

# COVER SHEET

for  
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

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## COMPANY NAME

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S	I	D	I	A	R	I	E	S																					

## PRINCIPAL OFFICE (No. / Street / Barangay / City / Town / Province)

A	d	m	i	n	i	s	t	r	a	t	i	o	n		O	f	f	i	c	e	,		S	h	a	n	g	r	i
-	L	a		P	l	a	z	a		M	a	l	l	,		E	D	S	A		c	o	r	n	e	r		S	h
a	w		B	o	u	l	e	v	a	r	d	,		M	a	n	d	a	l	u	y	o	n	g		C	i	t	y

Form Type

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Department requiring the report

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Secondary License Type, If Applicable

N	/	A	
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## COMPANY INFORMATION

Company's Email Address

www.shangproperties.com

Company's Telephone Number

370-2700

Mobile Number

N/A

No. of Stockholders

5,346

Annual Meeting (Month / Day)

06/21

Fiscal Year (Month / Day)

12/31

## CONTACT PERSON INFORMATION

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

Name of Contact Person

Mr. Kinsun Andrew Ng

Email Address

kinsun.ng@shangproperties.com

Telephone Number/s

370-2700

Mobile Number

N/A

## CONTACT PERSON'S ADDRESS

Administration Office, Shangri-La Plaza Mall, EDSA corner Shaw Boulevard, Mandaluyong 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.





## INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders  
Shang Properties, Inc.  
Administration Office, Shangri-La Plaza Mall  
EDSA corner Shaw Boulevard,  
Mandaluyong City



### Opinion

We have audited the consolidated financial statements of Shang Properties, Inc. and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2016 and 2015, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2016, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2016 and 2015, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2016 in accordance with Philippine Financial Reporting Standards (PFRSs).

### Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group 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 consolidated 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.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters.

Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.





### *Valuation of investment properties*

As disclosed in Notes 3 and 13 to the consolidated financial statements, the Group carries its investment properties at fair value. The valuation of the investment properties is important to our audit because it accounts for 47% of the total consolidated assets of the Group. In addition, the determination of fair value by an appraiser involves significant estimations using assumptions, such as the best comparable sales prices for the Group's parcels of land held for lease and/or capital appreciation. For the Group's commercial properties under the retail class of assets and the office class of assets, the assumptions used included the rental rates, discount rates, average long-term occupancy rates and expense-revenue ratio.

### *Audit response*

We assessed the competence and objectivity of the appraiser by reference to their qualifications, experience and reporting responsibilities. We reviewed the appraisal reports and compared each property-related data used as inputs for the valuation, such as average long-term occupancy rate and expense-revenue ratio, to historical experience of the Group's leasing operations. We also involved our internal specialist in our evaluation of the valuation methodology and underlying assumptions, such as comparable sales price, rental rate and discount rate, by checking if the valuation methods used are in accordance with PFRSs and International Valuation Standards, given the characteristics of the asset being measured and the assumptions used against real estate industry data.

### *Revenue and cost recognition on condominium sales based on Percentage of Completion (POC)*

The Group's revenue and cost arising from condominium sales account for 59% and 69% of the related consolidated total revenue and cost of sales and services, respectively, which are material to the consolidated financial statements. In recognizing revenue and cost on condominium sales, the Group (1) evaluates the buyer's continuing commitment to the sales agreement, which is based on the proportion of the buyer's payments to the total selling price, and (2) estimates the stage of completion of the condominium project using the percentage of completion (POC) method, which is based on the proportion of cost incurred as of a reporting date over the total estimated cost of the condominium project. This matter is important to our audit because the Group's assessment of the buyer's commitment and stage of completion of the condominium project involves the exercise of significant management judgment and technical inputs from the project development engineers as disclosed in Note 3 to the consolidated financial statements.

### *Audit response*

We obtained an understanding of the Group's processes for determining the POC, including the cost accumulation and estimation process, and performed tests of the relevant controls on these processes. We assessed the competence and objectivity of the project development engineers by reference to their qualifications, experience and reporting responsibilities. We traced the costs accumulated to the supporting documents, such as accomplishment reports, contracts and progress billings. We visited project sites and made relevant inquiries with project engineers. We performed a test computation of the percentage of completion calculation of management. We obtained the approved total estimated costs including any revisions thereto and inquired the revision with the project development engineers. We evaluated management's basis of the buyer's equity by comparing this to the historical sales collections from buyers with accumulated payments above the collection threshold.





### *Impairment assessment of goodwill*

Under PFRS, the Group is required to annually test the amount of goodwill for impairment. As of December 31, 2016, the Group's goodwill attributable to Shang Global City Properties, Inc. (the Cash Generating Unit or CGU) amounted to P269.9 million, which is considered significant to the consolidated financial statements. In addition, management's impairment assessment process for goodwill requires significant judgment and is based on assumptions, specifically long-term growth rate, gross margin and discount rate. The Group's disclosures about goodwill are included in Note 12 to the consolidated financial statements.

### *Audit response*

We obtained an understanding of the Group's impairment assessment process and the related controls. We involved our internal specialist in evaluating the methodology and the assumptions used. These assumptions include long-term growth rate, gross margin and discount rate. We compared the key assumptions used, such as growth rate against the first-year performance of the CGU and industry outlook. We tested the parameters used in the derivation of the discount rate against market data. We also reviewed the Group's disclosures about those assumptions to which the outcome of the impairment test is most sensitive, specifically those that have the most significant effect on the determination of the recoverable amount of goodwill.

### **Other Information**

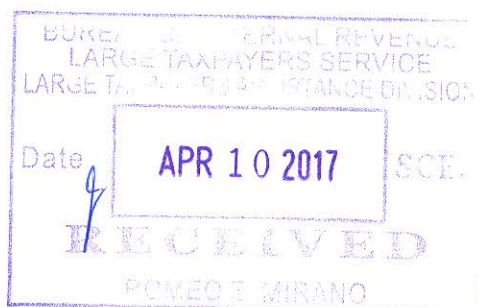
Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2016, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2016 are expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated 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 consolidated 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 consolidated 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 Consolidated Financial Statements**

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





In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 PSAs 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 these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated 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 Group'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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated 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 auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.





- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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 to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's 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.

The engagement partner on the audit resulting in this independent auditor's report is Adeline D. Lumbres.

SYCIP GORRES VELAYO & CO.



Adeline D. Lumbres

Partner

CPA Certificate No. 0107241

SEC Accreditation No. 1555-A (Group A),

April 14, 2016, valid until April 14, 2019

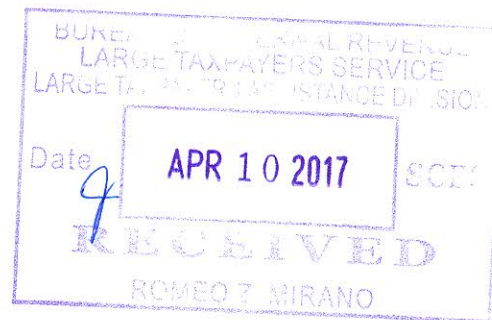
Tax Identification No. 224-024-746

BIR Accreditation No. 08-001998-118-2016,

February 15, 2016, valid until February 14, 2019

PTR No. 5908715, January 3, 2017, Makati City

March 15, 2017





SECURITIES AND EXCHANGE COMMISSION  
SEC Building, EDSA Greenhills  
Mandaluyong City

**STATEMENT OF MANAGEMENT'S RESPONSIBILITY  
FOR FINANCIAL STATEMENTS**

The management of SHANG PROPERTIES INC. is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended December 31, 2016 and 2015 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.


In preparing the consolidated 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 consolidated financial statements including the schedules attached therein, and submits the same to the stockholders or members.

Sycip Gorres Velayo & Co, the independent auditors appointed by the stockholders, has audited the consolidated 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.

  
\_\_\_\_\_  
**Edward Kuek Khoon Loong**  
Chairman of the Board

  
\_\_\_\_\_  
**Wilfred Shan Chen Woo**  
Executive Assistant to the Chairman


  
\_\_\_\_\_  
**Karlo Marco P. Estavillo**  
Chief Financial Officer

**14 MAR 2017**

Signed this 15th day of March 2017

DOC. NO: 205  
PAGE NO: 61  
BOOK NO: 47  
SERIES OF: 2017



  
**ATTY. JOSE B. DULNUAN**  
**NOTARY PUBLIC**  
FOR THE CITY OF MANDALUYONG  
Until December 31, 2017  
COMMISSION NO. 458-16  
IBP LIFETIME NO. 0995268 / IFUGAO  
PTR NO. 69252527, 1-3-17, Cainta, Rizal  
ROLL NO. 26304  
MCLE COMP. NO. V-0022171, 6-15-16  
VALID UNTIL 04-14-2019  
D22-AB GUVENTVILLE II, D.M. GUEVARA ST.  
MAUWAY, MANDALUYONG CITY  
TEL. 532-8858, 5334664  
email: jbdulnuan@gmail.com



## PRACTITIONER'S COMPILATION REPORT

The Board of Directors and the Stockholders  
Shang Properties, Inc.  
Level 5 Shangri-La Plaza Mall,  
EDSA corner Shaw Boulevard,  
Mandaluyong City


I have compiled the accompanying consolidated financial statements of Shang Properties, Inc. and Subsidiaries (the Group) based on information the Group has provided. These consolidated financial statements comprise the consolidated statements of financial position of the Group as at December 31, 2016 and 2015, the consolidated statements of comprehensive income, consolidated statements of changes in equity, consolidated statements of cash flows for the three years then ended December 31, 2016, and a summary of significant accounting policies and other explanatory information.

I performed this compilation engagement in accordance with Philippine Standard on Related Services 4410 (Revised), *Compilation Engagements*.

I have applied my expertise in accounting and financial reporting to assist the Group in the preparation and presentation of these consolidated financial statements in accordance with Philippine Financial Reporting Standards (PFRS). I have complied with relevant ethical requirements, including principles of integrity, objectivity, professional competence and due care.

These consolidated financial statements and the accuracy and completeness of the information used to compile them are the Group's responsibility.

Since a compilation engagement is not an assurance engagement, I am not required to verify the accuracy or completeness of the information the Group provided to me to compile these consolidated financial statements. Accordingly, I do not express an audit opinion or a review conclusion on whether these consolidated financial statements are prepared in accordance with PFRS.



Leandro M. Lontok  
Professional Identification Card No. 115829,  
November 9, 2005, valid until May 24, 2018  
BOA Accreditation No. 6030,  
February 9, 2016, valid until December 31, 2018  
PTR No. 2054820, January 6, 2017, Santiago City

March 15, 2017

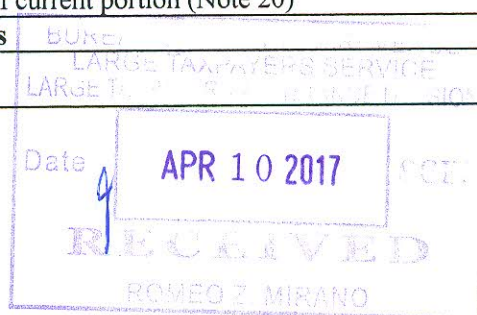


**SHANG PROPERTIES, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**



	2016	2015
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Note 5)	₱4,241,131,012	₱4,041,169,742
Financial assets at fair value through profit or loss (Note 6)	32,597,501	34,882,100
Receivables (Notes 7 and 31)	2,942,253,373	2,172,434,657
Properties held for sale (Note 8)	10,653,702,058	7,160,774,272
Input tax and other current assets (Note 9)	1,705,532,427	1,765,695,509
<b>Total Current Assets</b>	<b>19,575,216,371</b>	<b>15,174,956,280</b>
<b>Noncurrent Assets</b>		
Installment contracts receivable - net of current portion (Note 7)	864,665,330	660,986,703
Investments in associates and joint venture (Note 10)	495,635,612	491,948,350
Investment properties (Note 13)	28,979,498,629	28,178,567,875
Real estate development projects (Note 14)	275,632,515	13,576,917,290
Available-for-sale financial assets (Note 15)	508,292,842	504,872,842
Property and equipment (Note 16)	10,447,830,429	135,297,925
Goodwill (Note 12)	269,870,864	269,870,864
Deferred income tax assets - net (Note 29)	205,027,317	235,860,271
Other noncurrent assets (Note 17)	150,264,226	63,411,421
<b>Total Noncurrent Assets</b>	<b>42,196,717,764</b>	<b>44,117,733,541</b>
<b>TOTAL ASSETS</b>	<b>₱61,771,934,135</b>	<b>₱59,292,689,821</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Accounts payable and other current liabilities (Notes 18 and 31)	₱6,245,107,867	₱5,475,073,034
Current portion of:		
Installment payable (Note 8)	199,234,295	153,152,398
Bank loans (Note 19)	2,276,643,585	867,751,562
Deposits from tenants (Note 20)	533,286,874	477,494,580
Deferred lease income (Note 20)	18,066,878	6,520,818
Income tax payable	77,868,930	183,238,555
Dividends payable (Notes 11 and 22)	33,035,177	148,464,960
<b>Total Current Liabilities</b>	<b>9,383,243,606</b>	<b>7,311,695,907</b>
<b>Noncurrent Liabilities</b>		
Installment payable - net of current portion (Note 8)	571,036,378	709,915,105
Accrued employee benefits (Note 27)	41,067,131	49,815,160
Bank loans - net of current portion (Note 19)	10,759,482,775	11,596,577,925
Deferred income tax liabilities - net (Note 29)	6,956,271,251	6,688,462,938
Advance rental - net of current portion (Note 18)	135,481,307	82,312,857
Deposits from tenants - net of current portion (Note 20)	563,478,901	538,150,247
Deferred lease income - net of current portion (Note 20)	23,404,553	14,176,917
<b>Total Noncurrent Liabilities</b>	<b>19,050,222,296</b>	<b>19,679,411,149</b>
<b>Total Liabilities</b>	<b>28,433,465,902</b>	<b>26,991,107,056</b>

(Forward)





	December 31	
	2016	2015
<b>EQUITY</b>		
Equity attributable to equity holders of the Parent Company:		
Capital stock (Note 21)	₱4,764,058,982	₱4,764,058,982
Additional paid-in capital	834,439,607	834,439,607
Treasury shares (Note 21)	(6,850,064)	(6,850,064)
Other components of equity (Notes 15 and 27)	(142,015,638)	(7,126,043)
Retained earnings (Notes 21 and 22)	22,466,858,146	20,346,650,494
	27,916,491,033	25,931,172,976
Equity attributable to non-controlling interests (Note 11)	5,421,977,200	6,370,409,789
<b>Total Equity</b>	<b>33,338,468,233</b>	<b>32,301,582,765</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>₱61,771,934,135</b>	<b>₱59,292,689,821</b>

See accompanying Notes to Consolidated Financial Statements.

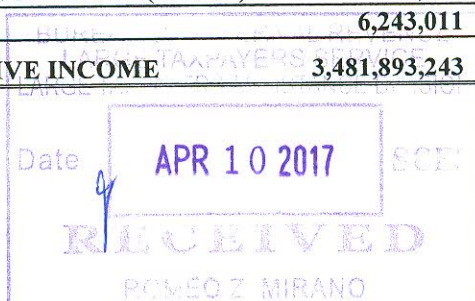




**SHANG PROPERTIES, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

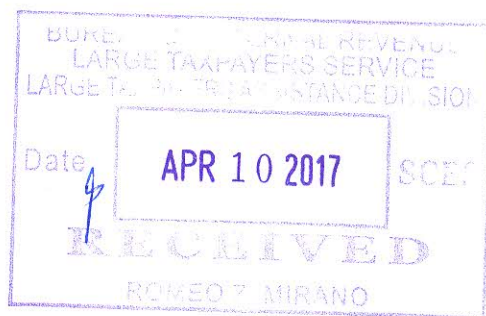
	Years Ended December 31		
	2016	2015	2014
<b>REVENUES</b>			
Condominium sales	₱6,105,999,984	₱4,654,102,798	₱3,764,277,893
Rental and cinema (Note 13)	2,892,405,273	2,737,004,851	2,685,261,206
Hotel operation	1,344,616,051	—	—
	10,343,021,308	7,391,107,649	6,449,539,099
<b>COST OF SALES AND SERVICES</b>			
Condominium sales (Note 24)	3,506,117,817	2,374,666,153	2,442,444,122
Rental and cinema (Note 13 and 24)	134,819,051	142,871,800	155,943,536
Hotel operation (Notes 16 and 24)	1,459,547,660	—	—
	5,100,484,528	2,517,537,953	2,598,387,658
<b>GROSS INCOME</b>	5,242,536,780	4,873,569,696	3,851,151,441
<b>OPERATING EXPENSES</b>			
Staff costs (Note 25)	512,236,006	459,471,807	295,539,144
General and administrative (Note 26)	509,238,760	221,094,023	193,324,687
Taxes and licenses (Note 26)	162,898,235	164,055,773	149,693,391
Depreciation and amortization (Note 16)	18,704,491	22,513,967	20,414,157
Insurance	17,858,532	949,734	3,373,603
	1,220,936,024	868,085,304	662,344,982
<b>OTHER INCOME</b>			
Gains on:			
Fair value adjustment of investment properties (Note 13)	536,703,295	549,224,660	—
Remeasurement arising from business combinations (Note 11)	—	—	824,431,141
Interest income (Note 23)	259,905,030	236,873,016	269,361,029
Foreign exchange gains - net (Note 5)	10,063,722	6,248,738	880,730
Other income - net (Note 23)	129,401,741	100,235,005	67,975,685
	936,073,788	892,581,419	1,162,648,585
<b>SHARE IN NET INCOME (LOSSES) OF ASSOCIATES AND A JOINT VENTURE</b>			
(Note 10)	(4,312,738)	70,658,121	(9,692,903)
<b>INTEREST EXPENSE AND BANK CHARGES</b>			
(Note 23)	273,494,026	201,558,575	227,066,344
<b>INCOME BEFORE INCOME TAX</b>	4,679,867,780	4,767,165,357	4,114,695,797
<b>PROVISION FOR INCOME TAX</b> (Note 29)	1,204,217,548	1,189,138,629	995,501,739
<b>NET INCOME</b>	3,475,650,232	3,578,026,728	3,119,194,058
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>			
Items that may be reclassified to profit or loss:			
Change in fair value of available-for-sale financial assets (Note 15)	5,497,500	1,435,000	350,000
Translation adjustments	(227,514)	405,500	17,554
Item that will not be reclassified to profit or loss:			
Remeasurement gains (losses) on defined benefit liability, net of tax effect (Note 27)	973,025	(920,032)	(8,756,829)
	6,243,011	920,468	(8,389,275)
<b>TOTAL COMPREHENSIVE INCOME</b>	3,481,893,243	3,578,947,196	3,110,804,783

(Forward)



	Years Ended December 31		
	2016	2015	2014
<b>Net income attributable to:</b>			
Equity holders of the Parent Company	<b>₱2,905,924,508</b>	₱2,849,812,817	₱2,735,375,946
Non-controlling interests	<b>569,725,724</b>	728,213,911	383,818,112
	<b>₱3,475,650,232</b>	₱3,578,026,728	₱3,119,194,058
<b>Total comprehensive income attributable to:</b>			
Equity holders of the Parent Company	<b>₱2,912,167,519</b>	₱2,850,733,285	₱2,726,986,671
Non-controlling interests	<b>569,725,724</b>	728,213,911	383,818,112
	<b>₱3,481,893,243</b>	₱3,578,947,196	₱3,110,804,783
<b>BASIC AND DILUTED EARNINGS</b>			
<b>PER SHARE (Note 30)</b>			
Based on net income	<b>₱0.610</b>	₱0.598	₱0.574
Based on total comprehensive income	<b>₱0.612</b>	₱0.599	₱0.573

*See accompanying Notes to Consolidated Financial Statements.*

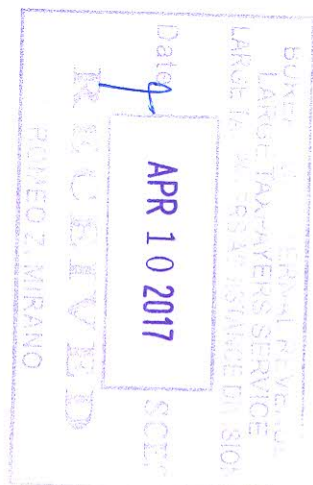


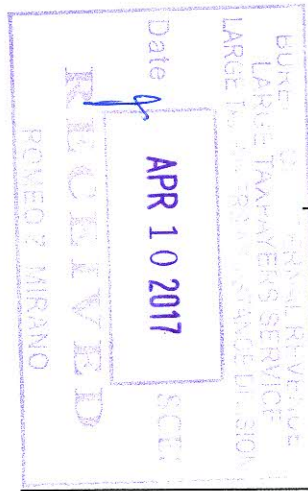


**SHANG PROPERTIES, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2016, 2015 AND 2014**

	Equity Holders of the Parent Company											
	Other Components of Equity											
	Items that may be			Items that will Not be								
	Reclassified to Profit or Loss			Reclassified to Profit or Loss								
	Capital Stock (Note 21)	Additional Paid-in Capital	Treasury Shares (Note 21)	Cumulative Changes in Fair Value of Available-for- Sale Financial Assets (Note 15)	Cumulative Translation Adjustments	Remeasurement Gains (Losses) on Defined Benefit Liability (Note 27)	Equity Reserves (Note 11)	Subtotal	Retained Earnings (Notes 21 and 22)	Total	Non-controlling Interests (NCI) (Note 11)	Total
<b>BALANCES AT</b>												
<b>DECEMBER 31, 2015</b>	<b>P4,764,058,982</b>	<b>P834,439,607</b>	<b>(P6,850,064)</b>	<b>P4,847,500</b>	<b>P12,331</b>	<b>(P11,985,874)</b>	<b>P-</b>	<b>(P7,126,043)</b>	<b>P20,346,650,494</b>	<b>P25,931,172,976</b>	<b>P6,370,409,789</b>	<b>P32,301,582,765</b>
Total comprehensive income (loss) recognized for the year	-	-	-	5,497,500	(227,514)	973,025	-	6,243,011	2,905,924,508	2,912,167,519	569,725,724	3,481,893,243
Acquisition of non-controlling interest (Note 11)	-	-	-	-	-	-	(141,132,606)	(141,132,606)	-	(141,132,606)	(1,278,478,313)	(1,419,610,919)
Cash dividends (Notes 11 and 22)	-	-	-	-	-	-	-	-	(785,716,856)	(785,716,856)	(239,680,000)	(1,025,396,856)
<b>BALANCES AT</b>												
<b>DECEMBER 31, 2016</b>	<b>P4,764,058,982</b>	<b>P834,439,607</b>	<b>(P6,850,064)</b>	<b>P10,345,000</b>	<b>(P215,183)</b>	<b>(P11,012,849)</b>	<b>(P141,132,606)</b>	<b>(P142,015,638)</b>	<b>P22,466,858,146</b>	<b>P27,916,491,033</b>	<b>P5,421,977,200</b>	<b>P33,338,468,233</b>

See accompanying Notes to Consolidated Financial Statements.





