839
Interest		<b>29,747</b>	34,272
Others		<b>7,198,035</b>	6,395,759
		<b>120,669,386</b>	143,899,839
Less allowance for impairment losses on trade receivables	25	<b>(14,299,899)</b>	(16,716,364)
	<b>25</b>	<b>P106,369,487</b>	P127,183,475

Trade receivables are non-interest bearing and are generally on a 15 to 30-day credit term.

Trade - Charge customers include receivables from airlines, travel agencies and embassies.

Trade - Others include receivables from Philippine Amusement and Gaming Corporation (PAGCOR) and Overseas Workers Welfare Administration (OWWA). Receivables from PAGCOR amounting to P29,409,140, in 2021 and 2020 which mainly consist of unpaid billings from the contract with PAGCOR which was terminated in July 2013. The collection of the remaining receivables from PAGCOR is subject to the ongoing reconciliation of records between the Company and PAGCOR who have not yet reached an agreement as to the net amount of settlement due to each party.

Receivables from OWWA amounting to P55,892,937 and P60,752,020 as at December 31, 2021 and 2020, respectively, which consist of unpaid billings from the contract with OWWA to cater to repatriated Overseas Filipino Workers who are waiting for swab test results.

The Company's exposure to credit risks related to trade receivables is disclosed in Note 25.

## 6. Inventories

Inventories carried at cost consists of:

	2021	2020
Engineering supplies	<b>P2,224,972</b>	P2,338,891
General supplies	<b>1,154,151</b>	1,354,235
Food	<b>910,978</b>	1,124,414
Beverage and tobacco	<b>116,839</b>	213,220
Others	<b>254,097</b>	234,497
	<b>P4,661,037</b>	P5,265,257

There was no write down of inventories to NRV in each of the three years in the period ended December 31, 2021.

## 7. Prepaid Expenses and Other Current Assets

This account consists of:

	2021	2020
Prepaid income tax	<b>P16,145,655</b>	P12,315,118
Creditable withholding VAT	<b>10,333,218</b>	-
Input VAT	<b>7,902,404</b>	7,343,692
Prepaid expenses	<b>3,381,674</b>	7,599,921
Utilities deposit	<b>203,573</b>	366,455
	<b>P37,966,524</b>	P27,625,186

Input VAT is current and can be applied against deferred output VAT.

Creditable withholding VAT represents the five percent (5%) taxes withheld from its collections from OWWA.

Prepaid expenses consist of insurance premiums, maintenance and dues and subscriptions.

## 8. Investment in an Associate

This account pertains to the 40% ownership in Harbour Land Corporation (HLC), a Philippine corporation engaged in the real estate business (see Note 14).

This account consists of:

	2021	2020
Acquisition cost	<b>P48,200,000</b>	P48,200,000
Accumulated share in net earnings:		
Balance at beginning of year	<b>2,011,824</b>	1,680,711
Equity in net income	<b>1,587,026</b>	1,531,113
Dividends received	<b>(1,400,000)</b>	(1,200,000)
Balance at end of year	<b>2,198,850</b>	2,011,824
	<b>P50,398,850</b>	P50,211,824

A summary of the information of HLC as follows:

	2021	2020
Current assets	<b>P33,460,200</b>	P36,490,932
Noncurrent assets	<b>121,830,382</b>	121,830,382
Current liabilities	<b>(5,293,458)</b>	(8,791,754)
Noncurrent liability	<b>(78,000,000)</b>	(78,000,000)
Net assets (100%) - net	<b>71,997,124</b>	71,529,560
Add: Subscription receivable	<b>54,000,000</b>	54,000,000
	<b>P125,997,124</b>	P125,529,560
Company's share of net assets (40%)	<b>P50,398,850</b>	P50,211,824
Revenue	<b>P17,797,608</b>	P17,797,608
Net income/total comprehensive income (100%)	<b>P3,967,566</b>	P3,827,782
Company's share in net income/total comprehensive income (40%)	<b>P1,587,026</b>	P1,531,113

## 9. Loan Receivable

This pertains to the loan granted to Rogo Realty Corporation (RRC), a company under common control, collateralized by RRC's investment in shares of stock of HLC with a carrying value of P72,300,000 as at December 31, 2021 and 2020 and is collectable on demand with interest rate of 5% per annum (see Note 14).

Interest income earned in 2021, 2020 and 2019 amounted to P775,000 for each year.

## 10. Property and Equipment - net

The movements and balances in this account are as follows:

	Building and Building Improvements	Furniture Fixtures and Equipment	Transportation Equipment	Leasehold Improvements	Right-of-Use Asset (Note 20)	Total
<b>Cost</b>						
Balance, January 1, 2020	P1,028,554,204	P394,099,781	P7,438,511	P385,157	P178,571,220	P1,609,048,873
Additions	4,382,469	4,180,111	-	-	-	8,562,580
Balance, December 31, 2020	1,032,936,673	398,279,892	7,438,511	385,157	178,571,220	1,617,611,453
Additions	7,392,023	1,935,645	-	-	-	9,327,668
<b>Balance, December 31, 2021</b>	<b>1,040,328,696</b>	<b>400,215,537</b>	<b>7,438,511</b>	<b>385,157</b>	<b>178,571,220</b>	<b>1,626,939,121</b>
<b>Accumulated Depreciation and Amortization</b>						
Balance, January 1, 2020	567,683,453	373,454,493	5,410,736	385,157	8,537,269	955,471,108
Depreciation and amortization during the year	27,028,715	7,061,217	656,062	-	8,537,269	43,283,263
Balance, December 31, 2020	594,712,168	380,515,710	6,066,798	385,157	17,074,538	998,754,371
Depreciation and amortization during the year	27,063,123	6,708,827	656,062	-	8,537,269	42,965,281
<b>Balance, December 31, 2021</b>	<b>621,775,291</b>	<b>387,224,537</b>	<b>6,722,860</b>	<b>385,157</b>	<b>25,611,807</b>	<b>1,041,719,652</b>
<b>Impairment Loss</b>						
Balance, January 1, 2020/ December 31, 2020	32,956,783	1,703,373	96,113	-	-	34,756,269
<b>Balance, December 31, 2021</b>	<b>32,956,783</b>	<b>1,703,373</b>	<b>96,113</b>	<b>-</b>	<b>-</b>	<b>34,756,269</b>
<b>Carrying Amount</b>						
December 31, 2020	P405,267,722	P16,060,809	P1,275,600	P -	P161,496,682	P584,100,813
<b>December 31, 2021</b>	<b>P385,596,622</b>	<b>P11,287,627</b>	<b>P619,538</b>	<b>P -</b>	<b>P152,959,413</b>	<b>P550,463,200</b>

The Company has obtained the services of an independent appraiser to determine the fair value of its property and equipment which primarily consists of hotel assets.

### *Valuation Techniques and Significant Unobservable Inputs*

The fair value of property and equipment was arrived at using the Income Approach. The aforementioned approach is a method used to derive a value indication for an income producing property by converting its anticipated benefits (cash flows and reversion) into property value. This conversion can be accomplished by discounted cash flow analysis. The Discounted Cash Flow Analysis involves the projection of a series of periodic cash flows to a business. Periodic cash flow is typically estimated as gross income less vacancy and collection losses and less operating expenses/outgoings. The series of net incomes, along with an estimate of reversion/terminal value, anticipated at the end of the projection period, is then discounted. The fair value measurement was categorized as a Level 3 fair value based on the inputs in the valuation technique used (see Note 3).

The key assumptions used in the estimation of the recoverable amount are set out below. The values assigned to the key assumptions represent the independent appraiser's assessment of future trends in the relevant industry.

**Gross Revenue.** Gross revenues of the Company over the next ten (10) years are projected to grow in line with the economy. This assumes that the market share of the Company will be flat on the assumption that it will also grow at par with the economy.

**Operating Expenses.** Operating expenses are projected to increase at a single-digit growth rate and at a slower pace than revenue.

**Discount Rate.** The Company uses the weighted-average cost of capital as the discount rate. In determining the appropriate discount rate, regard has been given to various market information, including but not limited to, 10-year government bond yield, bank lending rates, market premium. The discount rate used is 12% in 2021.



*Terminal Growth Rate.* The long-term rate used to extrapolate the cash flow projections of the property and equipment beyond the period covered by the cash flow excludes capital acquisitions and expansions in the future. The terminal growth rate used is 2% in 2021.

*Terminal Value Rate.* The Company used 10% terminal rate to estimate the value of the asset at the end of the explicit projection period.

No impairment loss was recognized in 2021, 2020 and 2019. Management has identified that a reasonably possible change in two key assumptions could cause the carrying amount to exceed the recoverable amount. The following table shows the amount by which these two assumptions would need to change individually for the estimated recoverable amount to be equal to the carrying amount.

	<b>Change Required for Carrying Amount to Equal Recoverable Amount</b>
Discount rate	<b>5.4%</b>
Terminal value rate	<b>4.3%</b>

## **11. Other Noncurrent Assets**

This account consists of:

	<b>Note</b>	<b>2021</b>	<b>2020</b>
Lease deposit	14, 20, 25	<b>P78,000,000</b>	P78,000,000
Miscellaneous deposits		<b>8,582,719</b>	8,582,719
Advances to suppliers		<b>6,415,621</b>	4,365,048
Others		<b>1,010,000</b>	1,010,000
		<b>P94,008,340</b>	P91,957,767

Miscellaneous deposits consist of utility and rent deposits.

## **12. Accounts Payable and Accrued Expenses**

This account consists of:

	<b>Note</b>	<b>2021</b>	<b>2020</b>
Trade		<b>P39,158,767</b>	P30,333,222
Accrued other liabilities		<b>12,600,297</b>	11,452,451
Accrued payroll		<b>6,242,206</b>	12,080,948
Accrued utilities		<b>3,593,872</b>	3,052,351
	25	<b>P61,595,142</b>	P56,918,972

Trade payables have normal terms of 30 to 45 days.

Accrued other liabilities consists of dues and subscriptions, credit card commission, insurance, maintenance, professional fee, commissions and other accrued expenses.

The Company's exposure to liquidity risk related to trade and other payables is discussed in Note 25.

### 13. Other Current Liabilities

This account consists of:

	<i>Note</i>	2021	2020
Deferred output VAT		<b>P18,856,277</b>	P8,093,765
Deposits for utilities		<b>5,184,148</b>	5,184,148
Payable to employees		<b>3,442,663</b>	2,257,526
Payable to government agencies		<b>3,071,981</b>	997,428
Rewards redemption payable		<b>136,189</b>	172,912
Others		<b>743,181</b>	285,843
	<b>25</b>	<b>P31,434,439</b>	P16,991,622

### 14. Related Party Transactions

In the normal course of business, the Company has transactions with its related parties. These transactions and account balances as at December 31 are as follows:

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	2021	11, 20	P -	P78,000,000	P -	Required lease deposit on the leased land	Collectable upon termination of the contract
	2020		-	78,000,000	-		
	2019		-	78,000,000	-		
▪ Interest income	2021	14b, 20	3,900,000	1,950,000	-	5% per annum of the lease deposit	Unsecured; no impairment
	2020		3,900,000	-	-		
	2019		3,900,000	-	-		
▪ Rent expense	2021	17, 20	-	-	-	Due and demandable; non interest bearing	Unsecured
	2020		-	-	-		
	2019		-	-	-		
▪ Rent income	2021	14e	180,000	-	-	Due and demandable; non interest bearing	Unsecured
	2020		180,000	-	-		
	2019		180,000	-	-		
<b>Under Common Control</b>							
▪ Management and incentive fees	2021	14d, 17	19,178,154	-	45,316,898	Due and demandable; non interest bearing	Unsecured
	2020		17,472,942	-	40,488,334		
	2019		19,350,770	-	34,690,665		
▪ Advances	2021	14a	1,839,438	104,000	968,350	Due and demandable; non interest bearing	Unsecured; no impairment
	2020		7,145,268	7,054,105	1,646,393		
	2019		915,630	75,625	1,479,605		
▪ Loan	2021	9, 14c	-	15,500,000	-	Due and demandable; non interest bearing	Unsecured; no impairment
	2020		-	15,500,000	-		
	2019		-	15,500,000	-		
▪ Interest income	2021	9, 14c	775,000	322,917	-	5% per annum of the loan receivable	Unsecured; no impairment
	2020		775,000	-	-		
	2019		775,000	-	-		
▪ Rent income	2021	14e	420,000	-	-	Due and demandable; non interest bearing	Unsecured
	2020		420,000	-	-		
	2019		420,000	-	-		
<b>Key Management Personnel of the Entity</b>							
▪ Short term employee benefits	2021	14g	14,423,744	-	-		
	2020		15,658,438	-	-		
	2019		22,229,609	-	-		
TOTAL	2021			P95,876,917	P46,285,248		
TOTAL	2020			P100,554,105	P42,134,727		
TOTAL	2019			P93,575,625	P36,170,270		

Due from related parties is included in the following accounts:

	<i>Note</i>	2021	2020
Loan receivable	9	<b>P15,500,000</b>	P15,500,000
Due from related parties		<b>2,376,917</b>	7,054,105
Other noncurrent assets	11, 20	<b>78,000,000</b>	78,000,000
		<b>P95,876,917</b>	P100,554,105

- a. The Company grants/obtains advances to/from related parties for working capital purposes. These advances are non-interest bearing, unsecured and receivable/payable on demand.
- b. The interest receivable from HLC, an associate, represents the uncollected interest on the lease deposit of the Company to HLC at 5% a year (see Note 20). The related interest income amounted to P3,900,000 annually for the three-year period ended December 31, 2021.
- c. The interest receivable from RRC, an entity under common control, represents the uncollected interest on the loan granted by the Company to RRC at 5% per annum (see Note 9). The related interest income amounted to P775,000 annually for the three-year period ended December 31, 2021.
- d. The Company has a Management Agreement with Elite Hotel Management Services Pte. Ltd - Philippine Company (Elite), an entity under common control, under which the latter provides management, technical and administrative services. In return, the Company pays monthly basic management and incentive fees based on a percentage of the hotel's revenue (2%) and gross operating profit (7%), respectively, starting April 2011. The agreement was last renewed in April 2017 and is effective until December 31, 2021. The renewal of the agreement is in process as at report date.
- e. The rent income from HLC, RRC and Elite represents the sub-leased portion of an office space consisting of 30 square meters, 25 square meters and 65 square meters, respectively, located at the Hotel. The lease covers a period of 2.5 years until December 31, 2016, and was renewed for another three (3) years until December 31, 2019. The contract was further renewed for another one (1) year from January 1 until December 31, 2021, and is renewable for another one (1) year.
- f. The Company leases the land occupied by the Hotel from HLC (see Note 20).
- g. Transactions with Key Management Personnel

The total remuneration of key management personnel in the form of short-term employee benefits is shown below:

	2021	2020	2019
Executive officers	<b>P8,500,527</b>	P14,399,659	P16,127,721
Directors of hotel operations	<b>5,923,217</b>	1,258,779	6,101,888
	<b>P14,423,744</b>	P15,658,438	P22,229,609

The compensation and benefits of one of key management personnel are paid by Millennium & Corpthorne Hotels (M&C), the Parent Company's intermediary parent.