Equity Holders of the Parent Company  
Other Components of Equity

				Items that may be Reclassified to Profit or Loss	Items that will Not be Reclassified to Profit or Loss							
	Capital Stock (Note 21)	Additional Paid-in Capital	Treasury Shares (Note 21)	Cumulative Changes in Fair Value of Available-for-Sale Financial Assets (Note 15)	Cumulative Translation Adjustments	Remeasurement Gains (Losses) on Defined Benefit Liability (Note 27)	Equity Reserves (Note 11)	Subtotal	Retained Earnings (Notes 21 and 22)	Total	Non-controlling Interests (NCI) (Note 11)	Total
BALANCES AT DECEMBER 31, 2014	P4,764,058,982	P834,439,607	(P6,850,064)	P3,412,500	(P393,169)	(P11,065,842)	P-	(P8,046,511)	P18,234,935,332	P23,818,537,346	P3,965,795,878	P27,784,333,224
Total comprehensive income (loss) recognized for the year	-	-	-	1,435,000	405,500	(920,032)	-	920,468	2,849,812,817	2,850,733,285	728,213,911	3,578,947,196
Conversion of deposit for future stock subscription to preferred shares (Note 11)	-	-	-	-	-	-	-	-	-	-	1,959,000,000	1,959,000,000
Cash dividends (Notes 11 and 22)	-	-	-	-	-	-	-	-	(738,097,655)	(738,097,655)	(282,600,000)	(1,020,697,655)
BALANCES AT DECEMBER 31, 2015	P4,764,058,982	P834,439,607	(P6,850,064)	P4,847,500	P12,331	(P11,985,874)	P-	(P7,126,043)	P20,346,650,494	P25,931,172,976	P6,370,409,789	P32,301,582,765
BALANCES AT DECEMBER 31, 2013	P4,764,058,982	P834,439,607	(P6,850,064)	P3,062,500	(P410,723)	(P2,309,013)	P-	P342,764	P16,142,418,632	P21,734,409,921	P3,056,381,448	P24,790,791,369
Total comprehensive income (loss) recognized for the year	-	-	-	350,000	17,554	(8,756,829)	-	(8,389,275)	2,735,375,946	2,726,986,671	383,818,112	3,110,804,783
Step-acquisition of a subsidiary (Note 12)	-	-	-	-	-	-	-	-	-	-	902,396,318	902,396,318
Cash dividends (Notes 11 and 22)	-	-	-	-	-	-	-	-	(642,859,246)	(642,859,246)	(376,800,000)	(1,019,659,246)
BALANCES AT DECEMBER 31, 2014	P4,764,058,982	P834,439,607	(P6,850,064)	P3,412,500	(P393,169)	(P11,065,842)	P-	(P8,046,511)	P18,234,935,332	P23,818,537,346	P3,965,795,878	P27,784,333,224

See accompanying Notes to Consolidated Financial Statements.





**SHANG PROPERTIES, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Years Ended December 31		
	2016	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income before income tax	₱4,679,867,780	₱4,767,165,357	₱4,114,695,797
Adjustments for:			
Gain on:			
Fair value adjustment of investment properties (Note 13)	(536,703,295)	(549,224,660)	—
Sale of property and equipment (Note 23)	(1,430,479)	(724,894)	—
Remeasurement arising from business combinations (Note 12)	—	—	(824,431,141)
Depreciation and amortization (Note 16)	493,118,819	22,513,967	20,414,157
Interest expense (Note 23)	272,573,232	193,952,916	225,860,264
Interest income (Note 23)	(254,559,241)	(236,873,016)	(269,361,029)
Dividend income (Note 23)	(40,551,885)	(40,033,691)	(15,234,198)
Amortization of discount of deferred lease income (Note 20)	(11,118,358)	(25,370,048)	(92,979,585)
Unrealized foreign exchange losses - net	(10,063,722)	(6,248,738)	(880,730)
Share in net losses (income) of associates and joint venture (Note 10)	4,312,738	(70,658,121)	9,692,903
Fair value adjustment of financial assets at fair value through profit or loss (Note 23)	2,284,599	(1,869,576)	(2,663,820)
Provision for bad debts (Note 25)	—	—	982,363
Operating income before working capital changes	4,597,730,188	4,052,629,496	3,166,094,981
Decrease (increase) in:			
Receivables	(778,783,871)	1,512,381,838	(390,351,260)
Properties held for sale	642,008,641	(522,784,687)	(2,844,722,312)
Input tax and other current assets	60,163,082	39,496,497	(469,044,442)
Increase (decrease) in:			
Accounts payable and other current liabilities	846,059,149	709,998,749	1,803,634,063
Deferred lease income	31,892,054	7,885,426	36,941,551
Accrued employee benefits	(8,748,029)	(20,001,206)	15,762,280
Installment payable	(92,796,830)	—	—
Cash generated from operations	5,297,524,384	5,779,606,113	1,318,314,861
Income taxes paid	(1,028,559,324)	(940,563,195)	(745,899,225)
Interest received	59,845,769	53,319,202	32,141,486
Net cash provided by operating activities	4,328,810,829	4,892,362,120	604,557,122

(Forward)



	Years Ended December 31		
	2016	2015	2014
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Additions to:			
Investments in associates and joint venture (Note 10)	(P8,000,000)	(P10,500,000)	(P15,000,000)
Investment properties (Note 13)	(264,227,459)	(518,475,727)	(367,641,538)
Real estate development projects (Notes 14)	(275,632,515)	(2,365,633,368)	284,877,078
Property and equipment (Note 16)	(1,353,290,254)	(92,606,864)	(17,541,185)
Other noncurrent assets (Note 17)	(86,852,805)	5,082,333	(15,931,785)
Dividends received (Note 23)	40,551,885	40,033,691	15,234,198
Proceeds from sale of property and equipment (Note 23)	1,430,479	724,894	—
Acquisition of:			
Non-controlling interest (Note 1)	(1,419,610,919)	—	—
Subsidiary, net of cash acquired (Note 12)	—	—	(1,465,048,492)
Net cash used in investing activities	(3,365,631,588)	(2,941,375,041)	(1,581,051,724)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from loan availment, net of debt issue costs (Note 19)	694,750,000	2,211,493,915	3,754,336,434
Payments of:			
Loan principal (Note 19)	(133,333,333)	(1,895,833,333)	(647,619,048)
Interest (Note 19)	(250,777,771)	(177,216,122)	(168,584,440)
Cash dividends paid to:			
Stockholders	(781,146,540)	(750,447,675)	(559,408,273)
Non-controlling shareholders of subsidiaries (Note 11)	(359,680,099)	(226,080,000)	(376,800,000)
Increase (decrease) in deposits from tenants	56,906,050	11,012,320	(6,593,557)
Net cash provided by (used in) financing activities	(773,281,693)	(827,070,895)	1,995,331,116
<b>NET EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS (Note 5)</b>			
	10,063,722	6,248,738	721,363
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>199,961,270</b>	<b>1,130,164,922</b>	<b>1,019,557,877</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>4,041,169,742</b>	<b>2,911,004,820</b>	<b>1,891,446,943</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>P4,241,131,012</b>	<b>P4,041,169,742</b>	<b>P2,911,004,820</b>

See accompanying Notes to Consolidated Financial Statements.





# SHANG PROPERTIES, INC. AND SUBSIDIARIES

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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### 1. Corporate Information and Authorization for Issue of the Consolidated Financial Statements

#### Corporate Information

Shang Properties, Inc. (the Parent Company), a corporation duly organized and existing in the Philippines, was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on October 21, 1987 to acquire, own, develop, subdivide, sell, mortgage, exchange, lease or hold for investment, real estate of all kinds. The Parent Company's registered office address, which is also its principal place of business, is Administration Office, Shangri-La Plaza Mall, EDSA corner Shaw Boulevard, Mandaluyong City.

The Parent Company's and Subsidiaries' (collectively referred to as the Group) businesses include property investment and development, real estate management, leasing, mall and carpark operations.

Shang Properties Realty Corporation (SPRC, a wholly owned subsidiary) is the developer of The Shang Grand Tower Project (TSGT), located in Makati City, The St. Francis Shangri-La Place Project (TSFSP) and the One Shangri-La Place Project (OSP), both located in Mandaluyong City.

Shang Property Developers, Inc. (SPDI, a wholly owned subsidiary) is the developer of Shang Salcedo Place Project (SSP), located in Makati City.

The Rise Development Company, Inc. (TRDCI, a wholly owned subsidiary) is the developer of The Rise Makati Project, located in Makati City.

Shang Global City Properties, Inc. (SGCPI, a partly-owned subsidiary) is the developer of Shangri-La at the Fort Project, located in Taguig City.

#### Incorporation of Shang Wack Wack Properties, Inc. (SWWPI)

On January 13, 2016, SWWPI (a wholly owned subsidiary) was incorporated and registered with SEC to develop a high-rise residential condominium project located in Mandaluyong City.

#### Authorization for Issue of the Consolidated Financial Statements

The consolidated financial statements have been approved and authorized for issue in accordance with a resolution of the Board of Directors (the Board) on March 15, 2017.

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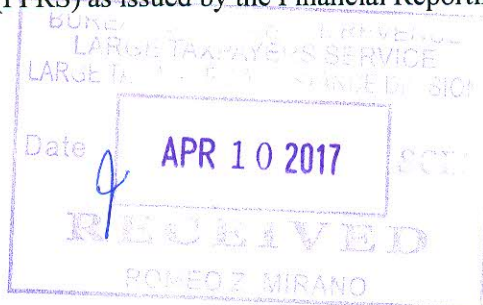
### 2. Summary of Significant Accounting and Financial Reporting Policies

#### Basis of Preparation

The consolidated financial statements have been prepared under the historical cost basis, except for investment properties, financial assets at fair value through profit or loss (FVPL) and available-for-sale (AFS) financial assets that have been measured at fair value. The consolidated financial statements of the Group are presented in Philippine Peso (Peso), which is the Parent Company's functional and presentation currency, with amounts rounded to the nearest Peso.

#### Statement of Compliance

The consolidated financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS) as issued by the Financial Reporting Standards Council (FRSC).





### Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and all of its subsidiaries as at December 31, 2016 and 2015 and for each of the three years in the period ended December 31, 2016.

Subsidiaries are entities over which the Group has control. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. Specifically, the Group controls the subsidiary if and only if the Group has:

- Power over the subsidiary (i.e. existing rights that give it the current ability to direct the relevant activities of the subsidiary),
- Exposure, or rights, to variable returns from its involvement with the subsidiary, and
- The ability to use its power over the subsidiary to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee,
- Rights arising from other contractual arrangements, and
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary.
- Derecognizes the carrying amount of any NCI (non-controlling interest).
- Derecognizes the cumulative translation differences recorded in equity.
- Recognizes the fair value of the consideration received.
- Recognizes the fair value of any investment retained.
- Recognizes any surplus or deficit in profit or loss.
- Reclassifies the parent's share of components previously recognized in OCI (other comprehensive income) to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the Parent of the Group and to the non-controlling interests, even if this results in the NCI having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to align their accounting policies with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies.





The following are the subsidiaries for which the Parent Company acts as the principal decision maker:

	Effective Percentages of Ownership	
	2016	2015
Property Development:		
SPRC	100.00%	100.00%
SPDI	100.00%	100.00%
TRDCI	100.00%	100.00%
SWWPI	100.00%	—
SGCPI	60.00%	60.00%
Leasing:		
SPSI (SPI Parking Services, Inc.)	100.00%	100.00%
SLPC (Shangri-La Plaza Corporation)	100.00%	100.00%
KSA (KSA Realty Corporation) (Note 11)	70.04%	52.90%
Real Estate:		
IPPI (Ivory Post Properties, Inc.)	100.00%	100.00%
KRC (KPPI Realty Corporation)	100.00%	100.00%
MBPI (Martin B. Properties, Inc.)	100.00%	100.00%
NCRI (New Contour Realty, Inc.)	100.00%	100.00%
PSI (Perfect Sites, Inc.)	100.00%	100.00%
SFBHI (Shang Fort Bonifacio Holdings, Inc.)	100.00%	100.00%
SGCHI (Shang Global City Holdings, Inc.)	100.00%	100.00%
Property Management:		
KMSC (KPPI Management Services Corporation)	100.00%	100.00%
SPMSI (Shang Property Management Services, Inc.)	100.00%	100.00%
Others:		
GipseY (BVI Company)	100.00%	100.00%
SHIL (Silver Hero Investment Limited BVI Company)	100.00%	100.00%
ELHI (EPHI Logistics Holdings, Inc.)	60.00%	60.00%

Except for GipseY and SHIL, which were incorporated in the British Virgin Islands (BVI) and uses Hong Kong dollars (HK\$) as its functional currency, all the other subsidiaries were incorporated in the Philippines which uses Peso as their functional currency.

#### New and Amended Standards and Interpretations

The accounting policies adopted are consistent with those of the previous financial year, except that the Group has adopted the following new accounting pronouncements starting January 1, 2016. Adoption of these pronouncements did not have any significant impact on the Group's financial position or performance unless otherwise indicated.

- Amendments to PFRS 10, PFRS 12 and PAS 28, *Investment Entities: Applying the Consolidation Exception*
- Amendments to PFRS 11, *Accounting for Acquisitions of Interests in Joint Operations*
- PFRS 14, *Regulatory Deferral Accounts*
- Amendments to PAS 1, *Disclosure Initiative*
- Amendments to PAS 16 and PAS 38, *Clarification of Acceptable Methods of Depreciation and Amortization*
- Amendments to PAS 16 and PAS 41, *Agriculture: Bearer Plants*
- Amendments to PAS 27, *Equity Method in Separate Financial Statements*
- Annual Improvements to PFRSs 2012 - 2014 Cycle
  - Amendment to PFRS 5, *Changes in Methods of Disposal*
  - Amendment to PFRS 7, *Servicing Contracts*



- Amendment to PFRS 7, *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*
- Amendment to PAS 19, *Discount Rate: Regional Market Issue*
- Amendment to PAS 34, *Disclosure of Information 'Elsewhere in the Interim Financial Report'*

Standards issued but not yet effective

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Group does not expect that the future adoption of the said pronouncements to have a significant impact on its consolidated financial statements. The Group intends to adopt the following pronouncements when they become effective.

*Effective beginning on or after January 1, 2017*

- Amendment to PFRS 12, *Clarification of the Scope of the Standard* (Part of *Annual Improvements to PFRSs 2014 - 2016 Cycle*)

The amendments clarify that the disclosure requirements in PFRS 12, other than those relating to summarized financial information, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

The amendments do not have any impact on the Group's financial position and results of operation.

- Amendments to PAS 7, *Statement of Cash Flows, Disclosure Initiative*

The amendments to PAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendments, entities are not required to provide comparative information for preceding periods. Early application of the amendments is permitted.

Application of amendments will result in additional disclosures in the 2017 consolidated financial statements of the Group.

- Amendments to PAS 12, *Income Taxes, Recognition of Deferred Tax Assets for Unrealized Losses*

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognized in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact. Early application of the amendments is permitted.

These amendments are not expected to have any impact on the Group.





*Effective beginning on or after January 1, 2018*

- Amendments to PFRS 2, *Share-based Payment, Classification and Measurement of Share-based Payment Transactions*

The amendments to PFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and if other criteria are met. Early application of the amendments is permitted.

These amendments are not expected to have any impact on the Group.

- Amendments to PFRS 4, *Insurance Contracts, Applying PFRS 9, Financial Instruments, with PFRS 4*

The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the forthcoming insurance contracts standard. They allow entities to choose between the overlay approach and the deferral approach to deal with the transitional challenges. The overlay approach gives all entities that issue insurance contracts the option to recognize in other comprehensive income, rather than profit or loss, the volatility that could arise when PFRS 9 is applied before the new insurance contracts standard is issued. On the other hand, the deferral approach gives entities whose activities are predominantly connected with insurance an optional temporary exemption from applying PFRS 9 until the earlier of application of the forthcoming insurance contracts standard or January 1, 2021.

The overlay approach and the deferral approach will only be available to an entity if it has not previously applied PFRS 9.

The amendments are not applicable to the Group since none of the entities within the Group have activities that are predominantly connected with insurance or issue insurance contracts.

- PFRS 15, *Revenue from Contracts with Customers*

PFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under PFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in PFRS 15 provide a more structured approach to measuring and recognizing revenue.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under PFRSs. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018.

The Group is currently assessing the impact of PFRS 15.





- PFRS 9, *Financial Instruments*

PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The adoption of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets and impairment methodology for financial assets, but will have no impact on the classification and measurement of the Group's financial liabilities. The Group is currently assessing the impact of adopting this standard.

- Amendments to PAS 28, *Measuring an Associate or Joint Venture at Fair Value* (Part of *Annual Improvements to PFRSs 2014 - 2016 Cycle*)

The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. They also clarify that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. The amendments should be applied retrospectively, with earlier application permitted.

These amendments are not expected to have any impact on the Group.

- Amendments to PAS 40, *Investment Property, Transfers of Investment Property*

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is only permitted if this is possible without the use of hindsight.

These amendments are not expected to have any impact on the Group.

- Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration*

The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the





entity must determine a date of the transactions for each payment or receipt of advance consideration. The interpretation may be applied on a fully retrospective basis. Entities may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

These amendments are not expected to have any impact on the Group.

*Effective beginning on or after January 1, 2019*

- PFRS 16, *Leases*

Under the new standard, lessees will no longer classify their leases as either operating or finance leases in accordance with PAS 17, *Leases*. Rather, lessees will apply the single-asset model. Under this model, lessees will recognize the assets and related liabilities for most leases on their balance sheets, and subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss. Leases with a term of 12 months or less or for which the underlying asset is of low value are exempted from these requirements.

The accounting by lessors is substantially unchanged as the new standard carries forward the principles of lessor accounting under PAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value.

Entities may early adopt PFRS 16 but only if they have also adopted PFRS 15. When adopting PFRS 16, an entity is permitted to use either a full retrospective or a modified retrospective approach, with options to use certain transition reliefs.

The Group is currently assessing the impact of adopting PFRS 16.

*Deferred effectivity*

- Amendments to PFRS 10 and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3, *Business Combinations*. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

On January 13, 2016, the Financial Reporting Standards Council postponed the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any NCI in the acquiree. For each business combination, the Group elects whether to





measure the NCI in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

When such an acquisition is not judged to be an acquisition of a business, it is not treated as a business combination. Rather, the cost to acquire the corporate entity is allocated between the identifiable assets and liabilities of the entity based on their relative fair values at the acquisition date. Accordingly, no goodwill or additional deferred tax arises.

If the business combination is achieved in stages, any previously held equity interest is re-measured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of PAS 39 is measured at fair value with changes in fair value recognized either in profit or loss or as a change to OCI. If the contingent consideration is not within the scope of PAS 39, it is measured in accordance with the appropriate PFRS. Contingent consideration that is classified as equity is not re-measured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for NCI, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units (CGU) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a CGU and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the CGU retained.

#### Current versus Noncurrent Classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current or noncurrent classification.

An asset is current when it is:

- expected to be realized or intended to be sold or consumed in the normal operating cycle,
- held primarily for the purpose of trading,
- expected to be realized within twelve months after the reporting period, or





- cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as noncurrent.

A liability is current when:

- it is expected to be settled in the normal operating cycle,
- it is held primarily for the purpose of trading,
- it is due to be settled within twelve months after the reporting period, or
- there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as noncurrent.

Deferred tax assets and liabilities are classified as noncurrent assets and liabilities.

#### Fair Value Measurement

The Group measures financial instruments, such as financial assets at FVPL and AFS financial assets and non-financial assets such as investment properties, at fair value at each reporting date. Additional fair value related disclosures including fair values of financial instruments measured at amortized cost are disclosed in Note 34.

Fair value is the estimated 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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.





- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

#### Cash and Cash Equivalents

Cash includes cash on hand and in banks that earn interest at the respective bank deposit rates. 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 the date of acquisition and are subject to an insignificant risk of change in value.

#### Financial Instruments

##### *Initial Recognition and Measurement*

Financial instruments are recognized initially at fair value, adjusted for directly attributable transaction costs in the case of financial instruments not at FVPL. The Group recognizes a financial instrument in the consolidated statement of financial position when it becomes a party to the contractual provisions of the instrument.

All regular way purchases and sales of financial assets are recognized on the trade date, which is the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

##### *Classification*

Financial assets are classified as financial assets at FVPL, loans and receivables, held to maturity (HTM) financial assets, and AFS financial assets as appropriate. Financial liabilities are classified as financial liabilities at FVPL and other financial liabilities. The Group determines the classification of its financial instruments at initial recognition and, where allowed and appropriate, re-evaluates the designation at each reporting date. As of December 31, 2016 and 2015, the group has no HTM financial assets and financial liabilities at FVPL.

##### *Financial Assets at FVPL*

Financial instruments at FVPL include financial assets or liabilities held for trading and those designated upon initial recognition as financial assets or liabilities at FVPL.

Financial assets and liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments or financial guarantee contracts. Dividends, interests and gains or losses on held for trading financial instruments are recognized in the profit or loss.

Financial instruments may be designated at initial recognition as financial assets or liabilities at FVPL when any of the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing the gains or losses on them on a different basis; (ii) the assets or liabilities are part of a





group of financial instruments which are managed and their performances are evaluated on fair value basis, in accordance with a documented risk management strategy; or (iii) the financial instrument contains an embedded derivative that would need to be separately recorded.

As of December 31, 2016 and 2015, the Group has investments in shares of stock of various publicly listed companies which are designated as financial assets at FVPL.

#### *Loans and Receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, loans and receivables are subsequently carried at amortized cost using the effective interest rate (EIR) method, less any allowance for impairment. Amortized cost is calculated taking into account any discount or premium on acquisition, and includes fees that are an integral part of the EIR. The EIR amortization is included in interest income in the profit or loss. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized, impaired or amortized.

As of December 31, 2016 and 2015, the Group's loans and receivables consist of cash in banks, cash equivalents, receivables (except for advances to contractors and suppliers and advances to officers and employees) and refundable deposits.

#### *AFS Financial Assets*

AFS financial assets include equity investments. Equity investments classified as AFS are those that are neither classified as held for trading nor designated as at FVPL. Financial assets may be designated at initial recognition as AFS financial assets if they are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions.

AFS financial assets are carried at fair value in the consolidated statement of financial position. Changes in fair value of such assets are accounted for in OCI in the cumulative changes in fair value of AFS financial assets until the financial assets are derecognized or until they are determined to be impaired. When an AFS financial asset is derecognized or determined to be impaired, the cumulative gains or losses previously recorded in OCI are recognized in profit or loss.

Investments in equity investments that do not have quoted market prices in an active market and whose fair values cannot be reliably measured are carried at their cost, less any impairment in value.

As of December 31, 2016 and 2015, the Group's investment in proprietary club shares and listed and unlisted shares of stock are classified as AFS financial assets.

#### *Other Financial Liabilities*

This category pertains to financial liabilities that are not held for trading nor designated as financial liabilities at FVPL upon inception of the liability.

Other financial liabilities are initially recorded at fair value, less directly attributable transaction costs. After initial recognition, other financial liabilities are carried at amortized cost using the EIR method. Amortized cost is calculated by taking into account any issue costs, and any discount or premium on settlement. Gains and losses are recognized in profit or loss when the liabilities are derecognized or amortized.

As of December 31, 2016 and 2015, the Group's other financial liabilities include accounts payable and other current liabilities (except for advanced rentals, customers' deposits, reservation payables, output value added tax (VAT), deferred output VAT and withholding taxes), bank loans, deposits from tenants, installment payable, dividends payable and accrued employee benefits (excluding defined benefit liability).





#### *Determination of Fair Value*

The fair value of financial instruments that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the close of business on the reporting date. For investments and all other financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques include using arm's-length market transactions; reference to the current market value of another instrument, which is substantially the same; and discounted cash flow (DCF) analysis and other valuation models. If the fair value cannot be measured reliably, the financial instruments are measured at cost, being the fair value of the consideration paid, in case of an asset, and received, in case of a liability. All transaction costs directly attributable to the acquisition are also included in the cost of investment.

#### *Day 1 Difference*

Where the transaction price in a non-active market is different from the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a Day 1 difference) in the profit or loss unless it qualifies for recognition as some other type of asset. In cases where the data used are not observable, the difference between the transaction price and model value is only recognized in the profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the Day 1 difference.

#### *Offsetting*

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to set off the recognized amounts and there is intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The Group assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Group and all of the counterparties.

#### *Impairment of Financial Assets*

The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

##### *a. Financial Assets Carried at Amortized Cost*

For financial assets carried at amortized cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.





The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original EIR.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognized in the profit or loss. Interest income (recorded as finance income in the profit or loss) continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in the profit or loss.

*b. AFS Financial Assets*

For AFS financial assets, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as AFS, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in profit or loss, is removed from OCI and recognized in the profit or loss. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognized in OCI.

The determination of what is 'significant' or 'prolong' requires judgment. In making this judgment, the group evaluates, among other factors, the duration or event to which the fair value of an investment is less than its cost.

*c. Financial Assets Carried at Cost*

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

*Derecognition*

*a. Financial Assets*

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e. removed from the Group's consolidated statement of financial position) when:

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





When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

*b. Financial Liabilities*

A financial liability is derecognized when the obligation under the liability is discharged or cancelled, or expires. 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 an original liability and a recognition of a new liability. The difference in the respective carrying amounts is recognized in the profit or loss.

Properties Held for Sale

Properties held for sale are properties being constructed or acquired for sale in the ordinary course of business, rather than for rental or capital appreciation, and are carried at the lower of cost and net realizable value (NRV). NRV is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date, less estimated costs of completion and estimated costs to sell.

*Condominium Units Held for Sale*

Cost of condominium units held for sale represent accumulated costs of the unsold units of the completed Projects. Cost includes those directly attributable to the construction of the Projects such as cost of land, direct materials, borrowing costs, professional and consultancy fees, and project management costs, which are allocated to the unsold units.

*Construction in Progress*

Cost of construction in progress represents the accumulated costs for the construction and development of the ongoing projects. It includes those that are directly attributable to the construction of the projects such as cost of land, direct materials, borrowing costs, professional and consultancy fees, and project management costs.

Other Current Assets

*Prepaid Commission and Expenses*

Prepaid commission and expenses include expenditures already paid but not yet incurred and from which future economic benefits are expected to flow to the Group within the normal operating cycle. These are measured at cost less allowance for impairment losses, if any.

*Creditable Withholding Tax (CWT)*

CWT represents taxes withheld for goods and services provided. CWTs can be claimed as credit against income tax due.

*Inventories*

Inventories are valued at the lower of cost and net realizable value (NRV). Cost is determined on a moving average basis. NRV is the price at which inventories can be realized in the normal course of business after allowing costs of realization.





### Investments in Associates and Joint Venture

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

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group's investments in its associate and joint venture are accounted for using the equity method.

On acquisition of the investment, any difference between the cost of the investment and the investor's share in the net fair value of the associate's identifiable assets, liabilities and contingent liabilities is accounted for as follows:

- a. Goodwill relating to an associate is included in the carrying amount of the investment. However, amortization of that goodwill is not permitted and is therefore not included in the determination of the Group's share in the associate's profits or losses.
- b. Any excess of the Group's share in the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share in the associate's profit or loss in the period in which the investment is acquired.

Under the equity method, the investment in an associate or a joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not individually tested for impairment.

The profit or loss reflects the Group's share of the results of operations of the associate or a joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognized directly in the equity of the associate or a joint venture, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or a joint venture.

The aggregate of the Group's share in net profit or loss of an associate or a joint venture is reported on the face of the consolidated statement of comprehensive income outside operating profit and represents profit or loss after tax and NCI in the subsidiaries of the associate or a joint venture. If the Group's share of losses of an associate equals or exceeds its interest in the associate or a joint venture, the Group discontinues recognizing its share of further losses.

The financial statements of the associate or a joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in its associate or a joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or a joint venture





is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognizes the loss as 'Share in net profit (loss) of an associate and a joint venture' in the profit or loss.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate or a joint venture upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in the profit or loss.

#### Investment Properties

Investment properties consist of land and buildings that are held for long-term rental yields or for capital appreciation or both, and that are not owner-occupied by the companies in the Group.

Investment properties are measured initially at their costs, including related transaction costs. The cost of a purchased investment property comprises of its purchase price and any directly attributable costs. Transaction costs include transfer taxes, professional fees and other costs necessary to bring the investment properties to the condition necessary for them to be capable of being used.

After initial recognition, investment properties are carried at fair value which reflects market conditions at the reporting date. Gains or losses arising from changes in fair value are recorded in profit or loss in the year in which they arise including the corresponding tax effect. Fair value is based in an annual evaluation performed by an external independent valuer, applying a valuation model recommended by the International Valuation Standards Committee.

An investment property that is being redeveloped for continuing use as investment property, or for which the market has become less active, continues to be measured at fair value.

A subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the item can be reliably measured. Repair and maintenance costs are recognized in profit or loss in the period in which they are incurred.

Investment properties are derecognized when they are disposed of or permanently withdrawn from use and no future economic benefit is expected from their disposal. Any gain or loss on the retirement or disposal of an investment property is recognized in the profit or loss. Gain or loss on disposal of investment property is determined as the difference between the net disposal proceeds and the carrying amount of the asset at the date of disposal.

Transfers are made to (or from) investment properties when, and only when, there is a change in use, evidenced by the ending of owner-occupation or commencement of an operating lease to another party. Transfers are made from investment properties when, and only when, there is a change in use, evidenced by the commencement of owner-occupation or commencement of development with a view to sell.

When the Group completes the construction or development of a self-constructed investment property that will be carried at fair value, any difference between the fair value of the property at that date and its previous carrying amount shall be recognized in profit or loss. If a land or building and building improvement classified as "Property and equipment" becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use. For transfer from investment property carried at fair value to property and equipment or construction in progress, the investment property's deemed cost shall be its fair value at the date of change in use.





#### Real Estate Development Projects

The real estate development projects are undertaken by the subsidiaries and are carried at cost less any impairment in value. Cost primarily consists of acquisition cost of the property being constructed, air rights, expenditures for the development and construction of the real estate project and borrowing costs incurred, if any, in the acquisition of qualifying assets during the construction period and up to the date of completion of construction.

Upon completion of the properties, certain portion of the real estate are accounted for as investment properties if the planned purpose of these properties meet the definition of investment properties.

Upon completion of the properties which are pre-determined for self-use purpose, the properties are classified as 'Property and equipment'.

#### Property and Equipment

Property and equipment is stated at cost, net of accumulated depreciation and amortization, and accumulated impairment losses, if any.

The initial costs of property and equipment consist of their purchase prices and any directly attributable costs of bringing the assets to their working condition and location for their intended use. Expenditures incurred after the property and equipment have been put into operation, such as repair and maintenance costs, are recognized in profit or loss in the year in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs of property and equipment.

Depreciation and amortization commence once the assets are available for use and are provided on all property and equipment at rates calculated to write off the costs, less estimated residual values based on prices prevailing at the reporting date, of each asset evenly over its expected useful life as follows:

<u>Category</u>	<u>Useful Lives in Years</u>
Building and building improvements	25 to 40
Transportation equipment	2 to 5
Furniture, fixtures and other equipment	2 to 4

Depreciation or amortization ceases at the earlier of the date when the asset is classified as either investment property or property held for sale and the date the asset is derecognized. The Group uses straight-line method as the basis of depreciation to systematically allocate the cost of the assets over the following estimated useful lives.

The assets' estimated useful lives (EUL), and depreciation and amortization method are reviewed periodically to ensure that these are consistent with the expected pattern of economic benefits from the items of property and equipment. The assets' estimated residual values are reviewed periodically and adjusted if appropriate.

Fully depreciated and amortized property and equipment are retained in the accounts until they are no longer in use, and no further depreciation and amortization are charged to profit or loss.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising from derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss when the asset is derecognized.





### Impairment of Nonfinancial Assets

The Group assesses at each reporting date whether there is an indication that the nonfinancial assets consisting of investments in associates and joint venture, real estate development projects, property and equipment and goodwill may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less cost to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. Impairment losses, if any, are recognized in profit or loss in those expense categories consistent with the function of the impaired assets.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognized in the statement of income in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to OCI. For such properties, the impairment is recognized in OCI up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that the previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's or CGU's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset or CGU is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation or amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss. After such a reversal, the depreciation or amortization charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

The following criteria are also applied in assessing impairment of specific assets:

### *Investments in Associates and Joint Venture*

After application of the equity method, the Group determines whether it is necessary to recognize impairment loss on the Group's investments in associates and joint venture. The Group determines at each reporting date whether there is objective evidence that an investment is impaired. If that is the case, the Group calculates the amount of impairment as the difference between the fair value of the





investee company and the carrying value of the investment. The difference is recognized in profit or loss.

#### *Goodwill*

Impairment testing for goodwill is performed annually and when circumstances indicate that its carrying value may be impaired. Impairment is determined by assessing the recoverable amount of the CGU or group of CGUs to which the goodwill relates. Where the recoverable amount of the CGU or group of CGUs to which goodwill has been allocated is less than its carrying amount, an impairment loss is recognized in the profit or loss. Impairment losses relating to goodwill cannot be reversed in future periods.

#### Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the asset. Other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

#### Deposits from Tenants

Deposits from tenants are carried at the present value of future cash flows using appropriate discount rates. The difference between the present value and the actual deposit received is treated as additional rental incentive which is recorded under “Deferred lease income” in the statement of financial position and are recognized as rental income using the straight-line method over the term of the lease.

#### Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) 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, provision is determined by discounting the expected future cash flows at a pre-tax discount 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 provision due to passage of time is recognized as interest expense. When the Group expects a provision or loss to be reimbursed, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain and its amount is estimable. The expense relating to any provision is presented in profit or loss, net of any reimbursement.

#### Equity

##### *Capital Stock and Additional Paid-in Capital (APIC)*

Capital stock is measured at par value for all shares issued. When the shares are sold at a premium, the difference between the proceeds and the par value is credited to the “APIC” account. When shares are issued for a consideration other than cash, the proceeds are measured at the fair value of consideration received. In case the shares are issued to extinguish or settle a liability of the Parent Company, the shares are measured either at the fair value of the shares issued or fair value of the liability settled, whichever is more reliably determinable.

##### *Treasury Shares*

Own equity instruments that are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group’s own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is also recognized in the APIC. When the shares are retired, the capital stock account is reduced by its par value and the excess of cost over par value, upon retirement, is charged to APIC when the shares are issued.





#### *Other Components of Equity*

These are recorded for items that are directly recognized in equity, which include cumulative changes in fair value of AFS financial assets, cumulative translation adjustments, remeasurement gains (losses) on defined benefit liability and other equity reserves. They are measured either at gross amount or net of tax effect depending on the tax laws and regulations that apply.

Other components of equity are derecognized when the related asset or liability where they arise are derecognized.

#### *Retained Earnings*

Retained earnings include cumulative profits attributable to the Parent Company's stockholders, and reduced by dividends. Retained earnings also include effect of changes in accounting policies as may be required by the standards' transitional provisions.

#### *Dividend Distribution*

The Group recognizes a liability to make cash distributions to equity holders of the Parent Company when the distribution is authorized and the distribution is no longer at the discretion of the Group. As per the corporate laws in the Philippines, a distribution is authorized when it is declared by the Board. A corresponding amount is recognized directly in equity.

#### Revenue and Cost/Expense Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the amount of revenue and expense can be reliably measured, regardless of when the collection or payment is made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes and duties.

The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as a principal or as an agent. The Group has concluded that it is acting as the principal in all of its major revenue arrangements since it is the primary obligor in all the revenue arrangements, has pricing latitude and is also exposed to properties held for sale and credit risks.

The following specific recognition criteria must also be met before revenue and expenses are recognized:

#### *Condominium Sales*

The Group assesses whether it is probable that the economic benefits will flow to the Group when the contract price is collectible. Collectability of the contract price is demonstrated by the buyer's commitment to pay, which is supported by the buyer's initial and continuous investments that motivates the buyer to honor its obligation. Collectability is also assessed by considering factors such as collections and credit standing of the buyer.

Revenue from condominium sales is accounted for using the full accrual method. In accordance with Philippine Interpretations Committee Q&A No. 2006-01, the percentage of completion (POC) method is used to recognize income from condominium sales where the Group has material obligations under the sales contract to complete the real estate project after the unit is sold, the equitable interest has been transferred to the buyer, construction is beyond preliminary stage (i.e., engineering, design work, construction contracts execution, site clearance and preparation, excavation and the building foundation are finished), and the costs incurred or to be incurred can be measured reliably. Under this method, revenue is recognized as the related obligations are fulfilled, measured principally on the basis of the estimated completion of a physical proportion of the contract work.





Any excess of collections over the recognized revenue are included in the "Customers' deposits" account in the consolidated statement of financial position. If the revenue recognition criteria under the full accrual or POC method are not met, the deposit method is applied until all the conditions for recognizing sales are met. Until revenue from condominium sales is recognized, cash received from customers are recognized also as part of "Customers' deposits."

Cost of real estate sales is recognized consistent with the revenue recognition method applied. Cost of condominium units sold before the completion of the development is determined on the basis of the acquisition cost of the land plus its full development costs, which include estimated costs for future development works.