The Company does not provide post-employment and equity-based compensation benefits to its BOD and expatriates.

Due from and to related parties are normally settled in cash. As at December 31, 2021 and 2020, the Company determined that due from related parties are fully recoverable, hence, no impairment loss has been recognized.

## 15. Payroll and Employee Benefits

This account consists of:

	2021	2020	2019
Rooms	<b>P16,564,250</b>	P19,971,028	P32,665,997
Food and beverage	<b>12,223,772</b>	14,069,796	28,084,584
Hotel overhead departments:			
Administrative and general	<b>26,204,622</b>	27,724,771	40,175,422
Sales and marketing	<b>8,555,634</b>	7,842,800	13,599,168
Engineering	<b>8,396,327</b>	7,676,356	9,408,448
Human resources	<b>2,631,945</b>	2,548,832	2,897,412
Other operating departments	<b>216,528</b>	443,650	1,024,537
	<b>P74,793,078</b>	P80,277,233	P127,855,568

Payroll and employees benefits charged in the statements of profit or loss were allocated as follows:

	Note	2021	2020	2019
Cost of sales and services	16	<b>P29,004,550</b>	P34,484,474	P61,775,118
Administrative expenses	17	<b>45,788,528</b>	45,792,759	66,080,450
		<b>P74,793,078</b>	P80,277,233	P127,855,568

Payroll and employee benefits charged to cost of sales and services are recorded under "Rooms", "Food and Beverage" and "Other Operating Departments"

## 16. Cost of Sales and Services

This account consists of:

	Note	2021	2020	2019
Payroll and employee benefits	15	<b>P29,004,550</b>	P34,484,474	P61,775,118
Food and beverage		<b>17,729,947</b>	20,730,014	43,536,549
Guest supplies		<b>5,292,779</b>	5,716,667	9,578,397
Operating supplies		<b>5,224,133</b>	3,878,999	2,210,283
Permits and licenses		<b>3,180,905</b>	2,967,672	467,580
Cleaning supplies		<b>1,360,627</b>	2,807,744	1,062,587
Kitchen fuel		<b>1,123,137</b>	1,149,273	2,273,439
Printing and stationary		<b>792,555</b>	1,008,165	2,284,169
Online selling and marketing tools		<b>731,238</b>	963,486	3,997,794
Laundry and dry cleaning		<b>682,357</b>	763,404	708,975
Housekeeping expenses		<b>610,718</b>	608,099	1,710,735
Other operating departments		<b>622,402</b>	473,421	2,806,472
Transport charges		<b>318,784</b>	882,747	5,521,828
Commission		<b>43,445</b>	2,777,322	6,655,534
Music and entertainment		<b>4,902</b>	292,499	889,154
Miscellaneous		<b>3,942,298</b>	3,892,996	6,580,800
		<b>P70,664,777</b>	P83,396,982	P152,059,414

## 17. Administrative Expenses

This account consists of:

	<i>Note</i>	<b>2021</b>	2020	2019
<b>Hotel Overhead Departments</b>				
Payroll and employee benefits	15	<b>P45,788,528</b>	P45,792,759	P66,080,450
Management and incentives fees	14	<b>19,178,154</b>	17,472,942	19,350,770
Telecommunications		<b>3,544,414</b>	3,120,347	1,203,476
Data processing		<b>3,166,544</b>	2,767,444	2,747,314
Awards and social activities		<b>1,016,870</b>	234,968	1,396,031
Advertising		<b>501,934</b>	1,228,204	4,769,837
Credit card and commission		<b>460,427</b>	2,531,002	5,168,175
Entertainment		<b>448,584</b>	133,735	705,419
Dues and subscription		<b>383,826</b>	818,000	3,932,484
Miscellaneous		<b>3,164,113</b>	2,186,413	5,203,460
		<b>77,653,394</b>	76,285,814	110,557,416
<b>Corporate Office</b>				
Depreciation and amortization	10	<b>42,965,281</b>	43,283,263	42,728,166
Property tax		<b>9,265,751</b>	9,265,841	9,265,721
Insurance		<b>9,145,748</b>	8,832,798	10,101,214
Professional fees		<b>7,087,706</b>	5,716,830	5,741,280
Corporate office payroll and related expense		<b>1,685,095</b>	1,960,081	7,556,630
Office supplies		<b>871,498</b>	2,143,146	3,074,381
Director's fees/allowances		<b>799,600</b>	826,133	299,655
Taxes and licenses		<b>192,637</b>	118,996	138,053
Transportation and travel		<b>31,116</b>	51,343	175,870
Provision for impairment losses on receivables	25	<b>-</b>	693,795	-
Miscellaneous		<b>1,329,142</b>	5,602,343	1,102,577
		<b>73,373,574</b>	78,494,569	80,183,547
Power light and and water		<b>56,126,157</b>	54,660,961	72,504,123
Property operations and maintenance		<b>12,298,962</b>	10,059,401	13,551,609
		<b>P219,452,087</b>	P219,500,745	P276,796,695



## 18. Earnings Per Share

Basic and diluted earnings per share is computed as follows:

	<b>Note</b>	<b>2021</b>	2020	2019
Weighted average number of common shares:				
Balance at beginning and end of year	24	<b>P53,717,369</b>	P53,717,369	P53,717,369
	<b>Note</b>	<b>2021</b>	2020	2019
Net income for the year		<b>P33,669,054</b>	P12,065,708	P2,369,489
Divided by weighted average number of outstanding shares	24	<b>53,717,369</b>	53,717,369	53,717,369
		<b>P0.63</b>	P0.22	P0.04

There are no potential dilutive common shares in the years presented.

## 19. Refundable Deposits

This account consists of:

	<b>Note</b>	<b>2021</b>	2020
PAGCOR	5, 25	<b>P25,349,438</b>	P25,349,438
Others		<b>1,784,614</b>	2,537,783
		<b>27,134,052</b>	27,887,221
Less: Current portion		<b>26,666,052</b>	27,419,221
		<b>P468,000</b>	P468,000

The refundable deposit pertains to the deposit paid by the lessee to the Company as required in the lease agreement.

The refundable deposit from PAGCOR is not yet returned to PAGCOR due to the pending reconciliation of account between both parties (see Note 5).

## 20. Leases

### Company as Lessor

The Company leases certain portions of the Hotel premises to third parties with options for extension/renewal upon mutual agreement of the parties. The leases include provisions for rental increment of 5% upon renewal of the contracts subject to renegotiations of both parties.

The lease agreements with the third parties required the latter to give the Company lease deposits which amounted to a total of P27,134,052 and P27,887,221 as at December 31, 2021 and 2020, respectively, and are shown as "Refundable deposits" in the statements of financial position (see Note 19). Rent income amounted to P600,000, P2,649,737 and P2,483,556 in 2021, 2020 and 2019 respectively, and is included in "Others" under Revenue in the statements of profit or loss.

On February 15, 2012, the BOD of PAGCOR decided not to renew the contract of lease which ended on July 10, 2013. Refundable deposit from PAGCOR amounting to P25,349,438 is not yet returned to the latter due to the pending reconciliation of account between both parties. The Company and PAGCOR have not yet reached an agreement as to the net amount of settlement due to each party (see Note 5).

In 2021 and 2020, the Company has sub-leased portion of an office space consisting of 30 square meters, 25 square meters and 65 square meters, respectively, located at the Hotel. HLC, RRC and Elite (Note 14).

Contractual cashflows are as follows:

	2021	2020
Due within one year	<b>P600,000</b>	P600,000

#### Company as Lessee

The Company leases the land occupied by the Hotel from HLC, its associate, for a period of 25 years up to January 1, 2015. On August 1, 2004, the Company, as lessee, and HLC, as lessor, agreed to amend the Contract of Lease with Option to Purchase executed by the parties on November 12, 1991 covering the lease of the land. The amended contract provides for the following:

- Annual rental on the land of P10,678,560;
- Required lease deposit (shown as part of "Other noncurrent assets" in the statements of financial position) of P78,000,000; and
- Interest rate of 5% or P3,900,000 per annum on the lease deposit which the lessor is obligated to pay to the Company.

On August 11, 2014, the Company and HLC agreed to amend the original contract to increase the yearly rent from P10,678,560 to P17,797,608 and to renew the original lease for a further term of twenty-five (25) years.

	2021	2020
Beginning balance	<b>P181,186,824</b>	P175,260,032
Interest expense during the year	<b>13,894,621</b>	14,202,680
Payments made	<b>(27,319,328)</b>	(8,275,888)
Ending balance	<b>P167,762,117</b>	P181,186,824

Payments made include as follows:

	2021	2020
Interest payment	<b>P21,581,936</b>	P7,101,340
Principal payment	<b>5,737,392</b>	1,174,548
	<b>P27,319,328</b>	P8,275,888

Lease liability included in the statements of financial position is as follows:

	2021	2020
Current	<b>P4,237,441</b>	P13,424,707
Non-current	<b>163,524,676</b>	167,762,117
	<b>P167,762,117</b>	P181,186,824

Contractual cashflows are as follows:

<b>Lease Liability under PFRS 16</b>	<b>2021</b>	<b>2020</b>
Due within one year	<b>P17,797,608</b>	P26,696,412
After one year but not more than five years	<b>71,190,432</b>	71,190,432
More than five years	<b>231,368,904</b>	249,166,512
	<b>P320,356,944</b>	P347,053,356

## 21. Retirement Cost

The Company has an unfunded, noncontributory, defined benefit retirement plan covering substantially all of its employees, except for its BOD and expatriates (See Note 14). It provides a retirement benefit equal to eighty-six (86%) of monthly salary per year of services payable to an employee who retires at age of 60 with at least 5 years in service. Annual cost is determined using the projected unit credit method. The Company's latest valuation date is December 31, 2021.

The recognized liability representing the present value of the defined benefit obligation presented as "Retirement benefits liability" in the Company's statements of financial position amounted to P33,482,499 and P33,908,459 as at December 31, 2021 and 2020, respectively.

The movements in the present value of the defined benefit obligation are as follows:

	<b>2021</b>	<b>2020</b>
Balance at January 1	<b>P33,908,459</b>	P28,962,682
<b>Included in Profit or Loss</b>		
Current service cost	<b>1,955,698</b>	1,699,590
Interest cost	<b>1,186,796</b>	1,477,097
	<b>3,142,494</b>	3,176,687
<b>Included in Other Comprehensive Income (OCI)</b>		
Remeasurement loss (gain):		
Actuarial loss (gain) arising from:		
Financial assumptions	<b>(3,731,496)</b>	3,893,709
Experience adjustment	<b>3,344,734</b>	332,954
	<b>(386,762)</b>	4,226,663
<b>Others</b>		
Benefits paid	<b>(3,181,692)</b>	(2,457,573)
<b>Balance at December 31</b>	<b>P33,482,499</b>	P33,908,459

The amounts of retirement benefits cost which are included in "Payroll and employee benefits" under Cost of Sales and Services in the statements of profit or loss for the years ended December 31 are as follows:

	<b>2021</b>	<b>2020</b>	<b>2019</b>
Current service cost	<b>P1,955,698</b>	P1,699,590	P1,312,342
Interest cost	<b>1,186,796</b>	1,477,097	1,684,702
Retirement benefits cost	<b>P3,142,494</b>	P3,176,687	P2,997,044

The actuarial gain (loss), before deferred income taxes, recognized under “Other comprehensive income” in the statements of comprehensive income and statements of changes in equity are as follows:

	2021	2020	2019
Cumulative actuarial gain at the beginning of the year	<b>P11,474,607</b>	P15,701,270	P21,077,889
Actuarial gain (loss) arising from:			
Financial assumptions	<b>3,731,496</b>	(3,893,709)	(5,405,668)
Experience adjustment	<b>(3,344,734)</b>	(332,954)	29,049
Cumulative actuarial gain at the end of the year	<b>P11,861,369</b>	P11,474,607	P15,701,270

The net accumulated actuarial gain, net of deferred tax amounted to P8,896,027 P8,032,225 and P10,990,889 as at December 31, 2021, 2020 and 2019, respectively, as presented in the statements of changes in equity.

Principal actuarial assumptions at the reporting date (expressed as weighted averages):

	2021	2020	2019
Discount rate	<b>5%</b>	4%	5%
Future salary increases	<b>2%</b>	2%	2%

Assumptions regarding future mortality have been based on published statistics and mortality rates of the 1985 Unisex Annuity table.

#### *Sensitivity Analysis*

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

2021	Increase	Decrease
Discount rate (1% movement)	<b>(P2,315,154)</b>	<b>P2,600,631</b>
Future salary increase rate (1% movement)	<b>2,448,544</b>	<b>(2,221,888)</b>
2020	Increase	Decrease
Discount rate (1% movement)	(P2,522,351)	P2,864,237
Future salary increase rate (1% movement)	2,683,656	(2,411,175)

Although the analysis does not take into account the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumption shown.