The cost of condominium sales recognized in profit or loss on their disposal is determined with reference to the specific cost incurred on the property, allocated to saleable area based on relative size and takes into account the POC used for revenue recognition purposes.

Estimated loss on unsold units is recognized in profit or loss immediately when it is probable that total project costs will exceed total contract revenue.

#### *Rental*

Rental revenues from the leasing of properties held under operating lease are recognized on a straight-line basis over the periods of the respective leases or on a certain percentage of gross revenue of the lessees, whichever is appropriate.

When the revenue recognition criteria are not met, cash received from lessees are recognized as *Advanced rental*, until the conditions for recognizing rental income are met.

#### *Hotel operation*

Hotel operation revenue from room rentals, food and beverage sales, and other ancillary services are recognized when the services are rendered. Revenue from other ancillary services include, among others, business center and car rentals, laundry service, telephone service and health club services.

Cost of hotel operation are expensed as incurred. These include expenses incurred for the generation of revenue from food and beverage sales, room rentals, and other ancillary services.

#### *Interest Income*

Interest income is recognized as it accrues, taking into account the effective yield on the asset. Interest income from accretion of installment contracts receivable is recognized using the EIR method.

#### *Dividend Income*

Revenue is recognized when the Group's right to receive the payment is established, which is generally when the Board of the investee company approved the dividend.

#### *Other Service Income*

Administration and management services, customer lounge fees, banner income, income from cinema operations and other service income are recognized when the related services have been rendered. Revenues from auxiliary services such as handling, sale of scrap materials, import break bulk and brokerage are recognized when services are provided or when goods are delivered. Money received or amounts billed in advance for rendering of services or delivery of goods are recorded as unearned income until the earning process is complete.

#### *Commission Expense*

Commissions paid to sales and marketing agents on the sale of pre-completed units are deferred when recoveries are reasonably expected and are charged to expense in the period in which the related





revenues are recognized as earned. Accordingly, when the POC method is used, commissions are likewise charged to expense in the period the related revenues are recognized.

#### *General and Administrative Expenses*

General and administrative expenses are recognized as incurred.

#### Leases

The determination of whether an arrangement is, or contains, is a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A reassessment is made after inception of the lease only if one of the following applies:

- a. there is a change in contractual terms, other than a renewal or extension of the arrangement;
- b. a renewal option is exercised or extension is granted, unless that term of the renewal or extension was initially included in the lease term;
- c. there is a change in the determination of whether fulfillment is dependent on a specified asset; or
- d. there is a substantial change to the asset.

When a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances give rise to the reassessment for scenarios (a), (c) or (d) above, and at the date of renewal or extension period for scenario (b).

#### *Group as the Lessor*

Leases in which the Group does not transfer substantially all the risks and benefits of ownership of the assets are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the rental receivables or customers' deposits and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

#### Employee Benefits

##### *Retirement Benefits*

The net defined benefit liability or asset is the aggregate of the present value of defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling.

The cost of providing benefits under the defined benefit plan is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:

- service cost,
- net interest on the net defined benefit liability or asset, and
- remeasurements of net defined benefit liability or asset.

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the





discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in OCI in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a pre-tax discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of plan assets is higher than the present value of defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The Group's right to be reimbursed of some or all of the expenditures required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

#### *Termination Benefits*

Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either an entity's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment.

A liability and an expense for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of the benefit and when the entity recognizes related restructuring costs. Initial recognition and subsequent changes to termination benefit are measured in accordance with the nature of the employee benefit, as either post-employment benefit, short-term employee benefit, or other long-term employee benefit. Benefits falling due more than twelve months from the reporting date are discounted to their present values.

#### *Employee Leave Entitlement*

Employee entitlements to annual leave are recognized as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled wholly before twelve months after the end of the annual reporting period is recognized for services rendered by employees up to the end of the reporting period. The liability for leave expected to be settled more than twelve months after the end of the annual reporting period are discounted to its present value.

#### Foreign Currencies

The Group's consolidated financial statements are presented in Peso, which is also the Parent Company's functional currency. For each entity, the Group determines their functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

#### *Transactions and Balances*

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.





Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognized in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognized in OCI or profit or loss are also recognized in OCI or profit or loss, respectively).

#### *Group Companies*

On consolidation, the assets and liabilities of Gipsey and SHIL, foreign subsidiaries with functional and presentation currency of HK\$, are translated into Peso at the rate of exchange prevailing at the reporting date and their income statements are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognized in OCI. On disposal of a foreign subsidiary, the component of OCI relating to that particular foreign subsidiary is recognized in profit or loss.

#### Income Tax

##### *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 taxation authorities. The tax rates and tax laws used to compute the amount are those that have been enacted or substantially enacted, at the reporting date.

In the sale of condominium units resulting to recognition of installment contracts receivable, full recognition for income tax purposes is applied when more than 25% of the selling price has been collected in the year of sale. Otherwise, the installment method is applied.

##### *Deferred Tax*

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries and associates and interest in joint arrangements, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of excess minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) and net operating loss carryover (NOLCO), to the extent that it is probable that taxable income will be available against which the deductible temporary differences, and the carryforward benefits of excess MCIT over RCIT and NOLCO can be utilized except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable profit or loss; and





- in respect of deductible temporary differences associated with investments in subsidiaries and associates and interest in joint arrangements, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable income will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in 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 relating to items recognized outside the consolidated statement of income is recognized outside the consolidated statement of income. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to offset current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same tax authority. Subsidiaries operating in the Philippines file income tax return on an individual basis. Thus, the deferred tax assets and deferred tax liabilities are offset on a per entity basis.

#### *VAT*

Revenue, expenses, assets and liabilities are recognized net of the amount of VAT, except:

- where the VAT incurred on a purchase of assets or services is 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 the amount of VAT included.

The net amount of VAT recoverable from, or payable to, the tax authority is included as part of “Input tax and other current assets” or “Accounts payable and other current liabilities” accounts, respectively, in the consolidated statements of financial position.

#### Earnings per Share

Earnings per share is computed by dividing the total comprehensive income and net income attributable to equity holders of the Parent Company for the year by the weighted average number of shares outstanding during the year adjusted to give retroactive effect to any stock dividends declared during the year.

Basic earnings per share is calculated by dividing the total comprehensive income and net income attributable to equity holders of the Parent Company for the year by the weighted average number of common shares outstanding during the year.

Diluted earnings per share is computed by dividing the adjusted total comprehensive income and net income attributable to equity holders of the Parent Company for the year by the weighted average number of shares taking into account the effects of all potential dilutive common shares.





### Segment Reporting

For management purposes, the Group is organized and managed separately according to the nature of the business. These operating businesses are the basis upon which the Group reports its segment information presented in Note 4 to the consolidated financial statements.

An operating segment is a component of an entity:

- a. that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity);
- b. with operating results regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance; and
- c. for which discrete financial information is available.

### Contingencies

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

### Events after the Reporting Date

Any post year-end event that provides additional information about the Group's financial position at the reporting date (adjusting event) is reflected in the consolidated financial statements. Post year-end events that are not adjusting events, if any, are disclosed when material to the consolidated financial statements.

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## **3. Significant Accounting Judgments, Estimates and Assumptions**

The preparation of the consolidated financial statements in accordance with PFRS requires management to make judgments, estimates and assumptions that affect the amounts reported in the consolidated financial statements based on evaluation of relevant facts and circumstances at the reporting date. Future events may occur which can cause the assumptions used in arriving at those judgments and estimates to change. The effects of any changes will be reflected in the consolidated financial statements as they become reasonably determinable.

### Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on amounts recognized in the consolidated financial statements:

#### *Distinction between Properties Held For Sale, Investment Properties and Property and Equipment*

The Group determines whether a property is to be classified as a property held for sale, investment property or a property and equipment through the following:

- Properties held for sale comprise properties that are held for sale in the ordinary course of business. These are condominium units that the Group developed or is developing and intends to sell.
- Investment properties comprise land and buildings, which are not occupied substantially for use in the operations nor for sale in the ordinary course of business of the Group, but are held primarily to earn rental income or capital appreciation.
- Property and equipment comprise of building and building improvements, transportation equipment and furniture, fixtures and other equipment that are used in the operation.





The Group determines whether a property qualifies as an investment property or an item of property and equipment. In making its judgment, the Group considers whether the property generates cash flows largely independent of the other assets held by the Group. Property and equipment generate cash flows that are attributable not only to them but also to the other assets used in the operations of the Group.

Some properties comprise a portion that is to earn rentals or for capital appreciation and another portion that is held for use in the operation or for administrative purposes. If these portions cannot be sold separately at the reporting date, the property is accounted for as an investment property only if an insignificant portion is held for use in the operation or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as an investment property. The Group considers each property separately in making its judgment.

The carrying values of properties held for sale, investment properties, and property and equipment as of December 31, 2016 and 2015 are disclosed in Notes 8, 13 and 16, respectively.

#### *Assessing Significant Influence over Associates*

The Group determined that it exercises significant influence over all its associates by considering, among others, its ownership interest (holding 20% or more than of the voting power in the investee), representation on the board of directors and participation in policy-making processes of the associates, and other contractual terms.

#### *Classification of joint arrangements*

The Group's investment in joint venture is structured in separate incorporated entities. The joint arrangement agreements require unanimous consent from all parties to the agreement for the relevant activities identified. The Group and the parties to the agreement only have rights to the net assets of the joint venture through the terms of the contractual arrangements.

#### *Classification of Leases as Operating Lease*

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the fair value of the asset, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

The carrying values of investment properties as of December 31, 2016 and 2015 are disclosed in Note 13.

#### *Impairment of AFS Equity Financial Assets*

The Group treats AFS equity financial assets as impaired when there has been a significant or prolonged decline in the fair value below its cost or whether other objective evidence of impairment exists. The determination of what is "significant" and "prolonged" requires judgment. The Group generally treats a decline of 20% or more of the original cost as "significant" and a period greater than six months as "prolonged". In addition, the Group evaluates other factors including normal volatility in share prices for quoted securities, future cash flows and discount factors for unquoted securities.

The carrying values of AFS equity financial assets are disclosed in Note 15. Based on management's assessment, there has been no significant or prolonged decline in the fair value of AFS equity financial assets, thus, no impairment loss was recognized in 2016, 2015 and 2014.

#### *Classification of Financial Instruments*

The Group classifies a financial instrument, or its component, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual





arrangement and the definitions of financial asset, financial liability and equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the consolidated statement of financial position.

Financial assets are classified as financial assets at FVPL, loans and receivables, and AFS financial assets. Financial liabilities, on the other hand, are classified as financial liabilities at FVPL and other financial liabilities. The Group determines the classification at initial recognition and re-evaluates the classification at every reporting date.

#### *Revenue Recognition*

Selecting an appropriate revenue recognition method for a particular real estate sale transaction requires certain judgments based on the buyer's commitment on the sale which may be ascertained through the significance of the buyer's initial investment and completion of development. The buyer's commitment to continue with the sales agreement is evaluated based on collections, credit standing and location of the property. Completion of development is determined based on engineer's judgments and estimates on the physical portion of contract work done and the completion of development beyond the preliminary stage.

Condominium sales recognized in 2016, 2015 and 2014 are reflected in the consolidated statement of comprehensive income.

#### *Contingencies*

The Group is currently involved in various legal proceedings. The estimates of the probable costs for the resolution of these claims have been developed in consultation with the outside legal counsel handling the defense in these matters and are based upon analyses of potential reports. Based on management's assessment, these proceedings will not have a material effect on the Group's financial position and performance (see Note 32).

#### Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities are as follows:

#### *Valuation of Financial Instruments*

Financial instruments carried at fair values require the use of accounting estimates. While significant components of fair value measurement are determined using verifiable objective evidence, it would differ if the Group utilizes a different valuation methodology. Any changes in the fair values of financial instruments will affect profit or loss and equity.

The fair values of financial instruments on initial recognition are normally the transaction prices. These prices are indicative of actual and regularly occurring market transactions on an arm's length basis.

The fair values of the Group's financial assets at FVPL and AFS financial assets traded in active markets are based on quoted market prices at the reporting date. The quoted market prices used for financial assets held for trading are the current bid prices. The Group's installment contracts receivable's and deposits from tenants' fair values are based on the present values of estimated future cash flows discounted using prevailing pre-tax discount rates at the reporting date. The fair values of the other financial instruments are estimated by discounting the future contractual cash flows at the current market interest rates that are available to the Group at the reporting date for similar financial instruments. The fair value measurement hierarchy of the Group's financial instruments is disclosed in Note 34.





*Estimation of Allowance for Impairment of Receivables*

The Group maintains an allowance for impairment of receivables at a level considered adequate to provide for potentially uncollectible receivables. The level of this allowance is evaluated by management on the basis of the factors that affect the collectability of the accounts. These factors include, but are not limited to, the length of the Group's relationship with the customer, the customer's payment behaviour and known market factors. The Group reviews the age and status of receivables, and identifies accounts that are to be provided with allowance on a continuous basis.

Bad debts recognized in 2016, 2015 and 2014 are disclosed in Note 26. The carrying values of the Group's receivables and allowance for impairment of receivable as of December 31, 2016 and 2015 are disclosed in Note 7.

*Estimation of POC of the Projects*

The Group's revenue and cost recognition policies require management to make use of estimates and assumptions that may affect the reported amounts of revenue and costs. The Group's revenue from condominium sales, recognized based on the POC, are measured principally on the basis of the actual costs incurred to date over the total estimated project costs and by reference to the estimated completion of a physical proportion of the contract work. The total project costs are estimated by the project development engineers and are independently reviewed by the Group's third party consultants. At each reporting date, these estimates are reviewed and revised to reflect the current conditions, when necessary.

OSP is 100% and 99% complete as of December 31, 2016 and 2015, respectively. SSP is 81% and 53% complete as of December 31, 2016 and 2015, respectively. The Rise is 15% and 10% complete as of December 31, 2016 and 2015, respectively. Shangri-La at the Fort's Horizon Homes is 93% and 70% complete as of December 31, 2016 and 2015, respectively.

*Estimation of NRV*

Properties held for sale are carried at the lower of cost and NRV. NRV for completed condominium units is the estimated selling price of condominium unit less estimated costs necessary to make the sale. NRV with respect to the condominium units under construction is the estimated selling price of a condominium unit less estimated costs to complete the construction, less estimated time value of money to the date of completion and less estimated costs necessary to make the sale.

As of December 31, 2016 and 2015, carrying values of the Group's properties held for sale are disclosed in Note 8.

*Determination of Fair Values of Investment Properties*

The fair values of investment properties are determined by independent real estate valuation experts using recognized valuation techniques. The fair value of the Group's land is determined using the market comparison method. Under the market comparison method (or market comparison approach), a property's fair value is estimated based on comparable transactions. The market comparison approach is based upon the principle of substitution under which a potential buyer will not pay more for the property than it will cost to buy a comparable substitute property. In theory, the best comparable sale would be an exact duplicate of the subject property and would indicate, by the known selling price of the duplicate, the price for which the subject property could be sold. The unit of comparison applied by the Group is the price per square meter (sqm). The market comparison approach is often used in combination with either DCF or the income capitalization method as many inputs to these methods are based on market comparison. Under the direct income capitalization method, a property's fair value is estimated based on stabilized net operating income divided by an appropriate capitalization rate. In some cases, fair values are determined based on recent real estate transactions with similar characteristics and in the location to those of the Group's assets. In the





absence of such information, the Group determines the amount within a range of reasonable fair value estimates. In making its judgment, the Group considers information from variety of sources including:

- a. current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences;
- b. recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and
- c. stabilized net operating income based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using pre-tax discount rates that reflect current market assessments of the uncertainty in the amounts and timing of the cash flows.

The significant methods and assumptions used by the valuers in estimating fair values of investment properties are set out in Note 13. The fair values, which are also the carrying values of investment properties as of December 31, 2016 and 2015 are disclosed in Note 13.

#### *Impairment of Nonfinancial Assets, Including Goodwill*

The Group assesses whether there are any indicators of impairment for all nonfinancial assets at every reporting date. Nonfinancial assets with indefinite life such as goodwill are tested for impairment annually and at other times when impairment indicators exist. Other nonfinancial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

The factors that the Group considers important which could trigger an impairment review include the following:

- significant underperformance relative to 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 such indication exists or in case of nonfinancial assets with indefinite life, the recoverable amount of the asset is estimated. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. The value in use calculation is based on a direct income capitalization model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the direct income capitalization model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. Recoverable amount is estimated for an individual asset or, if it is not possible, for the CGU to which the asset belongs.

As of December 31, 2016 and 2015, based on management's assessment, there are no indications of impairment for the rest of the Group's nonfinancial assets composed of properties held for sale, input tax and other current assets, investment in associate and joint venture, real estate development projects, property and equipment and goodwill.

The key assumptions used to determine the recoverable amount for the goodwill are disclosed in Note 12.

#### *Estimation of Retirement Benefit Costs*

The cost of defined benefit plan as well as the present value of defined benefit obligation is determined using actuarial valuations. Actuarial valuations involve making various assumptions that may differ from actual developments in the future. These include the determination of the discount rates, future





salary increases, mortality rates and future retirement increases. Due to the complexity of the valuations, the underlying assumptions and the long-term nature, defined benefit obligation is highly sensitive to changes in the assumptions. All assumptions are reviewed at each reporting date. The net defined benefit liability as of December 31, 2016 and 2015 are disclosed in Note 27.

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

The mortality rate is based on publicly available mortality tables and is modified accordingly with estimates of mortality improvements. Future salary increases and retirement increases are based on expected future inflation rates.

Further details about the assumptions used are provided in Note 27.

*Realizability of Deferred Tax Assets*

The Group reviews the carrying amounts of deferred tax assets at each reporting date and reduces them to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred tax assets to be utilized. The Group expects to generate sufficient future taxable profits to allow its recognized deferred income tax assets to be utilized. Deferred tax assets recognized and unrecognized as of December 31, 2016 and 2015 are disclosed in Note 29.

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#### 4. Segment Information

The Group's operating businesses are organized and managed according to the nature of the products and services marketed, with each segment representing a strategic business unit that offers different products and serves different markets. The Group has operations only in the Philippines. The Group derives revenues from three main segments as follows:

*Property Development*

This business segment pertains to the sale of condominium units.

*Rental and Cinema*

This business segment pertains to the rental operations of the Shangri-La Plaza Mall, The Enterprise Center (TEC) and their related carpark operations. It also includes rental of a portion of the Parent Company's land to EDSA Shangri-La Hotel and Resort, Inc. (ESHRI) and cinema operations of Shangri-La Plaza Mall.

*Hotel Operation*

This business segment pertains to the hotel operation of Shangri-La at the Fort's hotel and residence.

Other business segments pertain to property management services and the results of operations of real estate entities and other subsidiaries. Except for the rental revenue from ESHRI, revenues come from transactions with third parties. There is no transaction with a single external customer that amounts to 10% or more of the Group's aggregate revenues.





The segment assets, liabilities and results of operations of the reportable segments of the Group as of and for the year ended December 31, 2016 are as follows:

	Property Development	Rental and Cinema	Hotel Operation	Others	Total Segments	Eliminations	Consolidated
Revenues:							
Condominium sales	₱6,253,427,534	₱—	₱—	₱—	₱6,253,427,534	(₱147,427,550)	₱6,105,999,984
Rental and cinema	—	3,126,342,878	—	—	3,126,342,878	(233,937,605)	2,892,405,273
Hotel operation	—	—	1,344,616,051	—	1,344,616,051	—	1,344,616,051
Cost of sales and services:							
Condominium sales	(3,564,830,699)	—	—	—	(3,564,830,699)	58,712,882	(3,506,117,817)
Rental and cinema	—	(134,819,051)	—	—	(134,819,051)	—	(134,819,051)
Hotel operation	—	—	(1,459,547,660)	—	(1,459,547,660)	—	(1,459,547,660)
Gross income	2,688,596,835	2,991,523,827	(114,931,609)	—	5,565,189,053	(322,652,273)	5,242,536,780
Gain on fair value adjustments of investment properties	—	48,154,851	—	488,548,444	536,703,295	—	536,703,295
Other income	66,158,146	59,681,836	—	58,859,261	184,699,243	(55,297,502)	129,401,741
Staff costs	(312,797,928)	(245,569,769)	—	(12,558,667)	(570,926,364)	58,690,358	(512,236,006)
General and administrative expenses	(240,598,093)	(343,133,208)	(173,989,491)	(4,171,407)	(761,892,199)	252,653,439	(509,238,760)
Taxes and licenses	(80,711,336)	(81,461,270)	—	(725,629)	(162,898,235)	—	(162,898,235)
Depreciation and amortization	(3,359,645)	(250,020,353)	—	(111,655)	(253,491,653)	234,787,162	(18,704,491)
Insurance	(281,494)	(2,997,652)	(14,568,487)	(10,899)	(17,858,532)	—	(17,858,532)
Segment results	2,117,006,485	2,176,178,262	(303,489,587)	529,829,448	4,519,524,608	168,181,184	4,687,705,792
Interest income	228,252,188	30,834,418	—	818,424	259,905,030	—	259,905,030
Foreign exchange gains - net	9,392,774	675,710	—	(132,074,621)	(122,006,137)	132,069,859	10,063,722
Share in net income of associates and joint venture	—	—	—	(4,312,738)	(4,312,738)	—	(4,312,738)
Interest expense and bank charges	(109,376,573)	(164,113,730)	—	(3,723)	(273,494,026)	—	(273,494,026)
Provision for income tax	(628,671,666)	(420,326,797)	—	(73,519,756)	(1,122,518,219)	(81,699,329)	(1,204,217,548)
Net income for the year	₱1,616,603,208	₱1,623,247,863	(₱303,489,587)	₱320,737,034	₱3,257,098,518	₱218,551,714	₱3,475,650,232
Segment assets	₱19,904,278,170	₱26,651,730,083	₱8,132,392,278	₱6,965,402,730	₱61,653,803,261	(₱377,504,738)	₱61,276,298,523
Associate companies	—	—	—	495,635,612	495,635,612	—	495,635,612
Total assets	₱19,904,278,170	₱26,651,730,083	₱8,132,392,278	₱7,461,038,342	₱62,149,438,874	(₱377,504,738)	₱61,771,934,135
Segment liabilities	₱8,562,984,817	₱10,605,798,141	₱9,989,325,981	₱5,216,048,178	₱34,374,157,117	(₱5,940,691,215)	₱28,433,465,902
Capital expenditures for the year (Notes 13 and 16)	₱1,826,007	₱279,991,366	₱1,335,521,773	₱178,567	₱1,617,517,713	₱—	₱1,617,517,713





The segment assets, liabilities and results of operations of the reportable segments of the Group as of and for the year ended December 31, 2015 are as follows:

	Property Development	Rental and Cinema	Others	Total Segments	Eliminations	Consolidated
Revenues:						
Condominium sales	₱4,654,102,798	₱—	₱—	₱4,654,102,798	₱—	₱4,654,102,798
Rental and cinema	—	2,971,897,446	—	2,971,897,446	(234,892,595)	2,737,004,851
Cost of condominium sales						
Condominium sales	(2,374,666,153)	—	—	(2,374,666,153)	—	(2,374,666,153)
Rental and cinema	—	(142,871,800)	—	(142,871,800)	—	(142,871,800)
Gross profit	2,279,436,645	2,829,025,646	—	5,108,462,291	(234,892,595)	4,873,569,696
Gain on fair value adjustments of investment properties	—	299,757,821	249,466,839	549,224,660	—	549,224,660
Other income	69,526,198	26,713,474	3,995,333	100,235,005	—	100,235,005
Staff costs	(285,092,535)	(225,602,477)	(11,816,126)	(522,511,138)	63,039,331	(459,471,807)
General and administrative expenses	(127,598,296)	(334,463,999)	(2,257,434)	(464,319,729)	243,225,706	(221,094,023)
Taxes and licenses	(85,457,549)	(77,608,367)	(989,857)	(164,055,773)	—	(164,055,773)
Depreciation and amortization	(5,051,050)	(17,311,634)	(151,283)	(22,513,967)	—	(22,513,967)
Insurance	(348,295)	(590,572)	(10,867)	(949,734)	—	(949,734)
Segment results	1,845,415,118	2,499,919,892	238,236,605	4,583,571,615	71,372,442	4,654,944,057
Interest income	210,470,968	26,010,082	391,966	236,873,016	—	236,873,016
Foreign exchange gains - net	5,431,079	798,303	(109,869,320)	(103,639,938)	109,888,676	6,248,738
Share in net income of associates and joint venture	—	—	70,658,121	70,658,121	—	70,658,121
Interest expense and bank charges	(797,015)	(200,757,934)	(3,626)	(201,558,575)	—	(201,558,575)
Provision for income tax	(629,243,141)	(481,766,268)	(78,129,220)	(1,189,138,629)	—	(1,189,138,629)
Net income for the year	₱1,431,277,009	₱1,844,204,075	₱121,284,526	₱3,396,765,610	₱181,261,118	₱3,578,026,728
Segment assets	₱26,642,260,281	₱28,913,601,837	₱4,924,138,923	₱60,480,001,041	(₱1,679,259,570)	₱58,800,741,471
Associate companies	—	—	491,948,350	491,948,350	—	491,948,350
Total assets	₱26,642,260,281	₱28,913,601,837	₱5,416,087,273	₱60,971,949,391	(₱1,679,259,570)	₱59,292,689,821
Segment liabilities	₱17,519,174,720	₱11,067,435,865	₱5,174,985,209	₱33,761,595,794	(₱6,770,488,738)	₱26,991,107,056
Capital expenditures for the year (Notes 13 and 16)	₱81,491,637	₱333,925,551	₱113,934	₱415,531,122	₱195,551,469	₱611,082,591





The segment assets, liabilities and results of operations of the reportable segments of the Group as of and for the year ended December 31, 2014 are as follows:

	Property Development	Rental and Cinema	Others	Total Segments	Eliminations	Consolidated
Revenues:						
Condominium sales	P3,764,277,893	P—	P—	P3,764,277,893	P—	P3,764,277,893
Rental and cinema	—	2,920,214,050	—	2,920,214,050	(234,952,844)	2,685,261,206
Cost of sales and services						
Condominium sales	(2,442,444,122)	—	—	(2,442,444,122)	—	(2,442,444,122)
Rental and cinema	—	(155,943,536)	—	(155,943,536)	—	(155,943,536)
Gross profit	1,321,833,771	2,764,270,514	—	4,086,104,285	(234,952,844)	3,851,151,441
Other income	54,802,220	22,905,278	814,699,328	892,406,826	—	892,406,826
Staff costs	(186,632,688)	(208,960,295)	47,259,487	(348,333,496)	52,794,352	(295,539,144)
General and administrative expenses	(75,981,444)	(112,546,749)	(4,081,096)	(192,609,289)	(715,398)	(193,324,687)
Taxes and licenses	(62,360,811)	(98,098,738)	10,766,158	(149,693,391)	—	(149,693,391)
Depreciation and amortization	(3,096,050)	(17,149,771)	(168,336)	(20,414,157)	—	(20,414,157)
Insurance	(245,975)	(3,031,866)	(95,762)	(3,373,603)	—	(3,373,603)
Segment results	1,048,319,023	2,347,388,373	868,379,779	4,264,087,175	(182,873,890)	4,081,213,285
Interest income	248,906,607	20,273,985	180,437	269,361,029	—	269,361,029
Foreign exchange gains - net	384,872	493,969	(24,449,955)	(23,571,114)	24,451,844	880,730
Share in net losses of associates	—	—	(9,692,903)	(9,692,903)	—	(9,692,903)
Interest expense and bank charges	(1,077,448)	(225,974,531)	(14,365)	(227,066,344)	—	(227,066,344)
Provision for income tax	(425,532,864)	(367,676,454)	(202,292,421)	(995,501,739)	—	(995,501,739)
Net income for the year	P871,000,190	P1,774,505,342	P632,110,572	P3,277,616,104	(P158,422,046)	P3,119,194,058
Segment assets	P33,821,813,379	P23,502,537,637	P6,366,625,171	P63,690,976,187	(P9,419,643,526)	P54,271,332,661
Associate companies	—	—	410,790,229	410,790,229	—	410,790,229
Total assets	P33,821,813,379	P23,502,537,637	P6,777,415,400	P64,101,766,416	(P9,419,643,526)	P54,682,122,890
Segment liabilities	P19,605,625,096	P12,198,862,918	P5,138,635,900	P36,943,123,914	(P10,045,334,248)	P26,897,789,666
Capital expenditures for the year	P3,429,204	P183,315,521	P337,114	P187,081,839	(P21,398,562)	P165,683,277





## 5. Cash and Cash Equivalents

This account consists of:

	2016	2015
Cash on hand and in banks	<b>₱931,843,270</b>	₱343,622,081
Cash equivalents	<b>3,309,287,742</b>	3,697,547,661
	<b>₱4,241,131,012</b>	₱4,041,169,742

Cash in banks earn interest at the prevailing bank deposit rates. Temporary investments are made for three months or less depending on the immediate cash requirement of the Group and earn interest at the respective temporary investment rates. The effective annual interest rates on short-term deposits range from 0.40% to 2.00%, 1.25% to 2.13%, and 1.75% to 2.00% in 2016, 2015 and 2014, respectively.

Total interest income earned from cash in banks and cash equivalents amounted to ₱57,982,376, ₱50,552,252 and ₱25,492,852 in 2016, 2015 and 2014, respectively (see Note 23).

As of December 31, the Group's cash and cash equivalents include United States Dollar (US\$) and (HK\$) deposits with local banks as follows:

	US Dollar		HK Dollar	
	2016	2015	2016	2015
Foreign currency	<b>\$10,114,419</b>	\$3,374,993	<b>\$277,438</b>	\$215,786
Peso equivalent	<b>₱502,888,937</b>	₱159,164,689	<b>₱1,781,483</b>	₱1,314,138
Closing exchange rate per dollar as at December 31	<b>₱49.72</b>	₱47.16	<b>₱6.42</b>	₱6.09

Net unrealized foreign exchange gains charged to profit or loss amounted to ₱10,063,722 in 2016, ₱6,248,738 in 2015 and ₱721,363 in 2014.

## 6. Financial Assets at FVPL

Financial assets at FVPL represent shares of stock of various publicly listed companies as of December 31, 2016 and 2015.

The movements in this account are as follows:

	2016	2015
Beginning balance	<b>₱34,882,100</b>	₱33,012,524
Fair value adjustment (Note 23)	<b>(2,284,599)</b>	1,869,576
Ending balance	<b>₱32,597,501</b>	₱34,882,100

The Group recognized change in unrealized gains (losses) on fair value adjustments of the investments amounting to (₱2,284,599) in 2016, ₱1,869,576 in 2015, and ₱2,663,820 in 2014 (see Note 23). There were no additions or disposals in 2016 and 2015.





## 7. Receivables

This account consists of:

	2016	2015
Trade:		
Installment contracts receivable - net of noncurrent portion of ₱864,665,330 in 2016 and ₱660,986,703 in 2015	₱1,423,056,896	₱1,163,098,939
Rent (Note 31)	265,274,554	206,486,655
Receivable from hotel guests	130,370,726	—
Nontrade:		
Advances to contractors and suppliers	1,012,204,099	688,909,442
Related parties (Note 31)	78,422,036	72,902,777
Advances to officers and employees	5,311,205	5,732,997
Interest	2,533,340	4,396,733
Others	33,136,956	38,963,553
	2,950,309,812	2,180,491,096
Less allowance for impairment loss	8,056,439	8,056,439
	₱2,942,253,373	₱2,172,434,657

Installment contracts receivable represent noninterest-bearing receivables from sale of condominium units with average term ranging from one to five years. These are carried at amortized cost and are discounted using prevailing interest rates at the dates of transactions. Installment contracts receivables are subject to either bank financing or in-house financing. The differences between the present values and face values of the receivables are amortized using the EIR method over the term of the respective contracts. Interest income from accretion of installment contracts receivable amounted ₱196,576,865, ₱180,854,605 and ₱236,879,642 in 2016, 2015 and 2014, respectively (see Note 23).

Rental receivables are noninterest-bearing and pertain to rental fees charged to tenants and to the Group's affiliates for the office, commercial and carpark spaces. The normal credit terms range from 30 to 60 days.

Receivable from hotel guests are noninterest bearing and arise from sale of services from rooms and food and beverage outlets. These have an average terms of one day to two weeks for credit card transactions and upon check-out of hotel guests.

Advances to contractors and suppliers are recouped upon every progress billing payment depending on the percentage of accomplishment or delivery.

Advances to officers and employees are normally settled within the next financial year.

Other receivables are noninterest-bearing and consist of income from banner and non-tenant related receivables.

There were no movements in the allowance for doubtful accounts in 2016 and 2015.





The following table shows the expected cash flows from installment contracts receivable as of December 31:

	2016	2015
Expected cash flows in:		
2016	₱—	₱3,767,852,227
2017	3,660,978,019	1,079,666,775
2018	3,170,673,944	460,203,122
2019	236,845,352	1,344,248,187
	7,068,497,315	6,651,970,311
Less unearned income and unamortized discount*	4,780,775,089	4,827,884,669
	<b>₱2,287,722,226</b>	<b>₱1,824,085,642</b>

\*Unearned income is the portion of the total contracts price of sold units which remains to be unearned as of the reporting period. The amount will be recognized as condominium sales as the construction of the projects progress based on the percentage of completion of the projects.

As of December 31, 2016 and 2015, excess collections from condominium unit buyers over recognized revenue based on the percentage of completion method were recorded as part of the “Customers’ deposits” account amounting to ₱1,804,927,395 and ₱1,261,067,939, respectively (see Note 18).

As of December 31, 2016 and 2015, installment contracts receivables with a total nominal amount of ₱2,293,287,944 and ₱1,859,103,127, respectively, were recorded at amortized cost amounting to ₱2,287,722,226 and ₱1,824,085,642, respectively.

The movements in the unamortized discount and unearned income on installment contracts receivable are as follows:

	2016	2015
Beginning balance	₱4,827,884,669	₱4,270,960,875
Additions	6,255,467,269	5,391,881,197
Recognized as:		
Condominium sales	(6,105,999,984)	(4,654,102,798)
Interest income (Note 23)	(196,576,865)	(180,854,605)
Ending balance	<b>₱4,780,775,089</b>	<b>₱4,827,884,669</b>

## 8. Properties Held for Sale

This account consists of:

	2016	2015
Condominium units held for sale	₱409,112,488	₱74,941,130
Construction in progress	10,244,589,570	7,085,833,142
	<b>₱10,653,702,058</b>	<b>₱7,160,774,272</b>

Condominium units for sale pertain to the completed residential condominium projects of the Group.

Construction in progress pertains to the Group’s on-going residential condominium projects.





The movements in “Condominium units held for sale” account are as follows:

	2016	2015
Beginning balance	<b>₱74,941,130</b>	₱103,768,502
Transfer from construction in progress	<b>335,631,638</b>	—
Recognized cost of condominium sales (Note 24)	<b>(1,460,280)</b>	(28,827,372)
Ending balance	<b>₱409,112,488</b>	₱74,941,130

The movements in “Construction in progress” account are as follows:

	2016	2015
Beginning balance	<b>₱7,085,833,142</b>	₱5,669,349,192
Construction or development costs incurred:		
Construction cost	<b>986,379,911</b>	1,523,782,137
Land cost	<b>653,155,250</b>	1,028,067,503
Project management expenses	<b>133,411,646</b>	131,465,358
Professional and consultancy fees	<b>62,731,064</b>	61,316,890
Taxes, permits and licenses	<b>20,835,951</b>	62,067,527
Insurance and bonds	<b>89,033</b>	13,538,473
Others	<b>1,366,630</b>	53,327,389
Transfer from real estate development projects (Note 14)	<b>5,141,076,118</b>	888,757,454
Transfer to condominium units held for sale	<b>(335,631,638)</b>	—
Recognized cost of condominium sales (Note 24)	<b>(3,504,657,537)</b>	(2,345,838,781)
Ending balance	<b>₱10,244,589,570</b>	₱7,085,833,142

On November 2, 2015, TRDCI entered into a contract with Vivelya Development Company, Inc. (VDCI) to purchase the land where TRDCI’s project is currently being constructed. The consideration for the land shall be for a minimum base price of ₱1.1 billion, exclusive of 12% VAT. Payment term for the purchase price includes a down payment upon signing the contract of fifteen per cent (15%) of base price amounting to ₱165.0 million, exclusive of 12% VAT. The remaining balance of the purchase price shall be paid on a quarterly installment basis until full payment of the purchase price.

As of December 31, 2016 and 2015, installment payable at amortized cost amounted to ₱770.3 million and ₱863.1 million, respectively. Interest cost related to the amortization of the installment payable amounted to ₱27.7 million and ₱4.8 million in 2016 and 2015, respectively, are capitalized as “Construction in progress”. The unamortized discount on installment payable amounted to ₱48.0 million and ₱71.9 million as of December 31, 2016 and 2015, respectively.

In 2016, the Group acquired a parcel of land in Wack Wack, Mandaluyong City for the construction of residential condominium.

Condominium units held for sale and construction in progress are stated at cost as of December 31, 2016 and 2015. There were no allowances for inventory write-down as of December 31, 2016 and 2015.





## 9. Input Tax and Other Current Assets

	2016	2015
Input tax - net	<b>₱977,480,231</b>	₱1,207,968,471
CWT	<b>365,445,021</b>	296,539,147
Prepaid commission	<b>228,604,924</b>	205,256,575
Deferred input tax	<b>52,458,371</b>	—
Inventories	<b>25,208,802</b>	—
Other prepaid expenses	<b>56,335,078</b>	55,931,316
	<b>₱1,705,532,427</b>	₱1,765,695,509

Input tax represents VAT paid to suppliers that can be claimed as credit against the future output VAT liabilities without prescription.

CWT is the tax withheld by the withholding agents from payments to the Group which can be applied against the income tax payable.

Prepaid commission pertains to the excess of the commission paid to property consultants and brokers over the commission expense recognized for the year based on the percentage of completion.

Deferred input tax represents current portion of VAT arising from the purchase of capital goods on credit.

Inventories consist of food, beverages and other recreational consumable items for the hotel operation. The inventories are stated at cost. There is no allowance for decline in value of inventories as of December 31, 2016.

Other prepayments mainly consist of advance payments for insurance, real property taxes, rent, and other expenses which are normally utilized within the next financial year.

## 10. Investments in Associates and Joint Venture

This account consists of:

	2016	2015
Acquisition costs:		
Beginning balance	<b>₱506,310,625</b>	₱495,810,625
Additions to investment	<b>8,000,000</b>	10,500,000
Ending balance	<b>514,310,625</b>	506,310,625
Accumulated share in net income (losses):		
Beginning balance	<b>(14,362,275)</b>	(85,020,396)
Share in net income (loss) of associates and a joint venture	<b>(4,312,738)</b>	70,658,121
Ending balance	<b>(18,675,013)</b>	(14,362,275)
	<b>₱495,635,612</b>	₱491,948,350

The Group is restricted from declaring dividends out of the accumulated share in net profits until these are declared by the associates.





The Group's associates and joint venture are as follows:

	Place of incorporation	Percentages of Ownership	
		2016	2015
Sky Leisure Properties, Inc. (SLPI)	Philippines	50.00%	50.00%
Ideal Sites and Properties, Inc. (ISPI)	Philippines	40.00%	40.00%

The summarized financial information of SLPI are as follows:

	2016	2015
Current assets*	<b>₱3,899,688</b>	₱4,504,000
Noncurrent asset	<b>964,843,000</b>	964,843,000
Current liabilities	<b>139,663,070</b>	131,641,918
Noncurrent liability	<b>749,026,646</b>	749,026,646
Total income**	<b>1,383</b>	214,410,900
Total comprehensive income (loss)***	<b>(8,625,476)</b>	141,316,241

\*includes cash in bank amounting to ₱436,208 and ₱1,195,654 as of December 31, 2016 and 2015, respectively.

\*\*includes interest income amounting to ₱1,383 and ₱1,500 for the year ended 2016 and 2015, respectively.