The defined benefit plan exposes the Company to actuarial risks, such as longevity risk and interest rate risk.

The weighted-average duration of the defined benefit obligation is ten (10) years as at December 31, 2021 and 2020.

The maturity analysis of the benefit payments is as follows:

	2021				
	Carrying Amount	Contractual Cash Flows	1 - 5 Years	6 - 10 Years	More than 10 Years
Retirement benefits liability	<b>P33,482,499</b>	<b>P86,617,039</b>	<b>P15,941,958</b>	<b>P29,337,246</b>	<b>P41,337,835</b>

	2020				
	Carrying Amount	Contractual Cash Flows	1 - 5 Years	6 - 10 Years	More than 10 Years
Retirement benefits liability	<b>P33,908,459</b>	<b>P81,301,582</b>	<b>P10,103,918</b>	<b>P26,096,142</b>	<b>P45,101,522</b>

The Company is not required to pre-fund the future defined benefits payable under the Retirement Fund before they become due. However, in the event a benefit claim arises, the Company will be liable to pay its employees.

## 22. Income Tax

The components of the Company's income tax expense (benefit) are as follows:

	2021	2020	2019
Current tax expense	<b>P1,162,457</b>	P2,099,250	P2,824,498
Deferred tax expense (benefit):			
Reduction in tax rate	<b>6,050,661</b>	-	-
Origination and reversal of temporary differences	<b>6,217,314</b>	(5,394,511)	(5,981,186)
	<b>P13,430,432</b>	(P3,295,261)	(P3,156,688)

The reconciliation of the income tax expense (benefit) computed at statutory income tax rate to the income tax expense (benefit) shown in profit or loss is as follows:

	2021	2020	2019
Income (loss) before income tax	<b>P47,099,486</b>	P8,770,447	(P787,199)
Income tax expense (benefit) at statutory tax rate	<b>P11,774,872</b>	P2,631,134	(P236,160)
Additions to (reductions in) income tax resulting from the tax effects of:			
Unrecognized deferred tax assets on NOLCO and MCIT	<b>(4,349,133)</b>	(5,324,676)	(2,446,443)
Remeasurement of previously recorded DTA	<b>6,470,685</b>	(1,567,825)	-
Income subjected to final tax	<b>(80,723)</b>	(80,993)	(46,382)
Equity in net income of an associate	<b>(396,757)</b>	(459,334)	(427,703)
Non deductible expense	<b>11,488</b>	1,506,433	-
	<b>P13,430,432</b>	(P3,295,261)	(P3,156,688)



The components of the Company's deferred tax assets (liabilities) are as follows:

2021	Net Balance at January 1	Recognized in Profit or Loss	Recognized in OCI	Net Balance December 31	Deferred Tax Assets	Deferred Tax Liabilities
Retirement benefits liability	P13,614,922	(P2,003,106)	P -	P11,611,816	P11,611,816	P -
Allowance for impairment loss on property and equipment	10,426,880	(1,737,813)	-	P8,689,067	P8,689,067	-
Allowance for impairment loss on receivables	5,014,908	(1,439,934)	-	3,574,974	3,574,974	-
Excess of ROU asset over lease liability	3,918,463	(1,385,502)	-	2,532,961	2,532,961	-
Unrealized foreign exchange gain	3,328,791	(5,701,620)	-	(2,372,829)	(2,372,829)	-
Remeasurement gain on retirement benefit liability	(3,442,382)	-	477,040	(2,965,342)	-	(2,965,342)
Net tax assets and liabilities	P32,861,582	(P12,267,975)	P477,040	P21,070,647	P24,035,989	(P2,965,342)

2020	Net Balance at January 1	Recognized in Profit or Loss	Recognized in OCI	Net Balance December 31	Deferred Tax Assets	Deferred Tax Liabilities
Retirement benefits liability	P13,399,187	P215,735	P -	P13,614,922	P13,614,922	P -
Allowance for impairment loss on property and equipment	10,426,880	-	-	10,426,880	10,426,880	-
Allowance for impairment loss on receivables	4,806,770	208,138	-	5,014,908	5,014,908	-
Excess of ROU asset over lease liability	-	3,918,463	-	3,918,463	3,918,463	-
Unrealized foreign exchange gain	2,276,616	1,052,175	-	3,328,791	3,328,791	-
Remeasurement gain on retirement benefit liability	(4,710,381)	-	1,267,999	(3,442,382)	-	(3,442,382)
Net tax assets and liabilities	P26,199,072	P5,394,511	P1,267,999	P32,861,582	P36,303,964	(P3,442,382)

The Company's temporary differences, the deferred tax assets of which have not been recognized, consist of:

	2021	2020
MCIT	P6,086,205	P6,997,219
NOLCO	-	27,384,900
	P6,086,205	P34,382,119

Realization of future tax benefit related to deferred tax assets is dependent on the Company's ability to generate future taxable income during the periods in which these are expected to be recovered. The Company has considered these factors in reaching a conclusion not to recognize deferred tax asset since it is not probable that future taxable profit will be available against which the Company can utilize the benefits therefrom.

Details of the Company's NOLCO which are available for offset against future taxable income are as follows:

Year Incurred	Amount	Expired/ Applied	Balance	Expiry Date
2018	P27,384,900	P27,384,900	P -	December 31, 2021
2017	31,526,440	31,526,440	-	December 31, 2020
	P58,911,340	P58,911,340	P -	

The Company applied P22,046,363 NOLCO against its taxable income in 2021.

Details of the Company's excess MCIT over RCIT which are available for offset against future income tax liabilities are as follows:

Year Incurred	Amount	Expired	Unexpired	Expiry Date
2021	P1,162,457	P -	P1,162,457	December 31, 2024
2020	2,099,250	-	2,099,250	December 31, 2023
2019	2,824,498	-	2,824,498	December 31, 2022
2018	2,073,471	2,073,471	-	December 31, 2021
	P8,159,676	P2,073,471	P6,086,205	

On March 26, 2021, the President of the Philippines has approved the Corporate Recovery and Tax Incentives for Enterprises or the CREATE Act, with nine (9) provisions vetoed by the President. Below are the salient features of the Act that are relevant to the Company:

- a) Corporate Income Tax rate is reduced from thirty percent (30%) to twenty percent (20%) for domestic corporations with net taxable income not exceeding five million pesos (P5,000,000) and with total assets not exceeding one hundred million pesos (P100,000,000). All other domestic corporations and resident foreign corporations will be subject to twenty-five percent (25%) income tax. Said reductions are effective starting July 1, 2020.
- b) MCIT rate is reduced from two percent (2%) to one percent (1%) effective July 1, 2020 to June 30, 2023.

On April 8, 2021, the BIR issued the following implementing revenue regulations (RR) that are effective immediately upon publication:

- BIR RR No. 2-2021, *Amending Certain Provisions of RR No. 2-98, As Amended, to Implement the Amendments Introduced by Republic Act (RA) No. 11534, or the CREATE to the National Internal Revenue Code (NIRC) of 1997, as Amended, Relative to the Final Tax on Certain Passive Income.*
- BIR RR No. 3-2021, *Rules and Regulations Implementing Section 3 RA No. 11534, Otherwise Known as CREATE, Amending Section 20 of the NIRC of 1997, As Amended.*
- BIR RR No. 4-2021, *Implementing the Provisions on VAT and Percentage Tax Under Republic Act (RA) No. 11534, Otherwise Known as the CREATE, Which Further Amended the NIRC of 1997, as Amended, as Implemented by RR No. 16-2005 (Consolidated VAT Regulations of 2005), As Amended.*
- BIR RR No. 5-2021, *Implementing the New Income Tax Rates on the Regular Income of Corporations, on Certain Passive Incomes, Including Additional Allowable Deductions from Gross Income of Persons Engaged in Business or Practice of Profession Pursuant to RA No. 11534 or the CREATE, Which Further Amended the NIRC of 1997.*

Further, the BIR has issued its RR No. 5-2021 to promulgate the implementation of the new income tax rates on the regular income of corporations, on certain passive incomes and additional allowable deductions of persons engaged in business or practice of profession as provided for in CREATE Act. The corporate income tax of the Company was lowered from thirty percent (30%) to twenty five percent (25%) for domestic corporations, on which the Company qualified, effective July 1, 2020.

The CREATE Act had been considered as substantively enacted as law as at March 31, 2021. Under paragraph 46 of PAS 12, *Income taxes*, it states that “an entity’s current tax liabilities/assets for the current and prior periods shall be measured at the amount expected to be paid to/recovered from the taxation authorities, using the tax rates and laws that have been enacted or substantively enacted by the end of the reporting period”.

The Company had applied and used the effective rate of the approved income tax rate under the CREATE Act in its computation of income taxes due and payable to the BIR as at December 31, 2021 using the 25% tax rate on normal income tax pursuant to RR No. 5-2021, considering that the CREATE Act had been substantively enacted as law as at March 31, 2021 and its retroactive application from July 1, 2020. This resulted to an adjustment recognized in 2021 for prior period deferred tax remeasurement amounting to an additional expense of P6,050,661 and benefit of P573,731 recognized in profit or loss and other comprehensive income, respectively.

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## 23. Retained Earnings

Retained earnings are restricted from being declared and issued as dividend in relation to the treasury shares amounting to P1,680,020,370.

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## 24. Share Capital

### a. Capital Stock

	2021	2020
Authorized - 115,000,000 shares at 10 par value shares:		
Issued	87,318,270	87,318,270
Less treasury stock	33,600,901	33,600,901
Total issued and outstanding	53,717,369	53,717,369

### b. Treasury Stock

As at December 31, 2021 and 2020, the Company’s treasury stock consists of 33,600,901 shares of stock.

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## 25. Financial Risk and Capital Management Objectives and Policies

The Company has exposure to the following risks from its use of financial instruments:

- Credit Risk
- Liquidity Risk
- Market Risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risks, and the Company's management of capital.

The main purpose of the Company's dealings in financial instruments is to fund its operations and capital expenditures.

The BOD has overall responsibility for the establishment and oversight of the Company's risk management framework. The BOD, through the Executive Committee, is responsible for developing and monitoring the Company's risk management policies. The committee identifies all issues affecting the operations of the Company and reports regularly to the BOD on its activities.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. All risks faced by the Company are incorporated in the annual operating budget. Mitigating strategies and procedures are also devised to address the risks that inevitably occur so as not to affect the Company's operations and detriment forecasted results. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company's Audit Committee assists the BOD in fulfilling its oversight responsibility of the Company's corporate governance process relating to the:

- a) quality and integrity of the Company's financial statements and financial reporting process and the Company's systems of internal accounting and financial controls;
- b) performance of the internal auditors;
- c) annual independent audit of the Company's financial statements, the engagement of the independent auditors and the evaluation of the independent auditors' qualifications, independence and performance;
- d) compliance by the Company with legal and regulatory requirements, including the Company's disclosure control and procedures;
- e) evaluation of management's process to assess and manage the Company's enterprise risk issues; and
- f) fulfillment of the other responsibilities set out by the BOD.

The Audit Committee also prepares the reports required to be included in the Company's annual report.

#### Credit Risk

Credit risk represents the risk of loss the Company would incur if credit customers and counterparties fail to perform their contractual obligations. The Company's credit risk arises principally from the Company's trade receivables.

Exposure to credit risk is monitored on an ongoing basis. Credit checks are being performed on all clients requesting credit over certain amounts. Credit is not extended beyond authorized limits, established where appropriate through consultation with a professional credit vetting organization. Credit granted is subject to regular review, to ensure it remains consistent with the clients' current credit worthiness and appropriate to the anticipated volume of business.

The investment of the Company's cash resources is managed so as to minimize risk while seeking to enhance yield. The Company's holding of cash and money market placements exposes the Company to credit risk of the counterparty if the counterparty is unwilling or unable to fulfill its obligations and the Company consequently suffers financial loss. Credit risk management involves entering into financial transactions only with counterparties with acceptable credit rating. The treasury policy sets aggregate credit limits of any one counterparty and management annually reviews the exposure limits and credit ratings of the counterparties.

Receivable balance is being monitored on a regular basis to ensure timely execution of necessary intervention efforts.

The carrying amount of financial assets as of December 31, 2021 and 2020 represents the maximum credit exposure. The maximum exposure to credit risk at the reporting dates is as follows:

	<b>Note</b>	<b>2021</b>	<b>2020</b>
Cash and cash equivalents*	4	<b>P381,954,140</b>	P279,887,761
Receivables - net**	5, 14	<b>106,341,240</b>	127,155,228
Lease deposit	11	<b>78,000,000</b>	78,000,000
Loan receivable	14	<b>15,500,000</b>	15,500,000
Due from related parties	14	<b>2,376,917</b>	7,054,105
		<b>P584,172,297</b>	P507,597,094

\*Excluding cash on hand of P4,291,238 and P4,214,082 in 2021 and 2020, respectively.

\*\*Excluding deposits to suppliers of P28,247 in 2021 and 2020.

Details of trade receivables as at December 31, 2021 and 2020 by type of customer are as follows:

	<b>Note</b>	<b>2021</b>	<b>2020</b>
Embassy and government		<b>P76,145,597</b>	82,672,555
Airlines		<b>702,424</b>	2,740,356
Credit cards		<b>450,812</b>	902,233
Corporations		<b>215,529</b>	827,829
Travel agencies		<b>97,883</b>	13,036,612
Others		<b>864,991</b>	3,421,568
	5	<b>78,477,236</b>	103,601,153
Less allowance for impairment losses on trade receivables - charge customers		<b>14,299,899</b>	16,716,364
		<b>P64,177,337</b>	P86,884,789

The aging of trade receivables as at December 31, 2021 and 2020 is as follows:

	<b>2021</b>		<b>2020</b>	
	<b>Gross Amount</b>	<b>Impairment</b>	<b>Gross Amount</b>	<b>Impairment</b>
Current	<b>P16,331,739</b>	<b>P -</b>	P31,462,939	P -
Over 30 days	<b>21,202,728</b>	-	20,041,907	-
Over 60 days	<b>22,608,144</b>	-	22,331,493	-
Over 90 days	<b>18,334,625</b>	<b>14,299,899</b>	28,764,814	16,716,314
	<b>P78,477,236</b>	<b>P14,299,899</b>	P103,601,153	P16,716,314



As at December 31, 2021 and 2020, receivables from PAGCOR amounted to P8,078,665. Included in over 90 days are still collectable based on management's assessment of collection history, thus, no allowance for impairment was provided. In addition, any amount outstanding from PAGCOR can be offset against the deposit received from it as discussed in Note 20.