\*\*\*includes provision for income tax amounting to ₱277 and ₱64,323,120 in 2016 and 2015, respectively.

As of December 31, 2016 and 2015, SLPI has investment property whose development has not started.

In addition to the interest in joint venture discussed above, the Group also has interest in an individually immaterial associate. The carrying amount of the immaterial associate, including share in net loss and other comprehensive income, is nil as at December 31, 2016 and 2015.

The aggregate amount of the Group's share in the net income (losses) after tax and total comprehensive income (losses) of these associates are (₱4,312,738) in 2016, ₱70,658,121 in 2015 and (₱9,692,903) in 2014.

As at December 31, 2016 and 2015, the Group has no share in any contingent liabilities or capital commitments.

## 11. Material Partly-Owned Subsidiaries

The proportion of equity interest held by the NCI of KSA and SGCPI, the Group's subsidiaries with NCI that are deemed material, are as follows:

	2016	2015
KSA	<b>29.96%</b>	47.10%
SGCPI	<b>40.00%</b>	40.00%

On June 20, 2016, the Parent Company acquired 207,082 KSA shares from Ocmador Philippines, B.V. for a purchase price amounting to ₱1,419,610,919. The Parent Company accounted for the increase in ownership in KSA from 52.90% to 70.04% as equity transaction. The difference between the considerations paid and the carrying amount of the NCI acquired is recognized directly in equity reserves amounted to ₱141,132,606.

The summarized financial information of material subsidiaries are provided below. This information is based on amounts before inter-company eliminations.





*KSA Realty Corporation*

	2016	2015	2014
<b>Summarized Statements of Comprehensive Income</b>			
Rental revenue	<b>₱1,091,918,588</b>	₱992,119,396	₱905,609,013
General and administrative expenses	<b>(71,730,214)</b>	(63,034,780)	(61,821,297)
Finance income (cost) - net	<b>3,216,602</b>	2,036,023	(1,724,886)
Other income - net	<b>55,849,753</b>	747,660,456	7,567,826
<b>Income before income tax</b>	<b>1,079,254,729</b>	1,678,781,095	849,630,656
Provision for income tax	<b>(202,336,918)</b>	(403,222,929)	(159,322,635)
<b>Total comprehensive income</b>	<b>₱876,917,811</b>	₱1,275,558,166	₱690,308,021

Net income and total comprehensive income attributable to:

Equity holders of the Parent Company	<b>₱549,624,812</b>	₱674,770,270	₱365,172,943
NCI	<b>327,292,999</b>	600,787,896	325,135,078
	<b>₱876,917,811</b>	₱1,275,558,166	₱690,308,021

Dividends declared to NCI	<b>₱239,680,000</b>	₱282,600,000	₱376,800,000
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	2016	2015
<b>Summarized Statements of Financial Position</b>		
Current assets	<b>₱712,831,966</b>	₱655,921,294
Noncurrent assets	<b>9,027,611,303</b>	8,913,278,871
Current liabilities	<b>(333,999,684)</b>	(430,540,293)
Noncurrent liabilities	<b>(2,247,204,360)</b>	(2,084,651,853)
<b>Equity</b>	<b>₱7,159,239,225</b>	₱7,054,008,019
<b>Equity attributable to:</b>		
Equity holders of the Parent Company	<b>₱5,014,331,153</b>	₱3,731,570,243
NCI	<b>2,144,908,072</b>	3,322,437,776
	<b>₱7,159,239,225</b>	₱7,054,008,019

	2016	2015
<b>Summarized Statements of Cash Flows</b>		
Operating activities	<b>₱918,486,629</b>	₱620,753,300
Investing activities	<b>(38,108,390)</b>	(8,331,564)
Financing activities	<b>(886,583,198)</b>	(468,595,467)
Net effect of exchange rate changes on cash and cash equivalents	<b>17,156</b>	34,931
<b>Net increase in cash and cash equivalents</b>	<b>(₱6,187,803)</b>	₱143,861,200

Dividends paid to NCI amounted to ₱359,680,099 in 2016 and ₱226,080,000 in 2015.





*Shang Global City Properties, Inc.*

	2016	2015	2014
<b>Summarized Statements of Comprehensive Income</b>			
Sale of condominium units	₱3,290,342,842	₱1,258,520,181	₱425,762,627
Revenue from hotel operation	1,344,616,051	—	—
Rental income	84,579,108	—	—
Cost of sales of condominium units	(1,601,495,909)	(582,981,253)	(208,513,636)
Cost of hotel operation	(1,624,254,801)	—	—
General and administrative expenses	(490,406,035)	(217,577,962)	(16,697,532)
Other income (expense) - net	111,323	1,109,845	4,464,422
<b>Income before income tax</b>	<b>1,003,492,579</b>	<b>459,070,811</b>	<b>205,015,881</b>
Provision for income tax	(306,831,007)	(140,504,026)	(58,303,499)
<b>Total comprehensive income</b>	<b>₱696,661,572</b>	<b>₱318,566,785</b>	<b>₱146,712,382</b>
Net income and total comprehensive income attributable to:			
Equity holders of the Parent Company	₱417,996,943	₱191,140,071	88,027,429
NCI	278,664,629	127,426,714	58,684,953
	<b>₱696,661,572</b>	<b>₱318,566,785</b>	<b>₱146,712,382</b>

	2016	2015
<b>Summarized Statements of Financial Position</b>		
Current assets	₱9,322,413,117	₱4,700,699,511
Noncurrent assets	7,974,380,823	10,734,362,780
Current liabilities	(2,943,260,906)	(1,645,496,245)
Noncurrent liabilities	(8,097,282,639)	(8,229,977,222)
<b>Equity</b>	<b>₱6,256,250,395</b>	<b>₱5,559,588,824</b>
<b>Equity attributable to:</b>		
Equity holders of the Parent Company	₱3,753,750,237	₱3,335,753,295
NCI	2,502,500,158	2,223,835,529
	<b>₱6,256,250,395</b>	<b>₱5,559,588,824</b>

As a result of the business combination in 2014, NCI was remeasured in the 2014 consolidated statements of financial position resulting to gain on remeasurement amounting to ₱824,431,141. Analysis of cash flow on acquisition is as follows:

Cash paid	(₱1,700,000,000)
Net cash acquired from subsidiaries	234,951,508
<b>Net cash outflow on acquisition</b>	<b>(₱1,465,048,492)</b>

On August 3, 2015, SGCPPI has issued preference shares of stocks to its stockholders equivalent to the amount of deposit for future stock subscription amounting to ₱4,897,499,000, of which ₱1,959,000,000 pertains to NCI.



	2016	2015
<b>Summarized Statements of Cash Flows</b>		
Operating activities	<b>₱2,151,501,766</b>	₱621,487,197
Investing activities	<b>(1,998,429,737)</b>	(3,060,736,388)
Financing activities	<b>448,211,378</b>	2,226,253,350
Net effect of exchange rate changes on cash and cash equivalents	<b>(5,801,157)</b>	(924,376)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>₱595,482,250</b>	(₱213,920,217)

No dividends was declared and paid by SGCPI in 2016 and 2015.

The principal place of business of KSA is at Administration Office, Shangri-La Plaza Mall, Edsa corner Shaw Boulevard, Mandaluyong City while the principal place of business of SGCPI is at Crescent Park West District, Fort Bonifacio Global City, Taguig City.

## 12. Goodwill

Goodwill acquired through business combinations amounting to ₱269.9 million has been allocated to SGCPI, the CGU, for impairment testing.

The recoverable amount of the CGU has been based on value in use calculation using cash flow projections from financial budgets approved by management covering a five-year period. The pre-tax discount rate applied to cash flow is 10.59% (2015: 14.56%). Cash flows beyond the five-year period are extrapolated using a steady growth rate of 3.00% (2015: 3.00%), which does not exceed the compound annual growth rate for the real estate industry. As a result of the analysis, management did not identify impairment for this CGU.

### *Key Assumptions Used in Value in Use Calculations*

The calculations of value in use for the CGU are most sensitive to the following assumptions:

- *Gross Margins* - Gross margins are based on average values achieved in one to five years preceding the beginning of the budget period from other similar affiliated entities.
- *Discount Rates* - Discount rates represent the current market assessment of the risks specific to the CGU, taking into consideration the time value of money and individual risks of the CGU that have not been incorporated in the cash flow estimates. The discount rate is derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment. The rates used to discount the future cash flows are based on risk-free interest rates in the relevant markets where the CGU operates. The beta factors are based on publicly available market data. Adjustments to the discount rate are made to factor in the specific amount and timing of the future tax flows in order to reflect a pre-tax discount rate.
- *Long-term Growth Rate* - Rates are based on published industry research.
- *Market Share Assumptions* - When using industry data for growth rates (as noted above), these assumptions are important because management assesses how the unit's position, relative to its competitors, might change over the forecast period. Management expects its share of the real estate market to be stable over the forecast period.





*Sensitivity to Changes in Assumptions*

With regard to the assessment of value in use of the CGU, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the property to exceed its recoverable amount.

**13. Investment Properties**

	2016		
	Land	Buildings	Total
Beginning balances	₱9,580,662,060	₱18,597,905,815	₱28,178,567,875
Gain (loss) on fair value adjustments	729,038,747	(192,335,452)	536,703,295
Additions through subsequent expenditures	—	264,227,459	264,227,459
Ending balances	₱10,309,700,807	₱18,669,797,822	₱28,979,498,629

	2015		
	Land	Buildings	Total
Beginning balances	₱8,802,540,220	₱18,308,327,268	₱27,110,867,488
Gain (loss) on fair value adjustments	778,121,840	(228,897,180)	549,224,660
Additions through subsequent expenditures	—	518,475,727	518,475,727
Ending balances	₱9,580,662,060	₱18,597,905,815	₱28,178,567,875

The Group's investment properties consist of commercial properties in Mandaluyong City and Makati City under office, retail and land classes of asset, and other parcels of land held for capital appreciation. These classes of assets are based on the nature, characteristics and risks of each property.

As of December 31, 2016 and 2015, the fair values of the properties are based on valuations performed by an independent valuer. The valuation models are in accordance with that recommended by the International Valuation Standards Committee.

The Group has no restrictions on the realizability of its investment properties and no contractual obligations to purchase, construct or develop investment properties or for repairs, maintenance and enhancements.

The fair value measurements for investment properties have been categorized as Level 3 for parcels of land, office and retail properties. The current use of these properties is their highest and best use.



The following table presents the valuation techniques and unobservable key inputs used to value the Group's buildings are categorized as Level 3.

Class of Property	Fair Value as of December 31, 2016	Valuation Technique	Unobservable Inputs	Range of Unobservable Inputs (probability - weighted average)	Relationship of Unobservable Inputs to Fair Value
TEC (Office)	₱9,026,995,000	Direct income capitalization	Rental value	₱855 to ₱1,260 per square meter	The higher the rental value, the higher the fair value
			Average long-term occupancy rate	97%	The higher the occupancy rate, the higher the fair value
			Expense - revenue ratio	6.30%	The higher the expense - revenue ratio, the lower the fair value
			Discount rate	9%	The higher the discount rate, the lower the fair value
Main Wing and East Wing of Shangri-La (Retail)	₱9,128,133,000	Direct income capitalization	Rental value	₱1,575 to ₱1,827 per square meter	The higher the rental value, the higher the fair value
			Average long-term occupancy rate	90%	The higher the occupancy rate, the higher the fair value
			Expense - revenue ratio	21%	The higher the expense - revenue ratio, the lower the fair value
			Discount rate	9%	The higher the discount rate, the lower the fair value

Fair values for investment properties are calculated using the direct income capitalization method, which results in these measurements being classified as Level 3 in the fair value hierarchy. In applying the direct income capitalization method, the stabilized net operating income (NOI) of each property is divided by an appropriate capitalization rate. Discount rate is based on actual location, size and quality of the property and taking into account any available market data at the valuation date. Stabilized NOI is the revenues less property operating expenses adjusted for items such as average lease up costs, long-term vacancy rates, non-recoverable capital expenditures, management fees, straight-line rents and other non-recurring items.





Generally, an increase in stabilized NOI will result in an increase to the fair value of an investment property. An increase in the discount rate will result in a decrease to the fair value of an investment property. The discount rate magnifies the effect of a change in stabilized NOI, with a lower discount rate resulting in a greater impact of a change in stabilized NOI than a higher discount rate.

The following are the significant unobservable inputs:

- *Rental Value*  
Average rental rate per square meter paid by tenants based on the asking price in the market;
- *Discount Rates*  
Reflecting current market assessments of the uncertainty in the amount and timing of cash flows;
- *Average long-term occupancy rate*  
Based on current and expected future market conditions after expiry of any current lease;
- *Expense – Revenue Ratio*  
Total direct operating expenses for the entire property based on budget.

The fair value of the Group's land is determined using the market comparison method. Under the market comparison method (or market comparison approach), a property's fair value is estimated based on comparable transactions adjusted for bargaining allowance, marketability, location, size and terrain. The market comparison approach is based upon the principle of substitution under which a potential buyer will not pay more for the property than it will cost to buy a comparable substitute property. In theory, the best comparable sale would be an exact duplicate of the subject property and would indicate, by the known selling price of the duplicate, the price for which the subject property could be sold. The unit of comparison applied by the Group is the price per square meter (sqm). The market comparison approach is often used in combination with either DCF or the income capitalization method as many inputs to these methods are based on market comparison.

Rental revenue recognized for investment properties and direct operating expenses incurred for the leasing operations in 2016, 2015 and 2014 are as follows:

	2016	2015	2014
Rental revenue	<b>₹2,892,405,273</b>	₹2,737,004,851	₹2,685,261,206
Direct operating expenses	<b>134,819,051</b>	142,871,800	155,943,536
Profit arising from investment properties carried at fair value	<b>₹2,757,586,222</b>	₹2,594,133,051	₹2,529,317,670

#### 14. Real Estate Development Projects

##### *SGCPI*

As of December 31, 2015, the real estate development project pertains to the construction cost of the hotel and residence portion of SGCPI's Shangri-La at the Fort project. The construction cost of the project's condominium units are classified as "Construction in Progress". In 2016, the accumulated cost of hotel and residence portion of the project was reclassified to "Property and Equipment" upon completion of the construction.



**TRDCI**

As of December 31, 2016, the real estate development project of TRDCI pertains to the construction cost of the retail portion of the project, while the construction cost of the project's condominium units are classified under "Construction in Progress".

The "Real estate development projects" account consists of the following:

	2016	2015
Structure and architectural works	₱3,551,054,476	₱3,257,705,655
Interior fitting out works	3,201,892,106	2,233,152,588
Building service	3,074,870,897	2,673,404,471
Cost of land	2,497,839,311	2,373,840,000
Site formation and substructure	1,294,508,081	1,251,650,938
Professional consultancy fees	930,596,622	881,076,757
Finance cost (Note 19)	786,384,673	623,270,784
Project management expenses	555,739,554	395,520,127
Retention fee	385,617,193	361,558,018
Project management and technical fee	114,484,249	87,544,616
Preliminaries and preparation works	80,044,717	53,171,570
Soft landscaping	70,439,195	12,177,293
Taxes, permits and licenses	55,836,464	51,917,971
Artworks and display items	—	18,538,192
Others	87,315,595	65,414,006
Total construction and development costs incurred	16,686,623,133	14,339,942,986
Construction and development costs transferred to property and equipment (Note 16)	(7,976,542,854)	—
Construction and development costs transferred to properties held for sale (Note 8)	(8,434,447,764)	(3,704,713,130)
Fair value adjustments due to business combination	—	2,941,687,434
	<b>₱275,632,515</b>	<b>₱13,576,917,290</b>

**15. AFS Financial Assets**

This account consists of:

	2016	2015
At cost - unquoted	₱488,826,327	₱488,826,327
At fair value - quoted		
Acquisition cost	9,121,515	9,121,515
Cumulative changes in fair value	10,345,000	6,925,000
	19,466,515	16,046,515
	<b>₱508,292,842</b>	<b>₱504,872,842</b>

Unquoted equity securities include unlisted shares of stock which the Group will continue to carry as part of its investment. The fair value of this investment cannot be reliably determined, thus, it is carried at cost less allowance for impairment, if any.





The quoted equity securities consist of investment in various golf club shares and stocks. These are carried at fair values with cumulative changes in fair values presented as part of "Other components of equity." The fair values of these shares are based on the quoted market prices as of the reporting date.

Management intends to dispose the quoted and unquoted equity shares through sale, as the need arises. The movement in the cumulative changes in fair value of AFS financial assets is as follows:

	2016	2015	2014
Beginning balance	₱6,925,000	₱4,875,000	₱4,375,000
Increase in fair value	3,420,000	2,050,000	500,000
Ending balance	₱10,345,000	₱6,925,000	₱4,875,000

## 16. Property and Equipment

This account consists of:

	2016			
	Building and Improvements	Transportation Equipment	Furniture, Fixtures and Other Equipment	Total
<b>Cost</b>				
Beginning balances	₱86,576,591	₱38,873,367	₱177,005,575	₱302,455,533
Additions (Note 14)	1,007,074,270	8,319,132	337,896,852	1,353,290,254
Disposals	—	(846,429)	(188,516)	(1,034,945)
Reclassification (Note 14)	9,453,422,255	(1,418,043)	304,829	9,452,309,041
Ending balances	10,547,073,116	44,928,027	515,018,740	11,107,019,883
<b>Accumulated Depreciation and Amortization</b>				
Beginning balances	55,660,080	27,244,371	84,253,157	167,157,608
Depreciation and amortization (Note 24)	428,374,335	4,777,461	60,973,086	494,124,882
Disposals	—	(846,429)	(188,516)	(1,034,945)
Reclassification	—	(1,418,042)	359,951	(1,058,091)
Ending balances	484,034,415	29,757,361	145,397,678	659,189,454
<b>Net Book Values</b>	<b>₱10,063,038,701</b>	<b>₱15,170,666</b>	<b>₱369,621,062</b>	<b>₱10,447,830,429</b>

	2015			
	Building and Improvements	Transportation Equipment	Furniture, Fixtures and Other Equipment	Total
<b>Cost</b>				
Beginning balances	₱86,942,834	₱35,015,700	₱100,921,742	₱222,880,276
Additions	221,230	9,033,560	83,352,074	92,606,864
Disposals	(587,473)	(2,605,356)	(4,780,653)	(7,973,482)
Reclassification	—	(2,570,537)	(2,487,588)	(5,058,125)
Ending balances	86,576,591	38,873,367	177,005,575	302,455,533

(Forward)



	2015			
	Building and Improvements	Transportation Equipment	Furniture, Fixtures and Other Equipment	Total
<b>Accumulated Depreciation and Amortization</b>				
Beginning balances	₱50,355,965	₱26,869,710	₱78,645,184	₱155,870,859
Depreciation and amortization	5,891,588	5,550,553	12,876,214	24,318,355
Disposals	(587,473)	(2,605,356)	(4,780,653)	(7,973,482)
Reclassification	—	(2,570,536)	(2,487,588)	(5,058,124)
Ending balances	55,660,080	27,244,371	84,253,157	167,157,608
<b>Net Book Values</b>	<b>₱30,916,511</b>	<b>₱11,628,996</b>	<b>₱92,752,418</b>	<b>₱135,297,925</b>

Total depreciation and amortization amounting to ₱1,006,063 in 2016 and ₱1,804,388 in 2015 were capitalized as part of Construction in progress.

As at December 31, 2016 and 2015, the gross carrying amount of fully depreciated property and equipment still in use amounted to ₱105,145,336 and ₱115,939,966, respectively.

There are no restrictions on the Group's title on the property and equipment and there are no property and equipment pledged as security for liabilities.

#### 17. Other Noncurrent Assets

This account consists of:

	2016	2015
Refundable deposits	₱100,397,830	₱58,480,893
Deferred input tax	41,643,186	—
Retirement asset (Note 27)	8,223,210	4,923,100
Others	—	7,428
	<b>₱150,264,226</b>	<b>₱63,411,421</b>

Refundable deposits are cash paid by the Group for construction and utilities which are expected to be returned after a specified period of time, or when certain conditions are satisfied.

Deferred input tax represents noncurrent portion of VAT arising from the purchase of capital goods on credit.