The table below shows the credit quality of the Company's financial assets based on its historical experience with the corresponding debtors.

	As at December 31, 2021			Total
	Grade A	Grade B	Grade C	
Cash in banks and cash equivalents	<b>P381,954,140</b>	<b>P -</b>	<b>P -</b>	<b>P381,954,140</b>
Receivables	<b>6,974,370</b>	<b>651,000</b>	<b>113,044,016</b>	<b>120,669,386</b>
Loan receivable	-	<b>15,500,000</b>	-	<b>15,500,000</b>
Lease deposit	<b>78,000,000</b>	-	-	<b>78,000,000</b>
	<b>P466,928,510</b>	<b>P16,151,000</b>	<b>P113,044,016</b>	<b>P596,123,526</b>

	As at December 31, 2020			Total
	Grade A	Grade B	Grade C	
Cash in banks and cash equivalents	P279,887,761	P -	P -	P279,887,761
Receivables	902,233	14,695,728	128,301,878	143,899,839
Loan receivable	-	15,500,000	-	15,500,000
Lease deposit	78,000,000	-	-	78,000,000
	P358,789,994	P30,195,728	P128,301,878	P517,287,600

Cash in banks and cash equivalents are considered of good quality as these pertain to deposits in reputable banks. Lease deposit is also considered of good quality since this is transacted with counterparty that is capable of paying the lease deposit once due. Grade A receivables pertain to those receivables from customers that always pay on time or even before the maturity date. Grade B includes receivables that are collected on their due dates provided that they were reminded or followed up by the Company. Those receivables which are collected consistently beyond their due dates and require persistent effort from the Company are included under Grade C.

#### *Estimating ECL*

The table below presents the Company's exposure to credit risk and shows the credit quality of the financial assets as at December 31, 2021 and 2020. Assets that are credit-impaired are separately presented.

<b>December 31, 2021</b>	<b>Gross Amount</b>	<b>ECL</b>	<b>Carrying Amount</b>
Cash in banks and cash equivalents	<b>P381,954,140</b>	<b>P -</b>	<b>P381,954,140</b>
Receivables	<b>120,669,386</b>	<b>(14,299,899)</b>	<b>106,369,487</b>
Loan receivable	<b>15,500,000</b>	<b>-</b>	<b>15,500,000</b>
Lease deposit	<b>78,000,000</b>	<b>-</b>	<b>78,000,000</b>
	<b>P596,123,526</b>	<b>(P14,299,899)</b>	<b>P581,823,627</b>

December 31, 2020	Gross Amount	ECL	Carrying Amount
Cash in banks and cash equivalents	P279,887,761	P -	P279,887,761
Receivables	143,899,839	(16,716,364)	127,183,475
Loan receivable	15,500,000	-	15,500,000
Lease deposit	78,000,000	-	78,000,000
	P517,287,600	(P16,716,364)	P500,571,236

Impairment on cash has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Company considers that its cash has low credit risk based on the external credit ratings of the counter parties.

The Company computes impairment loss on trade and other receivables based on past collection experiences, current circumstances and the impact of future economic conditions, if any, available at the reporting period. Loss rates are based on actual credit loss experience. Any adjustments to the loss rates for forecasts of future economic conditions are not expected to be material. The Company applies the simplified approach in providing for ECL prescribed by PFRS 9, which permits the use of the lifetime expected loss provision and applies a provision matrix.

The movements in the allowance for impairment losses in respect of trade receivables during the year are as follows:

	Note	Amount
Balance at January 1, 2020		P16,022,569
Provision in 2020	17	693,795
Balance at December 31, 2020	5	16,716,364
Reversal and write-off in 2021		(2,416,465)
<b>Balance at December 31, 2021</b>	<b>5</b>	<b>P14,299,899</b>

#### Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk by forecasting projected cash flows and maintaining a balance between continuity of funding and flexibility in operations. Treasury controls and procedures are in place to ensure that sufficient cash is maintained to cover daily operational and working capital requirements. Management closely monitors the Company's future and contingent obligations and sets up required cash reserves as necessary in accordance with internal requirements.

The Company's total current liabilities as at December 31, 2021 and 2020 amounted to P170,218,322 and P156,889,249, respectively, which are less than its total current assets of P553,119,343 and P466,729,866, respectively. Thus, the Company has sufficient funds to pay for its current liabilities and has minimal liquidity risk. Maturity analysis of lease liability is disclosed in Note 20.

#### Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other market prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Company is subject to various market risks, including risks from changes in room rates, interest rates and currency exchange rates.

#### *Room Rates*

The risk from room rate changes relates to the Company's ability to recover higher operating costs through price increases to customers, which may be limited due to the competitive pricing environment that exists in the Philippine hotel industry and the willingness of customers to avail of hotel rooms at higher prices.

The Company minimizes its exposure to risks in changes in room rates by signing contracts with short period of expiry so this gives the Company the flexibility to adjust its room rates in accordance to market conditions. Also, there are minimal changes in room rates in the hotel industry.

#### *Interest Rate Risk*

The Company has no interest-bearing debt obligations to third parties and its receivables are subject to fixed interest rates. As such, the Company has minimal interest rate risk.

#### *Foreign Currency Risk*

The Company is mainly exposed to foreign currency risk on its cash and cash equivalents that are a denominated in a currency other than the Company's functional currency. The currencies giving rise to this risk are primarily the Philippine peso (PHP) and United States (US) dollar. The Company ensures that its exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances.

As at December 31, 2021 and 2020, assets denominated in US\$ include cash in banks amounting to P7,623,853 (US\$151,087) and P3,203,382 (US\$66,659) respectively; short-term investment amounting to P202,961,228 (US\$4,022,061) and P193,355,647 (US\$4,026,565), respectively.

In translating foreign currency-denominated monetary assets into Php amounts, the exchange rates used were P50.46 and P48.02 to US\$1 as at December 31, 2021 and 2020, respectively.

The following table demonstrates the sensitivity to a reasonably possible change in the Php to US\$ exchange rates, with all other variables held constant, of the Company's income before tax. There is no other impact on the Company's equity other than those already affecting profit or loss.

<b>Increase (Decrease) in US\$ Exchange Rate</b>	<b>Effect on Income before Income Tax</b>	<b>Effect on Equity</b>
<b>2021</b>		
<b>5%</b>	<b>10,709,054</b>	<b>8,031,791</b>
<b>(5%)</b>	<b>(10,709,054)</b>	<b>(8,031,791)</b>
<b>2020</b>		
<b>5%</b>	<b>10,169,398</b>	<b>7,118,576</b>
<b>(5%)</b>	<b>(10,169,398)</b>	<b>(7,118,576)</b>

The increase in US\$ rate means stronger US\$ against Php while the decrease in US\$ means stronger Php against the US\$.

### Fair Values

The fair values together with the carrying amounts of the financial assets and liabilities shown in the statements of financial position are as follows:

	2021		2020	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and cash equivalents	<b>P386,245,378</b>	<b>P386,245,378</b>	P284,101,843	P284,101,843
Receivables - net**	<b>106,341,240</b>	<b>106,341,240</b>	127,155,228	127,155,228
Lease deposit	<b>78,000,000</b>	<b>78,000,000</b>	78,000,000	78,000,000
Loan receivable	<b>15,500,000</b>	<b>15,500,000</b>	15,500,000	15,500,000
Accounts payable and accrued expenses	<b>61,595,142</b>	<b>61,595,142</b>	56,918,972	56,918,972
Lease liabilities***	<b>167,762,117</b>	<b>167,762,117</b>	181,186,824	181,186,824
Due to related parties	<b>46,285,248</b>	<b>46,285,248</b>	42,134,727	42,134,727
Refundable deposits	<b>27,134,052</b>	<b>27,134,052</b>	27,887,221	27,887,221
Other current liabilities*	<b>9,506,181</b>	<b>9,506,181</b>	7,900,429	7,900,429

\*Excluding payables to government and Output VAT Payable of P21,928,258 and P9,091,193 in 2021 and 2020, respectively.

\*\*Excluding deposits to suppliers of P28,247 in 2021 and 2020.

\*\*\*Including current and noncurrent portion.

### *Estimation of Fair Values*

The following summarizes the major methods and assumptions used in estimating the fair values of financial instruments reflected in the table:

#### *Cash and Cash Equivalents*

The carrying value of cash and cash equivalents approximates its fair value due to the short-term nature of this asset.

#### *Receivables - net /Loan Receivable/Accounts Payable and Accrued Expenses/Due to Related Parties/Refundable Deposits/Other Current Liabilities Except for Output VAT Liability and Other Statutory Payables/Lease liability - Current Portion*

Current receivables are reported at their net realizable values, at total amounts less allowances for estimated uncollectable accounts. Current liabilities are stated at amounts reasonably expected to be paid within the next twelve months or within the Company's operating cycle. Due to/from related parties and loan receivable are payable on demand.

#### *Lease Deposit*

The lease deposit is interest-bearing and its carrying value approximates its fair value as the impact of discounting using the applicable discount rates based on current market rates of identical or similar quoted instruments is immaterial.

#### *Lease Liability - Noncurrent Portion*

The carrying amount of lease liability - noncurrent portion approximates fair value at year-end. The management believes that the effect of discounting and future cash flows for these instruments using the prevailing market rates is not significant.

### Capital Management

The Company's objectives when managing capital are to increase the value of shareholders' investment and maintain high growth by applying free cash flow to selective investments. The Company sets strategies with the objective of establishing a versatile and resourceful financial management and capital structure.

The Chief Financial Officer has overall responsibility for monitoring of capital in proportion to risk. Profiles for capital ratios are set in the light of changes in the Company's external environment and the risks underlying the Company's business operations and industry.

The Company monitors capital on the basis of the debt-to-equity ratio which is calculated as total debt divided by total equity. Total debt is equivalent to accounts payable and accrued expenses, income tax payable, due to related parties, other current liabilities, refundable deposits and retirement benefits liability. Total equity comprises mainly of the capital stock, additional paid-in capital and retained earnings.

There were no changes in the Company's approach to capital management during the year.

As at December 31, 2021 and 2020 the Company is compliant with the minimum public float requirement by the PSE.

The Company has 115,000,000 shares registered with the SEC on August 9, 1989, the effective date of registration statement. The registered shares with the SEC remain the same as at December 31, 2021 and 2020. The original issue/offer price was P10.00 per share. There were no additional shares registered with the SEC as at December 31, 2021 and 2020.

Based on the Philippine Stock Exchange's website, the Company's traded price per share was P14.38 and P10.96 as at December 31, 2021 and 2020, respectively. The total number of shareholders was 16,093 and 15,485 as at December 31, 2021 and 2020, respectively.

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## **26. Other Matter - BIR 2008 Tax Case**

On 20 February 2015, the Company filed a Petition for Review with the CTA to invalidate the collection proceedings of the BIR. The Petition is based on the Company's position, as advised by tax counsel, that the collection proceedings initiated by the Commissioner of Internal Revenue ("CIR") is void because the assessment, from which the collection proceedings arose, did not comply with the requirements of law and lacked factual and legal bases.

The Deficiency Tax Case seeks to have the CTA review the Collection Letter that the Company received from the BIR on 12 December 2013. As far as the Company is aware, the Collection Letter was issued by the BIR in connection with a Formal Letter of Demand for alleged deficiency income tax, value added tax, expanded withholding tax, withholding tax on compensation and documentary stamp tax for the year 2008, in the aggregate amount of P508,101,387 consisting of P262,576,825 for basic tax, and interest of P245,524,562 from 20 January 2009 to 30 September 2013.

On 24 July 2015, the Company received a Warrant of Distraint and/or Levy dated 24 July 2015 from the BIR ("Warrant"). The Warrant relates to the tax case for year 2008. Considering that a Petition for Review has been earlier filed with the CTA on 20 February 2015 to question the validity of the collection proceedings initiated by the CIR and that the matter is currently being litigated at the CTA, the Company has taken appropriate legal measures to ensure that such Warrant is not implemented during the course of the trial proceedings.

During the CTA hearing on 21 September 2015, the Company presented 2 witnesses and they were able to finish their testimonies on the same day. The BIR, on the other hand, did not present any witnesses and opted to submit the case for the resolution of the CTA.



On 6 November 2015, the Company filed its Formal Offer of Documentary Evidence. In two Resolutions dated 04 January 2016 and 11 March 2016 respectively, the CTA admitted in evidence the Company's documentary exhibits.

On 15 April 2016, the Company filed its Memorandum with the CTA.

Meanwhile, on 8 June 2016, management of the Company was informed by Metropolitan Bank & Trust Company ("Metrobank") via email, that the BIR has issued a Warrant of Garnishment with Warrant No. 125-2015-011 dated 2 June 2016 against the Company in connection with the Deficiency Tax Case. Pursuant to the Warrant, the BIR seeks to garnish the Company's deposits with Metrobank, in the amount of P499,050, as may be necessary to satisfy the alleged tax deficiency of the Company.

In addition, on 10 June 2016, management of the Company was also informed by the Lank Bank of the Philippines ("Land Bank"), that the BIR has issued a Warrant of Garnishment with Warrant No. 125-2015-011 against the Company in connection with the Deficiency Tax Case. To date, the Company has not received the original Warrant from the BIR. Pursuant to the Warrant, the BIR seeks to garnish the Company's deposits with the Land Bank, in the amount of P71,719 as may be necessary to satisfy the alleged tax deficiency of the Company.

In a Manifestation dated 01 September 2016, the CIR informed the CTA that it will adopt its arguments in its Answer as its Memorandum.

Thus, on 6 September 2016, the Company's tax counsel received a Resolution from the CTA stating that the case has been submitted for decision.

On 7 March 2017, the Company filed an Urgent Motion to Allow Payment of Taxes with the CTA. This is with respect to the Warrant of Garnishment with Land Bank. The Company uses this bank account for its tax payments.

On 24 August 2017, the Company withdrew its "Urgent Motion to Allow Payment of Taxes" with CTA and instead requested the CTA to submit the case for decision. On 31 August 2017, CTA granted the withdrawal of the Motion and submitted the case for decision.

On 4 July 2018, the CTA rendered its Decision.

In the Decision, the CTA held that it does not have jurisdiction to entertain the Petition. It explained that the CTA only has jurisdiction to review decisions of the CIR involving disputed assessments, and not those assessments which have become final and executory. The CTA held that due to the Company's failure to file a protest within the reglementary period, the assessment became final, executory, and demandable. In light of the foregoing, the CTA held that it had no jurisdiction to entertain the Petition.

The Company filed a Motion for Reconsideration ("MR") on 19 July 2018. In its MR, the Company argued that: (i) the CTA has jurisdiction to review collection proceedings initiated by the CIR pursuant to its powers under Section 7(A)(1) of the National Internal Revenue Code; and (ii) the tax deficiency assessment of the CIR is void for failure to indicate a due date for payment and thus, the absence of a protest does not render the assessment final and executory because no rights can emanate from a void assessment.

#### Amended Decision

On 30 October 2018, the Company received the CTA's Amended Decision granting the Company's MR. Thus, the CTA annulled and set aside the CIR's assessment against the Company for deficiency income tax, withholding tax on compensation, expanded withholding tax, documentary stamp taxes, and value-added tax, in the total amount of P508,101,387 for taxable year 2008.

In its Amended Decision, the CTA held that it had jurisdiction to review collection proceedings by the CIR pursuant to its powers under Section 7(a)(1) of the Tax Code, and in particular, "other matters" arising under the National Internal Revenue Code. The CTA held that while there is no disputed assessment, it can assume jurisdiction over the Petition under "other matters".

After a careful scrutiny of the Formal Letter of Demand and Final Assessment Notice, the CTA held that the same was not valid for failure to indicate a definite due date for payment by the taxpayer, which negates the CIR's demand for payment.

#### MR Filed by CIR

On 20 November 2018, the MR filed by the CIR seeks to pray for a reconsideration of the Amended Decision and to uphold the Decision dated 4 June 2018 on the following grounds:

- (1) The "other matters" clause of Section 7 of Republic Act No. 9282 does not include assessment cases.
- (2) A challenge to the collection procedure under "other matters" cannot reach back and examine an undisputed assessment.
- (3) Even assuming that the present case falls under the scope of "other matters", the Petition was filed out of time.

The Corporation filed its Comment to the CIR's MR on 12 December 2018 and prayed that the same be denied for lack of merit.

On 14 March 2019, the CTA issued a decision denying the CIR Motion for Reconsideration as the Court finds no cogent reasons to reverse or modify the Amended Decision.

On 21 March 2019, the CIR filed an appeal to the CTA En Banc to set aside the Amended Decision. On 19 June 2019, the Corporation received a notice from the CTA En Banc to file its comments to the Petition of CIR. The Corporation filed its comment on 20 June 2019.

On 2 December 2019, the CTA En Banc issued a Notice of Resolution that since both CIR and the Corporation decided not to have the case mediated by the Philippine Mediation Center - Court of Tax Appeals, the mediation proceedings are terminated and the case is submitted for decision by the CTA En Banc.

On 29 September 2020, CTA En Banc issued a Decision affirming the CTA Division's Decision cancelling the deficiency tax assessment in the amount of P508,101,387.12.

On 28 October 2020, the Company received a copy of the MR filed by the CIR with the CTA En Banc. The MR sought to move for the reconsideration of the Decision promulgated by the CTA En Banc on 29 September 2020. The MR filed by the CIR has already been denied by the CTA En Banc in a Resolution dated 19 January 2021.

On 23 March 2021, Management of the Corporation was advised by the Corporation's tax counsel that it had received a copy of the Petition for Review dated 8 March 2021 filed by the CIR with the Philippine Supreme Court which seeks to set aside the CTA En Banc Decision dated 29 September 2020 (Decision) and CTA En Banc Resolution.

The Petition for review seeks to (i) reverse and set aside the CTA En Banc Decision dated 29 September 2020 and Resolution dated 19 January 2021 and (ii) render decision ordering the Corporation to pay the total amount of P37,394,321.84, P142,281,715.20, and P326,352,191.20 representing withholding tax on compensation, value-added tax, and income tax assessment respectively, or an aggregate amount of P506,028,228.24 for taxable year 2008 as well as 25% and 50% surcharge, 20% deficiency and delinquency interest and 12% interest.

The Supreme Court has yet to act on the CIR's Petition. The Company is still waiting for further instructions from the Supreme Court on this matter.

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## **27. Impact of COVID-19**

On March 8, 2020, under Proclamation 922, the Office of the President has declared a state of public health emergency and subsequently on March 16, 2020, under Proclamation 929, a state of calamity throughout the Philippines due to the spread of the COVID-19. To manage the spread of the disease, the entire Luzon including Metro Manila has been placed under an Enhanced Community Quarantine (ECQ), effective March 17, 2020. The quarantine has caused restrictions in the mobility of people outside their homes, hence, limiting business activities and commercial operations. The quarantine status of Metro Manila went through extensions and modifications.

On September 14, 2021, Metro Manila was placed under General Community Quarantine (GCQ) with Alert Level 4 effective on the second half of the month of September 2021. This is based on the updated guidelines on the COVID-19 alert level system with granular lockdowns released by Inter-Agency Task Force for the Management of Emerging Infectious Disease. Alert Level 4 was further extended until October 15, 2021. Alert level status of Metro Manila was lowered to Alert Level 3 from October 16, 2021 to October 31, 2021 following the government's approval of the IATF's recommendations. On November 5, 2021, Metro Manila was placed under Alert Level 2 until November 21, 2021. This was subsequently heightened to Alert Level 3 until January 31, 2022, and reverted to Alert Level 2 starting February 1 to 15, 2022.

The Company is one of the hotels accredited to become a quarantine facility by Department of Health (DOH) during this pandemic. Contract with Overseas Workers Welfare Administration (OWWA) which started in May 2020 was extended until June 2022 to cater repatriated and returning Overseas Filipino Workers. The Company also secured a contract with Philippines Offshore Gaming Operators (POGO) and Business Process Outsourcing (BPO) companies to serve as a temporary shelter during lockdown. However, there was also a slow down on collection of its receivables and payment of its obligations.

For the years 2021 and 2020, the concentration of revenue was from the contracts with Overseas Workers Welfare Administration (OWWA), Philippines Offshore Gaming Operators (POGO) and Business Process Outsourcing (BPO). In addition to this, the Company had a contract with maritime companies to serve as quarantine facility for returning seafarers. The Company is now planning their actions to transition from a quarantine facility back to its pre-pandemic normal operations which is catering guests for business and leisure purposes.

On November 9, 2021, the Company was also able to secure its Certificate of Inspection issued by the Bureau of Quarantine (BOQ) under the DOH. This certifies that the Company has been inspected, and is compliant with the prescribed public health and safety standards, thereby allowing it to operate as a multiple-use hotel. The Certificate for Multiple-use Hotel was then issued to the Company on December 13, 2021, officially permitting the Company to operate for leisure or staycation.

Management has implemented all measures to mitigate the risks on their business operations. Hence, the financial statements have been prepared on a going concern basis of accounting as of reporting date.

## 28. Supplementary Information Required by Bureau of Internal Revenue (BIR)

In addition to the disclosures mandated under PFRSs, and such other standards and/or conventions as may be adopted, companies are required by the BIR to provide in the notes to the financial statements, certain supplementary information for the taxable year. The amounts relating to such information may not necessarily be the same with those amounts disclosed in the financial statements which were prepared in accordance with PFRSs. The following is the tax information/disclosures required for the taxable year ended December 31, 2021:

### Based on RR No. 15-2010

#### A. Value Added Tax (VAT)

1. Output VAT	<b>P40,156,597</b>
<b>Account title used:</b>	
Basis of the Output VAT:	
Vatable sales	<b>P149,517,160</b>
Sales to Government	<b>185,121,152</b>
Zero rated sales	<b>-</b>
Exempt sales	<b>352,229</b>
	<b>P334,990,541</b>
2. Input VAT	
Beginning of the year	<b>P7,343,692</b>
Input tax deferred on capital goods from previous period	<b>833,020</b>
Current year's domestic purchases:	
a. Goods for resale/manufacture or further processing	<b>3,905,992</b>
b. Services lodged under other accounts	<b>16,280,679</b>
Claims for tax credit/refund and other adjustments	
a. Claims for tax credit/refund	<b>-</b>
b. Input tax on sale to Government	<b>(1,359,391)</b>
Less: Applied input VAT during the year	<b>19,101,588</b>
Balance at the end of the year	<b>P7,902,404</b>

**B. Withholding Taxes**

Tax on compensation and benefits	<b>P9,725,772</b>
Creditable withholding taxes	<b>6,311,014</b>
	<b>P16,036,786</b>

**C. All Other Taxes (Local and National)**

<b><i>Other taxes paid during the year recognized under Administrative Expenses</i></b>	
Real estate taxes	<b>P9,265,751</b>
License and permit fees	<b>3,373,542</b>
	<b>P12,639,293</b>

**D. Deficiency Tax Assessments and Tax Cases**

As at December 31, 2021, the Company has pending deficiency tax assessments amounting to P508,101,387 for the tax period 2008 which is pending review by the Supreme Court.



COVER SHEET  
For  
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

1	6	6	8	7	8					
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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

--

Secondary License Type, If Applicable

--

COMPANY INFORMATION

Company's email Address

--

Company's Telephone Number/s

854-8838
----------

Mobile Number

--

No. of Stockholders

--

Annual Meeting (Month / Day)

--

Fiscal Year (Month / Day)

December 31
-------------

CONTACT PERSON INFORMATION

The designated contact person MUST be an Officer of the Corporation

Name of Contact Person

Mr. Yam Kit Sung
------------------

Email Address

--

Telephone Number/s

854-8838
----------

Mobile Number

--

CONTACT PERSON'S ADDRESS

10 <sup>th</sup> Floor, The Heritage Hotel Manila EDSA corner Roxas Boulevard, Pasay City
---

Note 1: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

2: All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.



R.G. Manabat & Co.  
The KPMG Center, 6/F  
6787 Ayala Avenue, Makati City  
Philippines 1209  
Telephone +63 (2) 8885 7000  
Fax +63 (2) 8894 1985  
Internet [www.home.kpmg/ph](http://www.home.kpmg/ph)  
Email [ph-inquiry@kpmg.com](mailto:ph-inquiry@kpmg.com)

## 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

We have audited, in accordance with Philippine Standards on Auditing, the financial statements of Grand Plaza Hotel Corporation (the Company) as at December 31, 2021 and 2020 and for each of the three years in the period ended December 31, 2021, included in this Form 17-A, and have issued our report thereon dated March 29, 2022.

Our audits were made for the purpose of forming an opinion on the basic financial statements of the Company taken as a whole. The supplementary information included in the following accompanying additional components is the responsibility of the Company's management. Such additional components include:

- Schedule of Reconciliation of Retained Earnings Available for Dividend Declaration
- Map of the Conglomerate
- Supplementary Schedules of Annex 68-J.

**Firm Regulatory Registration & Accreditation:**

PRC-BOA Registration No. 0003, valid until November 21, 2023

SEC Accreditation No. 0003-SEC, Group A, valid for five (5) years covering the audit of 2020 to 2024  
financial statements (2019 financial statements are covered by SEC Accreditation No. 0004-FR-5)

IC Accreditation No. 0003-IC, Group A, valid for five (5) years covering the audit of 2020 to 2024

financial statements (2019 financial statements are covered by IC Circular Letter (CL) No. 2019-39, Transition clause)

BSP Accreditation No. 0003-BSP, Group A, valid for five (5) years covering the audit of 2020 to 2024

financial statements (2019 financial statements are covered by BSP Monetary Board Resolution No. 2161, Transition clause)



This supplementary information is presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and is not a required part of the basic financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

**R.G. MANABAT & CO.**

A handwritten signature in black ink, appearing to read 'A. Columbres', written over a faint circular embossed seal.

ALICIA S. COLUMBRES

Partner

CPA License No. 069679

SEC Accreditation No. 1590-AR-1, Group A, valid until August 7, 2022

Tax Identification No. 120-964-156

BIR Accreditation No. 08-001987-027-2020

Issued July 20, 2020; valid until July 19, 2023

PTR No. MKT 8854058

Issued January 3, 2022 at Makati City

March 29, 2022

Makati City, Metro Manila





R.G. Manabat & Co.  
The KPMG Center, 6/F  
6787 Ayala Avenue, Makati City  
Philippines 1209  
Telephone +63 (2) 8885 7000  
Fax +63 (2) 8894 1985  
Internet [www.home.kpmg/ph](http://www.home.kpmg/ph)  
Email [ph-inquiry@kpmg.com](mailto:ph-inquiry@kpmg.com)

## **INDEPENDENT AUDITOR'S REPORT ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS**

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, in accordance with Philippine Standards on Auditing, the financial statements of Grand Plaza Hotel Corporation (the Company) as at December 31, 2021 and 2019 and for each of the three years in the period ended December 31, 2021, and have issued our report thereon dated March 29, 2022.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Company's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies.