# 18. Accounts Payable and Other Current Liabilities

This account consists of:

	2016	2015
Trade:		
Accounts payable	₱712,986,810	₱618,303,400
Advanced rental - net of noncurrent portion of ₱135,481,307 in 2016 and ₱82,312,857 in 2015	111,788,020	56,724,574
Accrued expenses:		
Construction	726,955,897	655,073,513
Taxes	181,812,159	165,897,633
Performance bonus	77,005,817	48,528,538
Titling cost	55,732,788	52,122,450
Outside services	45,269,538	28,153,985
Utilities	40,366,906	59,004,153
Interest	36,015,942	38,435,379
Commission	23,054,494	23,852,115
Administrative	18,650,607	41,681,163
Repairs and maintenance	17,855,482	15,733,544
Professional fees	6,822,975	6,520,746
Others	39,884,267	65,243,536
Customers' deposits from:		
Condominium sales (Note 7)	1,804,927,395	1,261,067,939
Hotel guests	118,968,051	—
Retention payables	1,012,975,615	1,171,834,115
Advances from condominium unit buyers	330,511,914	293,547,261
Reservation payables	298,954,880	408,504,556
Construction bonds	56,229,301	54,657,359
Payable to contractors and suppliers	44,097,825	44,097,825
Nontrade:		
Deferred output VAT	209,584,307	139,736,544
Payable to related parties (Note 31)	98,230,746	45,224,002
Withholding taxes	74,493,001	53,117,569
Output VAT - net	41,359,487	42,691,007
Other current liabilities	60,573,643	85,320,128
	<b>₱6,245,107,867</b>	<b>₱5,475,073,034</b>

Accounts payable and accrued expenses are noninterest-bearing and are normally settled within 30 to 60 days and within the next financial year, respectively.

Advanced rental pertains to the three-month rent collected from tenants to be applied for the last 3-month period of the lease term.

Other accrued expenses consist of accruals for advertising and promotions, insurance, other employee related cost and other general and administrative expenses.

Retention payables represent the portion of contractor billings which will be paid upon satisfaction by the contractors of the conditions specified in the contracts or until the defects have been corrected.



Customers' deposits related to condominium sales represent excess of collections from buyers over the related revenue recognized based on the percentage of completion method

Customers' deposit related to hotel guests are advances made by guests in relation to their stay in the hotel and will be applied against the guests' hotel charges upon their check-out.

Reservation payables pertain to cash paid by the buyers of condominium units for the reservation of the units purchased. These shall be considered as part of the down payment on the units purchased upon execution of the contracts.

Advances from condominium unit buyers pertain to the amounts received in advance from the condominium unit buyers of The St. Francis Shangri-La Place (TSFSP), OSP, SSP and The Rise Makati for utilities, maintenance, and repairs of common areas. These will be paid to the condominium corporation of the respective projects when demanded.

Construction bonds pertain to cash deposits posted by tenants as security for any expenses or damages that may be incurred by SLPC in relation to construction activities conducted by the tenants during the fit-out, as well as during renovation period of the lease. It is normally returned to the tenants within six months after completion of their construction activities.

Payable to contractors and suppliers represents progress billings from various contractors for the material and labor costs incurred to date with normal credit terms of 30 to 60 days, but may go beyond as agreed.

Deferred output VAT is the result of the difference in the application of installment method between the accounting policy of the Company and the tax regulations. It will be reclassified to output VAT payable when the collections from condominium unit buyers warrant recognition of revenue.

Withholding taxes payable are expected to be settled within the next financial year.

Output VAT represents tax due and payable after deducting the corresponding input VAT.

Other current liabilities pertain mainly to taxes, insurance, and various immaterial account balances.

## 19. Bank Loans

This account consists of borrowings of the following entities:

	2016	2015
SGCPI	<b>₱9,669,459,693</b>	₱8,964,329,487
Parent Company	<b>3,066,666,667</b>	3,200,000,000
SLPC	<b>300,000,000</b>	300,000,000
	<b>13,036,126,360</b>	12,464,329,487
Less current portion	<b>2,276,643,585</b>	867,751,562
Noncurrent portion	<b>₱10,759,482,775</b>	₱11,596,577,925

### *SGCPI*

On February 17, 2012, the Board of the Parent Company passed and approved a resolution wherein it agreed to act as a surety to the loan of FBSHI, now SGCPI, the surviving entity in a merger in 2014. On April 11, 2012, FBSHI secured a ₱10,000,000,000 long-term loan facility with a local bank to finance the construction of a hotel, serviced apartment, and residential units in Fort Bonifacio, Taguig





City in relation to the Shangri-La at the Fort Project. Under the continuing suretyship agreement executed between the Parent Company and the local bank on May 23, 2012, the Parent Company agreed to be solidarily liable to the extent of 50% of any and all amounts due under the loan agreement between FBSHI and the local bank. The local bank is entitled under current jurisprudence to demand directly from the Parent Company any and all amounts due.

Under the terms of the original loan agreement, the principal amount of the loan shall be payable in 24 equal quarterly consecutive installments commencing on the 17th quarter from the initial drawdown, with the last installments in an amount sufficient to fully pay the loan. Interest shall be paid on each interest payment date for the relevant interest period based on three-month treasury bill rate as published in the Philippines Dealing System Treasury Reference Rates - 2 (PDST-R2). Effective October 2015, the interest shall be based on the higher between the PDST-R2 rate plus spread of 0.85% per annum and the Bangko Sentral ng Pilipinas (BSP) overnight borrowing rate minus spread of 0.95% per annum. SGCPI has the option to prepay and to fix the interest rate. Further, SGCPI is required to maintain a 2.5:1 ratio of debt to tangible net worth, which was complied with by SGCPI.

The loan is secured by an absolute and unconditional continuing suretyship of the sureties namely Shangri-La Asia Limited and the Parent Company.

The loan is subject to a front-end fee of 25 basis points (0.25%) of the total principal amount. The front-end fee is considered a transaction cost which is allocated based on each drawdown and amortized using effective interest rate. Debt issue costs also include the documentary stamp tax paid by SGCPI for each drawdown. As of December 31, 2016 and 2015, unamortized debt issue cost amounted to ₱40,540,307 and ₱45,670,513, respectively. Total interest expense arising from this loans, including amortization of transactions costs, amounted to ₱271,775,503, ₱318,813,374 and ₱185,623,515 in 2016, 2015 and 2014, respectively. Capitalized interest expense in 2016, 2015 and 2014 amounted to ₱163,113,889, ₱318,813,374 and ₱185,623,515 and is included as part of "Real estate development projects". Interest expense charged to profit or loss amounted to ₱108,661,614 in 2016 and nil for 2015 and 2014.

Subject to the negative covenants of the loan, from and after signing the loan agreement and for as long as the loan is outstanding, SGCPI, without the prior written consent of the bank, shall not declare or pay dividends to its stockholders (other than dividends payable solely in shares of its capital stock) if payment of any sum due to the bank is in arrears.

On September 2, 2016, the Company and the local bank agreed to amend the repayment schedule of the loan agreement. The principal amount of the loan shall be payable in 21 quarterly consecutive installments commencing on the 20th quarter from the initial drawdown with the first eight installment amounting to ₱572,916,667 for each installment, the next twelve installment amounting to ₱416,666,667 for each installment and last installment in an amount sufficient to fully pay the loan. Total drawdown from the facility amounted to ₱9,710,000,000 and ₱9,010,000,000 as of December 31, 2016 and 2015, respectively.

#### *Parent Company*

On February 12, 2008, the Parent Company obtained an unsecured ten-year term loan facility from a local bank amounting to ₱3,500,000,000 with interest based on the higher between the PDST-R2 rate plus 0.75% per annum and the BSP overnight borrowing rate. The loan is payable in 24 equal quarterly installments commencing on the 17th quarter from the initial borrowing date and is subject to a debt-to-equity ratio of 3:1 which was complied with by the Parent Company. The Parent Company has fully drawn the facility as of December 31, 2009. The loan has been repaid in full in 2015.





On July 30, 2012, the Parent Company obtained another ten-year loan facility from a local bank amounting to ₱5,000,000,000 with interest based on the higher between the three-month Treasury Bill rate as published in the PDST-R2 plus a spread of 0.75% per annum and the BSP overnight borrowing rate. The Company has a one-time option to convert from a floating rate into a fixed rate. On September 16, 2015, the Parent Company availed of the option to fix the interest rate on the outstanding balance of the loan at 4.0% p.a. for three years effective September 17, 2015. The loan is payable in 24 equal quarterly installments, commencing on the 17th quarter from the initial borrowing date. It is secured by a 'negative pledge' on all present and future assets of the Parent Company and is subject to a debt service coverage ratio of 3:1 which was complied with by the Parent Company. Total drawdown from the facility amounted to ₱3,200,000,000 as of December 31, 2016 and 2015. Interest expense arising from this loan charged to profit or loss amounted to ₱128,955,324, ₱155,424,521 and ₱186,162,235 in 2016, 2015 and 2014, respectively.

#### *SLPC*

On November 5, 2012, SLPC obtained an unsecured ten-year term loan facility from a local bank amounting to ₱1,400,000,000 to partially finance its mall redevelopment program with interest based on the higher between the PDST-R2 rate plus 0.75% per annum and the BSP overnight borrowing rate. The loan is payable in 24 equal quarterly installments commencing on the 17th quarter from the initial borrowing date and is subject debt-to-equity ratio of 3:1 and debt coverage ratio of not lower than 1.2 which was complied with by SLPC. As of December 31, 2016 and 2015, the total drawdown from the loan facility amounted to ₱300,000,000. Interest expense arising from this loan charged to profit or loss amounted to ₱10,741,396, ₱12,120,000 and ₱9,474,002 in 2016, 2015 and 2014, respectively.

The current and noncurrent portions of the bank loans as of December 31 and its movements during the year are as follows:

	2016	2015
Beginning principal balance	<b>₱12,464,329,487</b>	₱12,148,668,905
Proceeds from loan availment, net of unamortized debt issue costs	<b>694,750,000</b>	2,198,387,500
Amortized debt issue cost	<b>10,380,206</b>	13,106,415
Principal payments during the year	<b>(133,333,333)</b>	(1,895,833,333)
Ending principal balance	<b>13,036,126,360</b>	12,464,329,487
Less current portion	<b>2,276,643,585</b>	867,751,562
Noncurrent portion	<b>₱10,759,482,775</b>	₱11,596,577,925

Interest expense arising from the above loans charged to profit or loss in 2016, 2015 and 2014 amounted to ₱248,358,334, ₱167,764,626 and ₱194,498,162, respectively (see Note 23).

#### Repayment Schedule

The repayments of long-term debt are scheduled as of December 31, 2016 as follows:

Year	2016	2015
2016	<b>₱—</b>	₱884,166,667
2017	<b>2,289,583,333</b>	2,072,500,000
2018	<b>2,875,000,000</b>	2,085,000,000
2019	<b>2,406,250,000</b>	2,085,000,000
2020	<b>2,250,000,000</b>	2,085,000,000
2021	<b>2,250,000,000</b>	2,085,000,000
2022	<b>993,333,333</b>	1,200,833,333

(Forward)





Year	2016	2015
2023	<b>₱12,500,000</b>	₱12,500,000
	<b>13,076,666,666</b>	12,510,000,000
Unamortized debt issue cost	<b>(40,540,306)</b>	(45,670,513)
	<b>₱13,036,126,360</b>	₱12,464,329,487

## 20. Deposits from Tenants

This account represents noninterest-bearing rental deposits from tenants equivalent to six months' rent which have been discounted using PDST-R2 rates and are carried at amortized cost. The difference between the discounted and face values of the deposits was recognized as deferred lease income. Deferred lease income is amortized on a straight-line basis over the lease term and is recognized in profit or loss as additional rent income. Interest is accreted on the deposits from tenants using the EIR method and is recognized as additional interest expense in profit or loss.

The movements in the unamortized discount on deposits from tenants for the years ended December 31 are as follows:

	2016	2015
Beginning balance	<b>₱21,682,271</b>	₱39,985,135
Additions	<b>31,892,054</b>	7,885,426
Amortization of discount (Note 23)	<b>(24,214,898)</b>	(26,188,290)
Ending balance	<b>₱29,359,427</b>	₱21,682,271

## 21. Equity

The details of the Parent Company's capital stock as of December 31, 2016 and 2015 are as follows:

	No. of Shares	Amount
Authorized - ₱1 par value	8,000,000,000	₱8,000,000,000
Unsubscribed	(3,235,941,018)	(3,235,941,018)
Subscribed, issued and fully paid	4,764,058,982	4,764,058,982
Treasury shares	(2,140,645)	(6,850,064)
Issued and outstanding	4,761,918,337	₱4,757,208,918

The Parent Company is listed in the Philippine Stock Exchange. It was registered on June 13, 1991 with total listed shares of 4,764,058,982 which was initially issued at ₱1.18 per share. As at December 31, 2016, 2015 and 2014, the Parent Company has 5,346, 5,457 and 5,553 stockholders, respectively. The details of the Parent Company's stockholders are disclosed in the annual report.

There are 2,140,645 shares that are in the treasury amounting to ₱6,850,064 as of December 31, 2016 and 2015.

Accumulated net earnings of the subsidiaries amounting to ₱10.0 billion and ₱8.5 billion as of December 31, 2016 and 2015, respectively, are not available for dividend declaration. This accumulated equity in net earnings becomes available for dividend upon receipt of cash dividends from the investees.

In compliance with SEC Memorandum Circular No. 11, Series of 2008, the retained earnings available for dividend declaration of the Parent Company as of December 31, 2016 and 2015 amounted to ₱5,564,800,419 and ₱4,123,825,758, respectively.



## 22. Dividends

As of December 31, 2016 and 2015, unpaid dividends amounted to ₱33,035,177 and ₱148,464,960, respectively (see also Note 11).

The Parent Company's Board approved the declaration of the following cash dividends for the years ended December 31:

Date of Declaration	Record Date	Total	Per Share
<b>2016</b>			
<b>March 4</b>	<b>March 21</b>	<b>₱452,382,432</b>	<b>₱0.095</b>
<b>September 18</b>	<b>September 30</b>	<b>333,334,424</b>	<b>0.070</b>
		<b>₱785,716,856</b>	<b>₱0.165</b>
<b>2015</b>			
March 27	April 15	₱404,763,059	₱0.085
August 18	September 3	333,334,596	0.070
		<b>₱738,097,655</b>	<b>₱0.155</b>
<b>2014</b>			
February 19	March 17	₱333,484,129	₱0.070
August 14	August 29	309,375,117	0.065
		<b>₱642,859,246</b>	<b>₱0.135</b>

## 23. Interest Income, Other Income, and Interest Expense and Bank Charges

### Interest Income

	2016	2015	2014
Interest on:			
Accretion of installment contracts receivable (Note 7)	<b>₱196,576,865</b>	₱180,854,605	₱236,879,642
Cash in banks and cash equivalents (Note 5)	<b>57,982,376</b>	50,552,252	25,492,852
Overdue accounts from tenants	<b>5,345,789</b>	5,466,159	6,988,535
	<b>₱259,905,030</b>	₱236,873,016	₱269,361,029

### Other Income (Loss)

	2016	2015	2014
Dividend income	<b>₱40,551,885</b>	₱40,033,691	₱15,234,198
Administration and management fee (Note 31)	<b>20,808,497</b>	14,086,986	12,806,351
Forfeited security deposits	<b>19,577,468</b>	1,001,089	6,185,855
Income from reversal of liabilities	<b>8,926,103</b>	—	—
Customer lounge fee	<b>7,971,217</b>	7,399,531	8,439,786
Income from back-out buyers	<b>7,680,876</b>	9,216,137	2,609,798

(Forward)





	2016	2015	2014
Signage fee	₱5,532,434	₱5,153,071	₱5,272,317
Banner income	5,386,818	4,443,506	2,141,016
Service revenue - net	3,104,115	2,754,798	485,749
Fair value adjustments of financial assets at FVPL (Note 6)	(2,284,599)	1,869,576	2,663,820
Gain on sale of property and equipment	1,430,479	724,894	—
Interest and penalty for late payments	944,148	3,095,099	918,435
Revenue from ancillary services	849,657	1,332,947	2,029,822
Others	8,922,643	9,123,680	9,188,538
	<b>₱129,401,741</b>	<b>₱100,235,005</b>	<b>₱67,975,685</b>

#### Interest Expense and Bank Charges

	2016	2015	2014
Interest on bank loans and bank charges (Note 19)	₱249,279,128	₱175,370,285	₱196,842,320
Accretion of deposits from tenants	24,214,898	26,188,290	30,224,024
	<b>₱273,494,026</b>	<b>₱201,558,575</b>	<b>₱227,066,344</b>

## 24. Cost of Condominium Sales, Rental and Cinema, and Hotel Operation

#### Cost of condominium sales

	2016	2015	2014
SGCPI	₱1,542,783,027	₱582,981,253	₱208,513,636
SPDI	1,291,430,512	638,580,756	262,381,970
TRDCI	350,416,064	286,414,000	—
SPRC	320,937,935	838,317,772	1,953,269,414
Parent Company	550,279	28,372,372	18,279,102
	<b>₱3,506,117,817</b>	<b>₱2,374,666,153</b>	<b>₱2,442,444,122</b>

#### Cost of rental and cinema

	2016	2015	2014
Unreimbursed share in common expenses (Note 28)	₱56,610,856	₱68,241,053	₱85,943,421
Taxes and licenses	55,753,451	55,753,451	55,753,451
Insurance	22,454,744	18,877,296	14,246,664
	<b>₱134,819,051</b>	<b>₱142,871,800</b>	<b>₱155,943,536</b>



Cost of hotel operation

	2016
Depreciation and amortization (Note 16)	₱474,414,328
Food and beverages	334,834,659
Staff cost	333,298,462
Utilities and maintenance	184,527,496
Supplies	79,739,022
Pre-operating expenses	9,311,823
Others	43,421,870
	<b>₱1,459,547,660</b>

**25. Staff Costs**

	2016	2015	2014
Salaries and wages	₱416,319,535	₱347,548,415	₱246,583,276
Employee benefits	55,850,379	83,983,312	27,055,713
Retirement benefit costs (Note 27)	20,259,547	20,333,059	16,371,642
Others	19,806,545	7,607,021	5,528,513
	<b>₱512,236,006</b>	<b>₱459,471,807</b>	<b>₱295,539,144</b>

**26. General and Administrative Expenses and Taxes and Licenses**

General and Administrative Expenses

	2016	2015	2014
Advertising and promotions	₱165,521,602	₱27,736,250	₱18,594,903
Professional fees and outside services	128,988,350	76,514,965	56,388,585
Commission	45,474,436	929,574	3,301,285
Janitorial, security and other services	39,724,112	36,675,444	36,805,266
Utilities	14,066,688	15,787,488	8,454,021
Telephone and communication	12,565,373	9,199,991	6,737,498
Carpark	9,521,057	7,643,339	7,673,650
Reproduction charges	9,212,561	1,055,347	863,037
Condominium dues (Note 31)	7,935,789	6,416,787	5,212,612
Transportation and travel	7,857,571	6,612,751	2,980,597
Supplies	6,588,962	7,896,708	7,422,906
Membership fees and dues	5,933,789	3,133,230	2,896,738
Rent	5,457,321	3,343,413	2,738,809
Repairs and maintenance	5,152,399	5,186,045	8,908,204
Entertainment, amusement and representation	3,296,553	3,507,886	1,938,106
Systems license and maintenance	2,840,987	1,571,899	4,026,878
Gas and oil	1,506,317	1,638,833	1,938,806
Bad debts (Note 7)	—	—	982,363
Others	37,594,893	6,244,073	15,460,423
	<b>₱509,238,760</b>	<b>₱221,094,023</b>	<b>₱193,324,687</b>





Taxes and Licenses

	2016	2015	2014
Real estate tax	<b>₱55,579,779</b>	₱42,075,563	₱39,021,369
Business taxes	<b>81,813,827</b>	96,380,691	79,285,330
License and permit fees	<b>18,163,883</b>	2,778,208	539,630
Documentary stamp taxes	<b>3,003,727</b>	20,265,261	19,408,687
Others	<b>4,337,019</b>	2,556,050	11,438,375
	<b>₱162,898,235</b>	₱164,055,773	₱149,693,391

**27. Accrued Employee Benefits**

This account consists of:

	2016	2015
Retirement benefits	<b>₱28,131,846</b>	₱39,644,347
Other employee benefits	<b>12,935,285</b>	10,170,813
	<b>₱41,067,131</b>	₱49,815,160

Accrued employee benefits pertain to liability for retirement, leaves and other related benefits expected to be settled more than twelve months after the end of the annual reporting period.