Firm Regulatory Registration & Accreditation:  
PRC-BOA Registration No. 0003, valid until November 21, 2023  
SEC Accreditation No. 0003-SEC, Group A, valid for five (5) years covering the audit of 2020 to 2024  
financial statements (2019 financial statements are covered by SEC Accreditation No. 0004-FR-5)  
IC Accreditation No. 0003-IC, Group A, valid for five (5) years covering the audit of 2020 to 2024  
financial statements (2019 financial statements are covered by IC Circular Letter (CL) No. 2019-39, Transition clause)  
BSP Accreditation No. 0003-BSP, Group A, valid for five (5) years covering the audit of 2020 to 2024  
financial statements (2019 financial statements are covered by BSP Monetary Board Resolution No. 2161, Transition clause)



This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic financial statements prepared in accordance with PFRSs. The components of these financial soundness indicators have been traced to the Company's financial statements as at December 31, 2021 and 2020 and for each of the three years in the period ended December 31, 2021 and no material exceptions were noted.

**R.G. MANABAT & CO.**

ALICIA S. COLUMBRES  
Partner

CPA License No. 069679

SEC Accreditation No. 1590-AR-1, Group A, valid until August 7, 2022

Tax Identification No. 120-964-156

BIR Accreditation No. 08-001987-027-2020

Issued July 20, 2020; valid until July 19, 2023

PTR No. MKT 8854058

Issued January 3, 2022 at Makati City

March 29, 2022

Makati City, Metro Manila

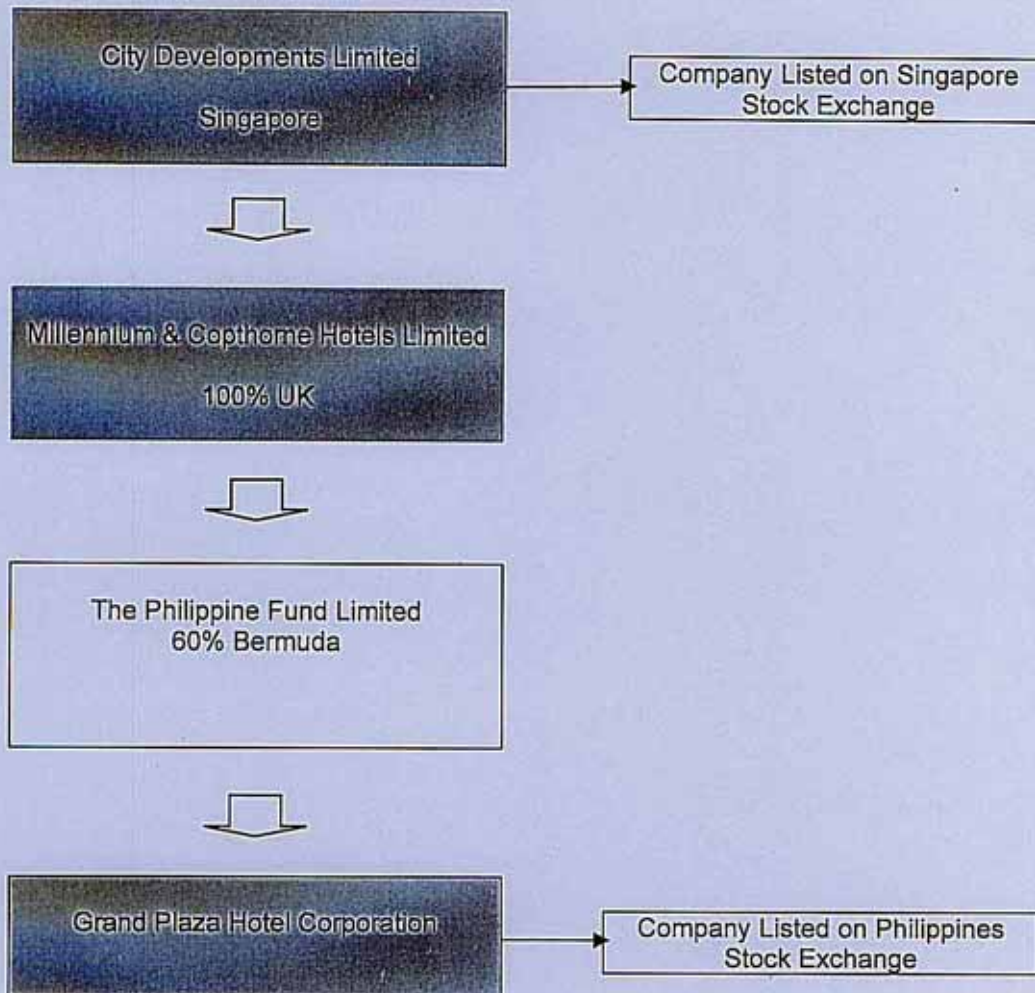


**GRAND PLAZA HOTEL CORPORATION**  
**SCHEDULE OF RECONCILIATION OF RETAINED EARNINGS AVAILABLE**  
**FOR DIVIDEND DECLARATION**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

Retained Earnings, beginning	P1,650,981,955
<b>Adjustments:</b>	
(see adjustments in previous year's Reconciliation)	(1,704,684,845)
<b>Deficit, as adjusted, beginning</b>	<b>(53,702,890)</b>
<b>Net Loss based on the face of AFS</b>	<b>33,669,055</b>
Less: Non-actual/unrealized income net of tax	
Equity in net income of associate/joint venture	(1,587,026)
Unrealized foreign exchange gain - net (except those attributable to Cash and Cash Equivalents)	-
Unrealized actuarial gain	-
Fair value adjustment (M2M gains)	-
Fair value adjustment of Investment Property resulting to gain	
Adjustment due to deviation from PFRS/GAAP-gain	-
Fair value adjustment of Investment Property resulting to gain	
Adjustment due to deviation from PFRS/GAAP-gain	-
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	-
Deferred income tax benefit for the year	-
Add: Non-actual losses	
Depreciation on revaluation increment (after tax)	-
Adjustment due to deviation from PFRS/GAAP - loss	-
Loss on fair value adjustment of investment property (after tax)	-
<b>Net Loss Actual/Realized</b>	<b>32,082,029</b>
<b>Deficit, as adjusted, ending</b>	<b>(P21,620,81)</b>

## The Group Structure

### The Philippine Fund Limited Group Structure



As at 31 December 2021



## Grand Plaza Hotel Corporation

### Schedule showing Financial Soundness Indicators

Key Performance Indicators	Formula (Amounts in millions)	2021	2020
Current ratio	<div> <div>Total Current Assets553</div> <div>Divide by: Total Current Liabilities170</div> <div>Current ratio3.25</div> </div>	3.25	2.97
Acid test ratio	<div> <div>Total Current Assets553</div> <div>Less: Inventories(5)</div> <div>Other current assets(38)</div> <div>Quick assets510</div> <div>Divide by: Total Current Liabilities170</div> <div>Acid test ratio3.00</div> </div>	3.00	2.76
Debt to Equity Ratio	<div> <div>Total Liabilities368</div> <div>Stockholder's Equity901</div> </div>	0.41	0.41
Asset to Equity Ratio	<div> <div>Total Assets1,269</div> <div>Stockholder's Equity901</div> </div>	1.41	1.41
Profit before tax margin ratio	<div> <div>Profit (Loss) Before Tax47.10</div> <div>Total Revenue334.99</div> </div>	14.06%	2.66%
EBITDA (Earnings before interest, tax, depreciation & amortization)	<div> <div>Profit (Loss) Before Tax47.10</div> <div>Add: Depreciation Expenses42.97</div> <div>Interest Expense13.89</div> <div>Less: Foreign Exchange Gain9.33</div> <div>Interest Income5.20</div> <div>Equity in Net Income of Associate1.59</div> <div>EBITDA87.84</div> </div>	P87.84 million	P70.28 million
Return on Equity	<div> <div>Net Income47.10</div> <div>Total Equity901.0</div> </div>	5.23%	1.01%
Return on Assets	<div> <div>Net Income47.10</div> <div>Average Total Assets1,269</div> </div>	3.71%	0.7%

## Schedule A. Financial Assets

**•Part of Cash and cash equivalents**

Name and Designation of debtor	Balance December 31, 2020	Additions	Amounts Collected	Amounts written off	Current	Not Current	Balance-December 2021
HARBOUR LAND CORPORATION	6,846,228	4,272,720	9,168,948	-	1,950,000	-	1,950,000
ELITE HOTEL MANAGEMENT	700	103,300	-	-	104,000	-	104,000
SERVICES PTE LTD	207,177	1,181,734	1,065,994	-	322,917	-	322,917
ROGO REALTY CORPORATION							
<b>TOTAL</b>	<b>7,054,105</b>	<b>5,557,754</b>	<b>10,234,942</b>	<b>-</b>	<b>2,376,917</b>	<b>-</b>	<b>2,376,917</b>

Name and Designation of debtor	Balance December 31, 2020	Additions	Amounts Collected	Amounts written off	Current	Not Current	Balance December 2021
TOTAL	-	-	-	-	-	-	-



GRAND PLAZA HOTEL CORPORATION  
SCHEDULES TO FINANCIAL STATEMENTS

Schedule D. Intangible Assets - Other Assets

Description	Balance December 31, 2020	Additions at Cost	Charged to cost and expense	Charged to other accounts	Other Changes
Nothing to report					
TOTAL	-	-	-	-	-

\* Allowance for impairment of input tax

Schedule E. Long Term Debt

Title of issue and type of obligation	Amount authorized by indenture	Amount shown under caption " Current portion of long-term debt" in related balance sheet	Amount shown under caption "Long-Term Debt" in related balance sheet
Nothing to report			
			-
			-
TOTAL	-	-	-



Balance December 31, 2021		

GRAND PLAZA HOTEL CORPORATION  
SCHEDULES TO FINANCIAL STATEMENTS

Schedule F. Indebtedness to Related Parties (Long-Term Loans from Related Companies)

Name of related party	Balance December 31, 2020	Balance December 31, 2021
	Nothing to report	
<b>TOTAL</b>	-	-

Schedule G. Guarantees of Securities of Other Issuers

Name of Issuing entity of Securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by person for which statement is filed	Nature of Guarantee
	Nothing to report			

GRAND PLAZA HOTEL CORPORATION  
SCHEDULES TO FINANCIAL STATEMENTS

Schedule H. Capital Stock

Title of Issue	Number of shares authorized	No. of shares issued and outstanding	No. of shares reserved for options, warrants conversion and other rights	Number of shares held by related parties	Directors, officers and employees	Name
Common	115,000,000	53,717,369	-	-	<div>1</div> <div>1</div> <div>1</div> <div>1</div> <div>1</div> <div>1</div> <div>2,999</div> <div>1,000</div>	<div>Kwek Elk Sheng</div> <div>Bryan Cockrell</div> <div>Ricardo PC Castro, Jr.</div> <div>Mia G. Gentugaya</div> <div>Simson Ken R. Ferrer</div> <div>Wong Kok Ho</div> <div>Yam Kit Sung</div> <div>Arlene De Guzman</div> <div>The Philippine Fund Ltd.</div> <div>Zalrio PTE LTD</div> <div>**6,857,283 - owned by Public</div>
TOTAL	115,000,000	53,717,369	-	46,856,081	4,005	-

## SUSTAINABILITY REPORTING FOR YEAR 2021 GRAND PLAZA HOTEL CORPORATION

Company Details	
Name of Organization	Grand Plaza Hotel Corporation
Location of Headquarters	10 <sup>th</sup> Flr. Heritage Hotel Manila, EDSA corner Roxas Blvd. Pasay City
Location of Operations	10 <sup>th</sup> Flr. Heritage Hotel Manila, EDSA corner Roxas Blvd. Pasay City
Report Boundary: Legal entities (e.g. subsidiaries) included in this report*	None
Business Model, including Primary Activities, Brands, Products, and Services	Grand Plaza Hotel Corporation (the “Corporation”) owns and operates The Heritage Hotel Manila (the “Hotel”), a deluxe class hotel which offers room accommodation and other amenities such as restaurants and ballroom.
Reporting Period	2021
Highest Ranking Person responsible for this report	General Manager

*\*If you are a holding company, you could have an option whether to report on the holding company only or include the subsidiaries. However, please consider the principle of materiality when defining your report boundary.*

### Materiality Process

Explain how you applied the materiality principle (or the materiality process) in identifying your material topics <sup>1</sup> .
<p>For the Corporation’s submission of this Sustainability Report, the Corporation identified the material topics which are deemed relevant to the operations of the Corporation and the Hotel on the basis of the Sustainability Accounting Standards Board (SASB) Materiality Map, specifically, for the Hotels &amp; Lodging industry. The SASB Materiality Map is referenced in the SEC Memorandum Circular No. 4, Series of 2009 on the Sustainability Reporting Guidelines for Publicly-Listed Companies.</p> <p>The Corporation identifies the following issues as most likely to affect the economic, environmental and social impacts of the Corporation:</p> <p>Environmental (Energy Management, Waste and Wastewater Management, )  Social (Labor Practices, Product and/or Service Quality and Safety)  Economic (Supply Chain Management)</p>

## ECONOMIC

<sup>1</sup> See [GRI 102-46](#) (2016) for more guidance.



## Economic Performance

### Direct Economic Value Generated and Distributed

Disclosure	Amount	Units
Direct economic value generated (revenue)	334,990,538	PhP
Direct economic value distributed:		
Operating costs	122,159,611.6	PhP
Employee wages and benefits	74,893,504	PhP
Payments to suppliers, other operating costs	260,832,708	Php
Dividends given to stockholders and interest payments to loan providers	-	PhP
Taxes given to government	33,687,691	PhP
Investments to community (e.g. donations, CSR)	-	PhP

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Hotel and F&B Services – this entity generates revenue from the services rendered. The revenue generated not only an advantage to this organization but as well with the government due to tax remittances.	Guests, Government's, and Community	Management is consistently strong in delivering the stated and well circulated hotel policies and procedures.
Hotel and F&B Labor generation- this entity creates jobs, employment, and other labor works.	Employees, Government	Management is consistently strong in delivering the stated and well circulated hotel policies and procedures. Weekly manning requisitions are properly monitored.
Hotel and F&B procurement- this entity procured goods and services and produced goods from raw products.	Supplier's, Employee, and Government	Management is consistently strong in delivering the stated and well circulated hotel policies and procedures. Organization do have strong anti bribery policy wherein key managers directly exposed are required to take the online examination.
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach



Increased room market inventory in the bay area. Business growth, unstable market demand.	Guest, Organization, and Government	Working on the favorable growth of rooms market share and f&b productions. Competitive promotions and staff incentives are available.
Labor availability – certain skills and capabilities are required in the delivery of the services.	Employees, Organization	Strong coordination with agency providers and well sourced manning procurement are available.
Procurement bribery, unstable prices and availability of goods and services.	Supplier's, Employee, and Government	In placed policy and procedures.
Incidence of procurement bribery, unstable prices and availability of goods and services.		
<b>What are the Opportunity/ies Identified?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
Increased business influx due to infrastructural and financial upswing progress within the area; possible POGO company beside hotel	Guest, Organization, and Government	Strong campaigns, and strategic planning are in place.
Employee empowerment	Employees, Organization	Human resource department are equipped with different approach for employees growth.
Local suppliers growth and local economic advantage.	Supplier's, Employee, and Government	Management equipped with policy and procedures in assessing suppliers and depends on local farmers and suppliers.

### **Climate-related risks and opportunities<sup>2</sup>**

We note that the Corporation does not have sufficient information to fully assess the climate-related risks and opportunities at this stage. The Corporation have yet to implement certain metrics and targets to assess and manage the relevant climate-related risks and opportunities at this stage.

<b>Governance</b>	<b>Strategy</b>	<b>Risk Management</b>	<b>Metrics and Targets</b>
Disclose the organization's governance around climate-related risks and opportunities	Disclose the actual and potential impacts <sup>3</sup> of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material	Disclose how the organization identifies, assesses, and manages climate-related risks	Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material

#### Recommended Disclosures

a) Describe the board's oversight of climate-related risks and opportunities	a) Describe the climate related risks and opportunities the organization has identified over the short, medium and long term	a) Describe the organization's processes for identifying and assessing climate-related risks	a) Disclose the metrics used by the organization to assess climate - related risks and opportunities in line with its strategy and risk management process
a) Describe management's role in assessing and managing climate – related risks and opportunities	b) Describe the impact of climate-related risks and opportunities on the organization's business strategy and financial planning	b) Describe the organization's processes for managing climate-related risks	b) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets
	c) Describe the resilience of the organization's taking into consideration different climate-related scenarios including a 2 °C or lower risk management	c) Describe how processes for strategy, identifying, assessing climate-related risks are integrated into the organization's overall scenario	

#### Procurement Practices

##### Proportion of spending on local suppliers

<b>Disclosure</b>	<b>Quantity</b>	<b>Units</b>
Percentage of procurement budget used for significant locations of operations that is spent on local suppliers	100%	%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Suppliers of good and services are majority from local entities. Delivery cost savings and quality of goods are the advantage in dealing to local suppliers. Lower cost, easy access, and locally grown are the factors for services procured by local suppliers.	Guest, Suppliers, Government.	Management prefer local suppliers due to easy access, lower delivery charges, and quality of goods. Existing policies and procedure are in place.
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
The availability of type of goods and services required maybe not present to cater the needs based on the standard requirements either by volume or quality.	Guest, Suppliers, Government.	Management will assess and apply the existing procedure in order to address any problems.
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
Locally sustainable, local economic growth, wide choices, and cheaper price.	Guest, Suppliers, Government.	Management weight decision based on the contribution an option may bring.

#### Anti-corruption

We note that the Corporation has no sufficient information to assess the impact under this category as of this reporting period.

#### Training on Anti-corruption Policies and Procedures

Disclosure	Quantity	Units
Percentage of employees to whom the organization's anti-corruption policies and procedures have been communicated to	100%	%
Percentage of business partners to whom the organization's anticorruption policies and procedures have been communicated to	100%	%
Percentage of directors and management that have received anticorruption training	100%	%
Percentage of employees that have received anti-corruption training	100%	%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
N/A		
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
N/A		
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
N/A		

#### Incidents of Corruption

We note that the Corporation has no sufficient information to assess the impact under this category as of this reporting period.

Disclosure	Quantity	Units
Number of incidents in which directors were removed or disciplined for corruption	NIL	
Number of incidents in which employees were dismissed or disciplined for corruption	NIL	
Number of incidents when contracts with business partners were terminated due to incidents of corruption	NIL	

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
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N/A		
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What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
N/A		
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
N/A		
<b>ENVIRONMENT</b>		

Energy consumption within the organization:

Disclosure	Quantity	Units
Energy consumption (renewable sources)	-	GJ
Energy consumption (gasoline)	-	GJ
Energy consumption (LPG)	79,913.45	kwh
Energy consumption (diesel)	1,208,255.43	kwh
Energy consumption (electricity)	6,455,176.36	kWh

Reduction of energy consumption

We note that the Corporation has no sufficient information to assess the reduction of energy consumption and the corresponding environmental impact under this category as of this reporting period.

Disclosure	Quantity	Units
Energy reduction (gasoline)	-	GJ
Energy reduction (LPG)	-	GJ
Energy reduction (diesel)	-	GJ
Energy reduction (electricity)	-	kWh
Energy reduction (gasoline)	-	GJ

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Energy consumption is based on the daily operation / needs of the hotel and depends on the quantity of the hotel guest	Management, hotel employees, outsource and hotel guest	Establish Energy conservation committee led by the Certified Energy Manager who will conduct training and seminars regarding energy conservation



What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
The lesser the consumption, the lesser the cost and harm to the environment	Management and hotel employees	To conduct monthly meeting and training on Energy conservation
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
To have a proper preventive maintenance of all major equipment to help produce electricity consumption	Management and hotel employees	To have energy conservation committee To have an Certified Energy Manager

#### Water consumption within the organization

We note that the Corporation has no sufficient information to assess the rate of water recycling/reuse and its corresponding environmental impact under this category as of this reporting period.

Disclosure	Quantity	Units
Water withdrawal	117,270.33	Cubic meters
Water consumption	130,300.37	Cubic meters
Water recycled and reused	-	Cubic meters

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Water consumption is also based and depends on the daily operation and occupancy of the hotel	Management, hotel employees, outsource and hotel guest	Establish Energy conservation committee led by Certified Energy Manager who will conduct training and seminars regarding Energy conservation
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
The higher the consumption, the higher the cost	Management and hotel employees	To have monthly meeting to monitor the action plan regarding energy conservation
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
To have proper monitoring and maintenance of our equipment	Management and hotel employees	To have energy conservation committee To have an Certified Energy Manager

#### Materials used by the organization

We note that the Corporation has no sufficient information to assess the environmental impact under this category as of this reporting period.

Disclosure	Quantity	Units
Materials used by weight or volume	-	
renewable	-	kg/liters
non-renewable	-	kg/liters
Percentage of recycled input materials used to manufacture the organization's primary products and services	-	%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
N/A	-	-
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
N/A		
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
N/A		

#### Ecosystems and biodiversity (whether in upland/watershed or coastal/marine)

We note that the Corporation has no sufficient information to assess the environmental impact under this category as of this reporting period.

Disclosure	Quantity	Units
Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	-	
Habitats protected or restored	-	ha

IUCN <sup>17</sup> Red List species and national conservation list species with habitats in areas affected by operations	-	
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What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
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N/A	-	-
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What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
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N/A	-	-
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What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
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N/A	-	-
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#### Environmental impact management

We note that the Corporation has no sufficient information on the Hotel's air emissions to assess the impact under this category as of this reporting period.

#### Air Emissions GHG

Disclosure	Quantity	Units
Direct (Scope 1) GHG Emissions	-	Tonnes CO2e
Energy indirect (Scope 2) GHG Emissions	-	Tonnes CO2e
Emissions of ozone-depleting substances (ODS)	-	Tonnes

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
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N/A	-	-
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<b>What are the Risk/s Identified?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
N/A	-	-
<b>What are the Opportunity/ies Identified?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
N/A	-	

#### Air pollutants

We note that the Corporation has no sufficient information on the air pollutants emitted from the operations of the Hotel to assess the environmental impact under this category as of this reporting period.

Disclosure	Quantity	Units
NOx	1,293.93	Mg/Nm3
SOx		Mg/NCM
Persistent organic pollutants (POPs)		kg
Volatile organic compounds (VOCs)		kg
Hazardous air pollutants (HAPs)		kg
Particulate matter (PM)	53.94	Mg/NCM

<b>What is the impact and where does it occur? What is the organization's involvement in the impact?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
To conduct and pass the Smoke emission testing required by DENR	Employees, environment and community	To have a refresher course related to Environmental issues / impact

What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
Failure to comply may lead to negative impact of hotel's reputation and can cause business operational failures and shutdowns	Employees, environment and community	To have a refresher course related to Environmental issues / impact
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
Proper maintenance of our Boiler and Genset	Employees	To attend seminars conducted by the DENR and other related agency concerning to the environment

#### Solid and Hazardous Wastes

##### Solid Waste

Disclosure	Quantity	Units
Total solid waste generated	790	kg
Reusable		kg
Recyclable		kg
Composted		kg
Incinerated		kg
Residuals/Landfilled		kg

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Improper handling of solid waste materials may lead to health and environment hazards	Employees, environment and community	To have a refresher course related to Environmental issues / impact
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
Failure to comply may lead to negative impact of hotel's reputation and can cause business operational failures and	Employees, environment and community	To have a refresher course related to Environmental issues / impact
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
To have awareness and be educated on how to handle proper waste management	Employees	To attend seminars conducted by the DENR and other related agencies concerning the environment



## Hazardous Waste

Disclosure	Quantity	Units
Total weight of hazardous waste generated	13,500	kg
Total weight of hazardous waste transported	13,500	kg

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
To control and reduce the use of hazardous waste materials	Management, employees and the environment	To conduct a seminar regarding solid waste management
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
Failure to comply may lead to negative impact of the hotel's reputation and can cause business operational failure and shutdown	Management, employees and environment	To have a seminar on solid waste management
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
To focus on the hazardous waste management program and ensure proper handling of waste materials	Management, employees and environment	To have a seminar and program regarding proper handling of hazardous waste management

## Effluents

We note that the Corporation has no sufficient information on the amount of wastewater recycled to assess the corresponding environmental impact under this category as of this reporting period.

Disclosure	Quantity	Units
Total volume of water discharges	117,270.33	Cubic meters
Percent of wastewater recycled		%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
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To conduct monthly water sampling and pass the new parameters required by LLDA	Management, employee and community	To comply with the new law DAO-2021-19 "Water Quality Guidelines"(WQG) and General Effluent Standard for selected parameters.
<b>What are the Risk/s Identified?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
Failure to comply with the new standard and parameters given by the LLDA can cause to business closure	Management, employee and community	To comply with the new law DAO-2021-19 "Water Quality Guidelines"(WQG) and General Effluent Standard for selected parameters.
<b>What are the Opportunity/ies Identified?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
To avoid being penalized by the local government if not doing and following the new set of parameters	Management and employee	To comply with the new law DAO-2021-19 "Water Quality Guidelines"(WQG) and General Effluent Standard for selected parameters.

#### Non-compliance with Environmental Laws and Regulations

We note that the Corporation has no sufficient information to assess the impact under this category as of this reporting period.

<b>Disclosure</b>	<b>Quantity</b>	<b>Units</b>
Total amount of monetary fines for non-compliance with environmental laws and/or regulations		PhP
No. of non-monetary sanctions for non-compliance with environmental laws and/or regulations	-	#
No. of cases resolved through dispute resolution mechanism	-	#

<b>What is the impact and where does it occur? What is the organization's involvement in the impact?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
- N/A	-	-

<b>What are the Risk/s Identified?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
-N/A	-	-

What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
-N/A	-	-

### SOCIAL

#### **Employee Management**

##### Employee Hiring and Benefits *Employee data*

Disclosure	Quantity	Units
Total number of employees <sup>2</sup>	152	
a. Number of female employees	50	#
b. Number of male employees	102	#
Attrition rate <sup>3</sup>	16.68	rate
Ratio of lowest paid employee against minimum wage	30/152	ratio

##### Employee benefits

List of Benefits	Y/N	% of female employees who availed for the year	% of male employees who availed for the year
SSS	Y	50	102
PhilHealth	Y	50	102
Pag-ibig	Y	50	102
Parental leaves	Y	-	-
Vacation leaves	Y	50	102
Sick leaves	Y	-	-
Medical benefits (aside from PhilHealth))	Y	HMO- Medicard	-
Housing assistance (aside from Pagibig)	N	-	-
Retirement fund (aside from SSS)	Y	Retirement Pay	-
Further education support	N	-	-
Company stock options	N	-	-
Telecommuting	N	-	-
Flexible-working Hours	Y	-	-
(Others)			

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
This impacts the Productivity, Motivation and Happiness of the employees on a daily basis. Due to this reality, the hotel is fully involved in insuring that these benefits are fully complied with.	It has complete and broad SOPs in place to implement in-house benefits. HR Department also assists the employees in availing said government benefits. From time to time, seminars are conducted internally.

<sup>2</sup> Employees are individuals who are in an employment relationship with the organization, according to national law or its application (GRI Standards 2016 Glossary)

<sup>3</sup> Attrition are = (no. of new hires – no. of turnover)/(average of total no. of employees of previous year and total no. of employees of current year)

<b>What are the Risk/s Identified?</b>	<b>Management Approach</b>
Employees become unhappy, demotivated and unproductive. May form or join a union	Management has put in place various Employees Engagement Program.
<b>What are the Opportunity/ies Identified?</b>	<b>Management Approach</b>
Keeping employees happy and motivated will result to productive work output	Improve Engagement Programs, such as, Employees Training & Development, various employees activities, Coaches in Action

#### Employee Training and Development

<b>Disclosure</b>	<b>Quantity</b>	<b>Units</b>
Total training hours provided to employees	4,325	hours
a. Female employees	2,032.75	hours
b. Male employees	2,292.25	hours
Average training hours provided to employees	16/employee/year	
a. Female employees	40.66	hours/employee
b. Male employees	22.47	hours/employee

<b>What is the impact and where does it occur? What is the organization's involvement in the impact?</b>	<b>Management Approach</b>
This impacts the competency level of the employees	The Hotel has a training and development program in place.
<b>What are the Risk/s Identified?</b>	<b>Management Approach</b>
Competiveness of employees /quality of employees can be affected	Performance Management is done twice a year
<b>What are the Opportunity/ies Identified?</b>	<b>Management Approach</b>
Properly administered, this will reduce employee turnovers	All departments have their own Coach-in-Action (CIA)

#### Labor-Management Relations

We note that there is currently no collective bargaining agreement between the employees of the Hotel and the Corporation. Nevertheless, the Corporation encourages active employee engagement and participation.

<b>Disclosure</b>	<b>Quantity</b>	<b>Units</b>
% of employees covered with Collective Bargaining Agreements	N/A	%

Number of consultations conducted with employees concerning employee-related policies	N/A	#
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<b>What is the impact and where does it occur? What is the organization's involvement in the impact?</b>	<b>Management Approach</b>
Although there is no union in the hotel, we have active employee participation in all employee-related activities.	Management fully supports all employee activities that happen on a daily basis. Further, we have the Monthly Tea Party for all employees. This is our 13 <sup>th</sup> year.
<b>What are the Risk/s Identified?</b>	<b>Management Approach</b>
Risk is the revival of unions in the hotel.	Hotel has a regular program administered by all employees. This is handled by various committees and involves employees from all levels
<b>What are the Opportunity/ies Identified?</b>	<b>Management Approach</b>
These programs are avenues toward achieving high productivity levels and industrial peace.	Management encourages & fully supports all these programs for employees.

#### Diversity and Equal Opportunity

We note that the Corporation currently does not have enough number of employees from indigenous communities and/or the vulnerable sector to assess the Social impact under this category.

Disclosure	Quantity	Units
% of female workers in the workforce	50	
% of male workers in the workforce	102	
Number of employees from indigenous communities and/or vulnerable sector*	N/A	#

*\*Vulnerable sector includes, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E).*

<b>What is the impact and where does it occur? What is the organization's involvement in the impact?</b>	<b>Management Approach</b>
Negligible impact on the organization because it fully respects & supports diversity & equal opportunity.	Management has in place pertinent SOPs to address said issues and follows these accordingly.
<b>What are the Risk/s Identified?</b>	<b>Management Approach</b>
<b>What are the Opportunity/ies Identified?</b>	<b>Management Approach</b>



Very minimal risk of a lawsuit.	Hotel is transparent in the handling of issues, should there be any.
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#### Workplace Conditions, Labor Standards, and Human Rights Occupational Health and Safety

Disclosure	Quantity	Units
Safe Man-Hours	8 hrs	Man-hours
No. of work-related injuries	N/A	#
No. of work-related fatalities	N/A	#
No. of work related ill-health	N/A	#
No. of safety drills	1 (one)	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Impacts the labor standards compliance of the organization & eventually its reputation in the hospitality sector.	Hotel fully ensures that labor standards are strictly followed.
What are the Risk/s Identified?	Management Approach
Fines/penalties that may be implemented by the Department of Labor & Employment.	We have hotel committees tasked to address issues & to rectify accordingly.
What are the Opportunity/ies Identified?	Management Approach
It will lead to a safe working environment that also impacts the happiness index of employees.	Management is strict in the implementation of these measures.

#### Labor Laws and Human Rights

Disclosure	Quantity	Units
No. of legal actions or employee grievances involving forced or child labor	NA	#

Do you have policies that explicitly disallows violations of labor laws and human rights (e.g. harassment, bullying) in the workplace?

Topic	Y/N	If Yes, cite reference in the company policy
Forced labor	N	
Child labor	N	
Human Rights	Y	P&P – Policy on Anti Sexual Harassment

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
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This situation impacts the reputation & image of the hotel.	Management is strict in upholding the rights of its employees
<b>What are the Risk/s Identified?</b>	<b>Management Approach</b>
Possible lawsuits if not properly handled	Management does not and will not tolerate violations committed by any of its employees
<b>What are the Opportunity/ies Identified?</b>	<b>Management Approach</b>
If properly handled and controlled management is respected and this brings about a healthy work environment	Seminars & legal updates are conducted accordingly

### **Supply Chain Management**

Do you have a supplier accreditation policy? If yes, please attach the policy or link to the policy:

Yes, please see attached.

Do you consider the following sustainability topics when accrediting suppliers?

<b>Topic</b>	<b>Y/N</b>	<b>If Yes, cite reference in the supplier policy</b>
Environmental performance	N	
Forced labor	N	
Child labor	N	
Human rights	N	
Bribery and corruption	N	

<b>What is the impact and where does it occur? What is the organization's involvement in the impact?</b>	<b>Management Approach</b>
At this stage, the relevant sustainability topics are not included in the process of accreditation of suppliers, therefore, we cannot provide our assessment on the impact under this category.	

<b>What are the Risk/s Identified?</b>	<b>Management Approach</b>
N/A	
<b>What are the Opportunity/ies Identified?</b>	<b>Management Approach</b>

N/A	
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#### Relationship with Community Significant Impacts on Local Communities

We note that the Corporation currently does not have enough number of employees from indigenous communities and/or the vulnerable sector to assess the Social impact under this category.

Operations with significant (positive or negative) impacts on local communities (exclude CSR projects; this has to be business operations)	Location	Vulnerable groups (if applicable)*	Does the particular operation have impacts on indigenous people (Y/N)?	Collective or individual rights that have been identified that or particular concern for the community	Mitigating measures (if negative) or enhancement measures (if positive)
1.Tourism	Pasay City	N/A	No	N/A	
2.Entrepreneurshi	Pasay City	N/A	No	N/A	
p3 .Revenue Generating	Pasay City	N/A	No	N/A	

*\*Vulnerable sector includes children and youth, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E)*

For operations that are affecting IPs, indicate the total number of Free and Prior Informed Consent (FPIC) undergoing consultations and Certification Preconditions (CPs) secured and still operational and provide a copy or link to the certificates if available:

Certificates	Quantity	Units
FPIC process is still undergoing		#
CP secured		#

What are the Risk/s Identified?	Management Approach
What are the Opportunity/ies Identified?	Management Approach

Customer Management  
Customer Satisfaction

Disclosure	Score	Did a third party conduct the customer satisfaction study (Y/N)?
Customer satisfaction YTD 2021 Customer Satisfaction Revinate Reviews	4.61	Yes

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
<p>General overall cleanliness of the hotel/rooms, bathroom and room conditions.</p> <p>Negative reviews and feedbacks regarding the overall cleanliness can give a negative/bad impression to any possible guests who would like to stay in the hotel.</p>	<p>What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?</p> <p>For standardization of we clean protocols, HR appointed the THHM CPAT (COVID 19 Prevention Action Team). In order to ensure the safety and well-being of our guests and team members, we have implemented and strictly observe all the necessary sanitation measures prescribed by the Department of Health and other authorities. HR conducted the Health &amp; Safety protocols/occupational safety and health identifying hazard trainings by Hygiene Manager.</p> <p>We also promote the "We Clean, We Care, We Welcome" campaign. To ensure every stay with us is safe, clean &amp; comfortable. Welcoming our guests to a clean and comfortable stay is always our top priority.</p> <p>Every guest is properly handle from the booking of reservation, to check in process, during the guest stay and departure experience. Hospitality is given to the guest up to excellent level.</p>
What are the Risk/s Identified?	Management Approach

<p>It will significantly affect the cost &amp; value, overall appearance of the room &amp; room cleanliness.</p>	<p>YTD Project: Preventive maintenance &amp; repairs of the hotel rooms conducted and prepared by the RPM Team. Projects such as bathroom walls rectification, tub walls for scrubbing, General Cleaning of Rooms &amp; Carpet Shampooing of corridors on scheduled and on-going projects handled by the Housekeeping Team. Daily Work accomplished Report submitted and completed by Engineering Team.</p> <p>To improve and to address the areas of concerns pertaining to the on-line reviews and feedbacks and to satisfy the needs of the guests by promoting the We Clean, We Care, We Welcome campaign. As part of our commitment to ensure the guests that we have stepped up precautionary measures in our hotel/rooms. We take the utmost care to ensure every stay is clean and comfortable.</p> <p>The proper standard of cleaning and disinfection of rooms are followed.</p>	
<p><b>What are the Opportunity/ies Identified?</b></p>	<p><b>Management Approach</b></p>	
<p>No. of customers, users and account holders whose information's are used for secondary purposes</p>	<p>My Millennium Acquisition Programme by Global Loyalty Program</p>	<p>Asia Acquisition YTD total sign ups of <b>2,152</b> new MM enrolls/members per record of GLP.</p>

#### Health and Safety

We note that the Corporation currently does not have information to assess the Social impact under this category as of this reporting period.

Disclosure	Quantity	Units
No. of substantiated complaints on product or service health and safety*		#
No. of complaints addressed		#

*\*Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

<p><b>What is the impact and where does it occur? What is the organization's involvement in the impact?</b></p>	<p><b>Management Approach</b></p>
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<b>What are the Risk/s Identified?</b>	<b>Management Approach</b>
N/A	
<b>What are the Opportunity/ies Identified?</b>	<b>Management Approach</b>
N/A	

Marketing and labelling

<b>Disclosure</b>	<b>Quantity</b>	<b>Units</b>
No. of substantiated complaints on marketing and labelling*	0	N/A
No. of complaints addressed	0	N/A

*\*Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

<b>What is the impact and where does it occur? What is the organization's involvement in the impact?</b>	<b>Management Approach</b>
N/A	N/A
<b>What are the Risk/s Identified?</b>	<b>Management Approach</b>
N/A	N/A
<b>What are the Opportunity/ies Identified?</b>	<b>Management Approach</b>
N/A	N/A

### Customer privacy

The Corporation has no sufficient information to assess the impact under this category as of this reporting period.

Disclosure	Quantity	Units
No. of substantiated complaints on customer privacy*	N/A	#
No. of complaints addressed	N/A	#
No. of customers, users and account holders whose information is used for secondary purposes	N/A	#

*\*Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
To register the new member via QR Code can increase direct website bookings. Any personal data provided will be handled by M&C as a data controller and maybe transferred to and utilized by other MHR Group members and third parties engaged by the MHR Group which includes all data's obtained from the new members/enrolls.	<p>Once the Front Office Team identify who are the nonMy Millennium Member/s, Front office introduce the My Millennium Programme – MHR guest rewards programme to target guests to become a My Millennium member and to earn points during their stay in any MHR Property.</p> <p>Once the guest agrees to be a member, FO will present the My Millennium contactless registration via QR Code. Guest must open the QR code scanner app or camera from their mobile phones.</p> <p>This membership will help build and develop a larger data base and to encourage customer retention through the brand website.</p>
What are the Risk/s Identified?	Management Approach

<p>Personal data are being shared through My Millennium Contactless Registration via QR code but any personal data provided will be handled by M&amp;C as a data controller and maybe transferred to and utilized by other MHR Group members and third parties engaged by the MHR Group.</p> <p>Once we introduce the Acquisition program, it can help increase more bookings direct and explain further to the guest the rewards experience at all participating hotels and resorts.</p> <p>When the guest joins My Millennium, MHR Group will send various services, communication via e-mail, including monthly points statements. The guest may opt to manage the communication preference via the preference center on the members My Millennium profile page.</p> <p>To observe data privacy law, the guest will consent MHR to receive promotions about the products and services of the Millennium &amp; Copthorne Hotels Limited Group of Companies.</p>	<p>Guest must agree to the MM Rewards programme terms and conditions upon completing the membership via QR code. This will be handled by M&amp;C as a data controller.</p> <p>Our hotel Data Privacy Officer (DPO) conducted the training regarding Data Privacy Law &amp; Privacy Impact Assessment.</p> <p>As part of the Privacy Impact Assessment, Front Office will no longer collect the data to the new enrolls or members since the contactless registration via QR code will be handled by M&amp;C as a data controller and maybe transferred to and utilized by other MHR Group members and third parties engaged by the MHR Group.</p> <p>Guest will read and approve the terms and condition of the membership via QR Code. This will be handled by M&amp;C as a data controller.</p> <p>FO team can also register the guest in My Millennium programme using the terms and conditions agreed indicated in the Registration card. Once the guest agreed on the consent. FO staff can now automatically register the guest using the OPERA access by inputting the basic information of the guest.</p>
<b>What are the Opportunity/ies Identified?</b>	<b>Management Approach</b>
<p>New enrolls/member will increase direct bookings. Encourage OTA bookings to book directly to our website to increase the share of bookings on the brand via My Millennium contactless registration via QR Code.</p> <p>Introduce My Millennium Acquisition Program strategy and update via QR code display.</p>	<p>Consistently communicate with GLP Assistant Manager and Team to update with the Acquisition program, monthly and yearly target goal to achieve.</p> <p>Strategize the My Millennium Program Acquisition targets.</p> <p>Display the artwork of My Millennium Membership via QR code visible to all areas within the hotel to promote &amp; support the program.</p>

### Data Security

The Corporation has no sufficient information to assess the impact under this category as of this reporting period.

Disclosure	Quantity	Units
No. of data breaches, including leaks, thefts and losses of data		#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
N/A	

What are the Risk/s Identified?	Management Approach
N/A	
What are the Opportunity/ies Identified?	Management Approach
N/A	

## UN SUSTAINABLE DEVELOPMENT GOALS

Product or Service Contribution to UN SDGs

Key products and services and its contribution to sustainable development.

Key Products and Services	Societal Value / Contribution to UN SDGs	Potential Negative Impact of Contribution	Management Approach to Negative Impact
Hotel and Lodging Food and Beverage Service	Decent Work and Economic Growth.  The Hotel provides job opportunities and decent working conditions.	The lack of available opportunities offered to the vulnerable sector.	

*\* None/Not Applicable is not an acceptable answer. For holding companies, the services and products of its subsidiaries may be disclosed*