Retirement asset amounted to ₱8,223,210 and ₱4,923,100 as of December 31, 2016 and 2015, respectively, are not offset with the retirement liability as the retirement liabilities within the group shall be settled on a per entity basis (see Note 17).

*Retirement Benefits*

The Group has a funded, noncontributory defined benefit retirement plan, providing death, disability and retirement benefits for all of its regular employees. Under the plan, the normal retirement age is 60 years old and completion of at least five years of service. Normal retirement benefit consists of a lump-sum benefit equivalent to 100% of the employee's final pay for every year of service.

The plan is administered by an independent trustee bank which is under the supervision of the Group's Treasury Department (Treasury). The Treasury is responsible for investment of the assets. It defines the investment strategy as often as necessary, at least annually, especially in the case of significant market developments or changes to the structure of the plan participants. When defining the investment strategy, it takes into account the plans' objectives, benefit obligations and risk capacity. The investment strategy is defined in the form of a long-term target structure (investment policy).

Under the existing regulatory framework, Republic Act (RA) 7641 requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided, however, that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.



Retirement benefit costs recognized in the consolidated profit or loss as part of “Staff costs” consist of the following:

	2016	2015	2014
Current service cost	<b>₱19,402,598</b>	₱18,215,190	₱15,492,700
Net interest cost	<b>856,949</b>	2,117,869	878,942
	<b>₱20,259,547</b>	₱20,333,059	₱16,371,642

The components of remeasurements, before tax effect, in the consolidated statements of comprehensive income are as follows:

	2016	2015	2014
Actuarial loss (gain) in defined benefit obligation	<b>(₱3,375,695)</b>	(₱46,334)	₱11,336,915
Remeasurement loss in plan asset	<b>1,985,659</b>	1,360,665	4,190,942
Remeasurement gain on changes in the effect of asset ceiling	—	—	(3,018,101)
	<b>(₱1,390,036)</b>	₱1,314,331	₱12,509,756

The accrued retirement benefits and retirement assets recognized in the consolidated statement of financial position as part of “Accrued employee benefits” and “Other noncurrent assets”, respectively, were determined as follows:

Presented as retirement liability:

	2016	2015
Present value of defined benefit obligations	<b>₱84,601,550</b>	₱80,583,665
Fair value of plan assets	<b>(56,469,704)</b>	(40,939,318)
	<b>₱28,131,846</b>	₱39,644,347

Presented as retirement asset:

	2016	2015
Present value of defined benefit obligations	<b>₱86,379,817</b>	₱75,662,971
Fair value of plan assets	<b>(94,603,027)</b>	(80,586,071)
	<b>(₱8,223,210)</b>	(₱4,923,100)

Shown below is the summary of the defined benefit obligation and fair value of plan assets as of December 31:

	2016	2015
Present value of defined benefit obligations	<b>₱170,981,367</b>	₱156,246,636
Fair value of plan assets	<b>(151,072,731)</b>	(121,525,389)
	<b>₱19,908,636</b>	₱34,721,247





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

	2016	2015
Defined benefit obligation at the beginning of year	<b>₱156,246,636</b>	₱157,435,294
Current service cost	<b>19,402,598</b>	18,215,190
Interest cost	<b>5,578,621</b>	6,507,457
Actuarial loss (gain) arising from:		
Changes in financial assumptions	<b>(5,866,375)</b>	15,516,744
Experience adjustments	<b>3,326,369</b>	(15,563,078)
Benefits paid	<b>(7,706,482)</b>	(25,864,971)
Defined benefit obligation at the end of year	<b>₱170,981,367</b>	₱156,246,636

The movements in the fair value of plan assets are as follows:

	2016	2015
Fair value of plan assets at the beginning of year	<b>₱121,525,389</b>	₱101,808,966
Interest income	<b>4,721,672</b>	4,389,588
Remeasurement loss	<b>(2,048,583)</b>	(1,360,665)
Contributions	<b>26,874,253</b>	19,339,502
Benefits paid	<b>—</b>	(2,652,002)
Fair value of plan assets at the end of year	<b>₱151,072,731</b>	₱121,525,389

The fair value of the Group's plan assets by each class as at the end of the reporting period are as follows:

	2016	2015
Investments in debt instruments:		
Treasury notes and bonds	<b>₱112,637,048</b>	₱67,062,272
Corporate notes and bonds	<b>33,291,807</b>	6,858,608
Cash in banks	<b>5,143,876</b>	47,604,509
	<b>₱151,072,731</b>	₱121,525,389

Significant portion of the debt instruments held have quoted prices in an active market. The remaining plan assets do not have quoted market prices in an active market. The plan assets are highly concentrated in Treasury notes and bonds but have no credit risk since these are government obligations.

The principal actuarial assumptions used are as follows:

	2016	2015	2014
Future salary increase rate	<b>3.00%</b>	4.00%	5.00%
Discount rate	<b>5.08% to 5.75%</b>	4.80% to 5.08%	4.44% to 4.75%

Mortality rate is based on the 1994 Group Annuity Mortality Table for both 2016 and 2015.

The discount rates used are the single weighted average rate for each company based on bootstrapped PDST-R2 at various tenors as of December 31. Rates for intermediate durations were interpolated. The rates were then weighted by the expected benefit payments at those durations to arrive at the single weighted average discount rate.



The turnover rate represents the proportion of current plan members who will resign from service prior to their retirement date and hence be entitled to resignation benefits instead of retirement benefits.

There were no changes from the previous period in the methods and assumptions used in preparing sensitivity analysis.

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of the end of the reporting period, assuming all other assumptions were held constant:

Significant Assumptions	Increase (decrease) in defined benefit obligation	
	2016	2015
Discount rate		
Increase of 1%	<b>(P9,391,200)</b>	(P11,429,998)
Decrease of 1%	<b>9,304,839</b>	13,270,756
Future salary increase rate		
Increase of 1%	<b>10,509,399</b>	12,496,637
Decrease of 1%	<b>(11,755,553)</b>	(10,972,860)

The management performed an Asset-Liability Matching Study (ALM) annually. The overall investment policy and strategy of the Group's defined benefit plans is guided by the objective of achieving an investment return which, together with contributions, ensures that there will be sufficient assets to pay retirement benefits as they fall due while also mitigating the various risk of the plans. The Group's current strategic investment strategy consists of 75% treasury investments, 22% corporate investments and 3% cash.

The Group expects to contribute P21,179,258 to the defined benefit plan in 2017.

The average duration of the defined benefit obligation as of December 31, 2016 and 2015 ranges from 8 to 25 years and 12 to 29 years, respectively.

Shown below is the maturity analysis of the undiscounted benefit payments as of the reporting date:

Plan Year	2016	2015
Less than one year	<b>P48,793,735</b>	P40,044,010
More than one year to five years	<b>56,416,339</b>	29,233,998
More than five years to 10 years	<b>101,871,215</b>	107,601,440
More than 10 years to 15 years	<b>77,814,006</b>	89,405,891
More than 15 years to 20 years	<b>122,205,444</b>	149,152,895
More than 20 years and above	<b>202,723,264</b>	281,586,500

## 28. Unreimbursed Share in Common Expenses

SLPC collects reimbursements from tenants, based on either a fixed amount or a percentage of sales, for the tenants' share in the costs of utilities, janitorial, security and other expenses on common areas shared by SLPC and the tenants. SLPC also collects reimbursements from the tenants for the actual costs of utilities, repairs and maintenance used by the tenants in their leased areas. All unreimbursed expenses are borne by SLPC and accordingly reported as cost of rental.





The details of the account for the years ended December 31 are as follows:

	2016	2015	2014
Light, power and water	<b>₱279,444,765</b>	₱314,602,642	₱377,273,041
Janitorial, security and other services	<b>103,727,472</b>	102,796,189	97,039,984
Advertising and promotions	<b>68,726,944</b>	60,108,918	56,117,121
Repairs and maintenance	<b>58,371,718</b>	58,426,440	57,352,106
Tenants' reimbursements	<b>(453,660,043)</b>	(467,693,136)	(501,838,831)
	<b>₱56,610,856</b>	₱68,241,053	₱85,943,421

## 29. Income Taxes

- a. The details of provision for income taxes for the years ended December 31 follow:

	2016	2015	2014
Current:			
RCIT	<b>₱907,366,718</b>	₱980,616,391	₱816,844,302
MCIT	<b>4,289,203</b>	4,701,176	4,015,210
Final tax on interest income	<b>11,533,778</b>	10,901,859	3,749,300
	<b>923,189,699</b>	996,219,426	824,608,812
Deferred	<b>281,027,849</b>	192,919,203	170,892,927
	<b>₱1,204,217,548</b>	₱1,189,138,629	₱995,501,739

- b. The details of the recognized net deferred income tax assets (liabilities) at December 31 follow:

	2016	2015
Difference in profit, installment method versus POC method	<b>₱140,146,217</b>	₱286,518,396
Advance rental	<b>74,180,798</b>	77,625,496
Accrued expenses	<b>40,937,175</b>	29,964,427
Accumulated impairment losses	<b>14,932,510</b>	14,932,510
Excess MCIT over RCIT	<b>13,051,229</b>	9,446,256
Deferred lease income	<b>12,441,429</b>	6,209,321
Accrued employee benefits	<b>12,320,140</b>	29,197,768
Unamortized funded past service cost	<b>7,677,931</b>	5,670,871
Others	<b>9,016,181</b>	1,098,056
Deferred tax assets	<b>324,703,610</b>	460,663,101
Unrealized increase in fair value of investment property	<b>(7,064,120,600)</b>	(6,903,109,611)
Unamortized discount on deposits from tenants	<b>(8,807,828)</b>	(8,018,729)
Unrealized gain on foreign exchange	<b>(3,019,116)</b>	(2,137,428)
Deferred tax liabilities	<b>(7,075,947,544)</b>	(6,913,265,768)
	<b>(₱6,751,243,934)</b>	(₱6,452,602,667)



The deferred tax assets and liabilities balances presented in the statements of financial position are netted on a per entity basis. The following are the details:

	2016	2015
Deferred tax assets	<b>₱205,027,317</b>	₱235,860,271
Deferred tax liabilities	<b>(6,956,271,251)</b>	(6,688,462,938)
	<b>(₱6,751,243,934)</b>	(₱6,452,602,667)

- c. The reconciliation of provision for income tax using the statutory income tax rate and the actual provision for income tax for the years ended December 31 are as follows:

	2016	2015	2014
Provision for income tax at the statutory income tax rate	<b>₱1,403,960,334</b>	₱1,430,149,607	₱1,234,408,738
Tax effects of:			
Difference between itemized and optional standard deductions (OSD)	<b>(178,176,649)</b>	(160,800,943)	(160,981,245)
Movements in unrecognized deferred income tax assets	<b>24,931,142</b>	20,054,161	33,872,226
Dividend income	<b>(12,309,142)</b>	(12,010,107)	(4,570,259)
Interest income subjected to final tax	<b>(5,549,002)</b>	(5,261,556)	(2,474,580)
Share in net losses (earnings) of associates	<b>1,293,820</b>	(21,197,436)	2,870,807
Remeasurement gain as a result of business combination	—	—	247,329,342
Other non-taxable income, net of non-deductible expenses	<b>(29,932,955)</b>	(61,795,097)	(354,953,290)
Provision for income tax	<b>₱1,204,217,548</b>	₱1,189,138,629	₱995,501,739

- d. The Parent and certain subsidiaries did not recognize the deferred tax asset on NOLCO as of December 31, 2016 and 2015 since management believes that they may not have sufficient future taxable profits available to allow all or part of these NOLCO to be utilized in the future or prior to expiration:

	2016	2015
NOLCO	<b>₱291,696,443</b>	₱208,592,636

- e. The Group's NOLCO which is available for deduction against future taxable income are as follows:

Year Incurred	Beginning	Incurred	Expired	Ending	Available Until
2016	₱—	₱88,990,110	₱—	₱88,990,110	2019
2015	73,179,859	—	—	73,179,859	2018
2014	129,526,474	—	—	129,526,474	2017
2013	5,886,303	—	5,886,303	—	2016
	<b>₱208,592,636</b>	<b>₱88,990,110</b>	<b>₱5,886,303</b>	<b>₱291,696,443</b>	





- f. The Group's MCIT which can be applied against future income tax due are as follows:

Year Incurred	Beginning	Incurred	Expired	Ending	Available Until
2016	P-	P4,289,203	P-	P4,289,203	2019
2015	4,710,899	-	-	4,710,899	2018
2014	4,051,127	-	-	4,051,127	2017
2013	806,631	-	806,631	-	2016
	<b>P9,568,657</b>	<b>P4,289,203</b>	<b>P806,631</b>	<b>P13,051,229</b>	

- g. The following are the provision for (benefit from) deferred income taxes directly recognized in equity:

	2016	2015	2014
Change in fair value of AFS financial assets	<b>P-</b>	<b>P615,000</b>	<b>P150,000</b>
Remeasurement gains (losses) on defined benefit liability	<b>417,011</b>	<b>(394,299)</b>	<b>(3,752,927)</b>
	<b>P417,011</b>	<b>P220,701</b>	<b>(P3,602,927)</b>

- h. RA No. 9504, effective on July 7, 2008, allows availment of OSD. Corporations, except for nonresident foreign corporations, may elect to claim OSD in an amount not exceeding 40% of their gross income. In 2016 and 2015, KSA, SLPC and IPPI availed of the OSD for the computation of their taxable income.

### 30. Earnings Per Share

Basic and diluted earnings per share are the same since there are no dilutive potential common shares.

The computation of earnings per share for the years ended December 31 are as follows:

#### Based on Net Income

	2016	2015	2014
Net income attributable to equity holders of the Parent Company	<b>P2,905,924,508</b>	<b>P2,849,812,817</b>	<b>P2,735,375,946</b>
Weighted average number of outstanding shares (Note 21)	<b>4,761,918,337</b>	<b>4,761,918,337</b>	<b>4,761,918,337</b>
Earnings per share	<b>P0.610</b>	<b>P0.598</b>	<b>P0.574</b>

#### Based on Total Comprehensive Income

	2016	2015	2014
Total comprehensive income attributable to equity holders of the Parent Company	<b>P2,912,167,519</b>	<b>P2,850,733,285</b>	<b>P2,726,986,671</b>
Weighted average number of outstanding shares (Note 21)	<b>4,761,918,337</b>	<b>4,761,918,337</b>	<b>4,761,918,337</b>
Earnings per share	<b>P0.612</b>	<b>P0.599</b>	<b>P0.573</b>

There are no instruments that could potentially dilute basic earnings per share in the future.



### 31. Related Party Transactions and Balances

Enterprises and individuals that directly, or indirectly through one or more intermediaries, control or are controlled by or under common control with the Group, including holding companies, subsidiaries and fellow subsidiaries, are related parties of the Group. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the enterprise, key management personnel, including directors and officers of the Group and close members of the family of these individuals, and companies associated with these individuals also constitute related parties. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

The following are the transactions with related parties:

#### Related Party Transactions and Balances which were Not Eliminated During Consolidation

The terms, conditions, balances and the volume of related party transactions which were not eliminated during consolidation are as follows:

##### *Transactions with affiliates with common key management personnel*

- A portion of the Parent Company's land is being leased by ESHRI, where the EDSA Shangri-La Manila Hotel is located. The lease is for a period of 25 years commencing on August 28, 1992 and renewable for another 25 years at the option of ESHRI. Rental revenue is based on a fixed percentage of the ESHRI's room, food and beverage, dry goods and other service revenue.
- SGCPI has a Marketing and Reservations Agreement with Shangri-La International Hotel Management Limited (SLIM) whereby the latter, acting as an independent contractor of SGCPI, provides marketing, communication, and reservation services to promote SGCPI. The agreement is for a period of 10 years commencing on the opening date, March 1, 2016, renewable for another 10 years at the option of either parties. Under this agreement, SLIM shall act for the account of SGCPI and all expenses incurred shall be borne by SGCPI. These expenses include marketing fees, which is 3% of the gross operating revenue during the calendar year, reservation, loyalty program, communication, and other group services fees.
- SGCPI entered into a License Agreement with SLIM, for the use of intellectual property rights over Shangri-La's policies, practices, procedures, and guidelines affecting different aspects of operations of the Shangri-La chain of hotels. The agreement is for 10 years commencing on the opening date, March 1, 2016, renewable for another 10 years at the option of either parties and subject to the approval of the Bureau of Patents, Trademarks and Technology Transfer of the Republic of the Philippines and applicable authorities. In consideration for such access and use, SGCPI pays to SLIM license fees and royalties. License fees paid to SLIM is equivalent to \$100 per annum while royalties are computed at 3% of the gross operating revenue per annum payable with 30 days of the end of each calendar month.
- SPMSI provides management services to TECCC, TSFSPCC, The Shang Grand Towers Condominium Corporation (TSGTCC), and OSPCC for a minimum period of five years starting January 7, 2009, April 1, 2010, January 7, 2007, and January 1, 2015 respectively. As consideration, SPMSI shall receive from TECCC, TSGTCC, TSFSPCC, and OSPCC monthly management fees of ₱400,000, ₱100,000, ₱100,000, and ₱250,000 respectively, inclusive of VAT, with an escalation rate of 10% per annum. The parties agree mutually on the renewal of the agreements.
- Reimbursement of expenses paid for by SLPC for ESHRI.





- Condominium dues charged by TSFSPCC and TECCC to Parent Company, KSA, SPDI and SPRC.
- On February 17, 2012, the Board of the Parent Company passed and approved a resolution wherein it will act as a surety to the loan of FBShi, now SGCPI, the surviving entity in a merger as discussed in Note 19.
- Sharing of expenses with affiliates.
- Certain expenses are initially paid for by the Group (affiliate) and are subsequently reimbursed by the affiliate (the Group) to whom such payment was intended for.

The following are the amounts or volume of transactions during the years ended and the outstanding receivables and payables as of December 31:

	Amount/Volume			Outstanding Receivable (Payable)		Terms	Conditions
	2016	2015	2014	2016	2015		
<b>Rental</b>							
ESHRI	<b>₱89,546,223</b>	₱98,711,556	₱95,434,752	<b>₱28,419,265</b>	₱26,753,561	60-day; noninterest-bearing	Unsecured, no impairment
<b>Management Services (see Note 23)</b>							
TECCC	<b>₱9,047,615</b>	₱8,225,105	₱8,593,545	<b>₱2,572,306</b>	₱1,558,974	30-day; noninterest-bearing	Unsecured, no impairment
TSFSPCC	<b>3,743,437</b>	3,565,179	2,657,679	<b>898,425</b>	1,484,964	30-day; noninterest-bearing	Unsecured, no impairment
TSGTCC	<b>2,526,374</b>	2,296,702	1,555,127	<b>2,829,537</b>	2,926,619	30-day; noninterest-bearing	Unsecured, no impairment
OSPCC	<b>5,491,071</b>	—	—	<b>525,000</b>	—	30-day; noninterest-bearing	Unsecured, no impairment
	<b>₱20,808,497</b>	₱14,086,986	₱12,806,351	<b>₱6,825,268</b>	₱5,970,557		
<b>SLIM</b>							
Marketing fees	<b>₱45,965,347</b>	₱—	₱—	<b>(₱16,125,769)</b>	₱—	30-day; noninterest-bearing	Unsecured, no impairment
Management fees	<b>43,102,336</b>	—	—	<b>(10,639,582)</b>	—	30-day; noninterest-bearing	Unsecured, no impairment
Other service fees	<b>36,550,719</b>	—	—	<b>(11,661,732)</b>	—	30-day; noninterest-bearing	Unsecured, no impairment
	<b>₱125,618,402</b>	₱—	₱—	<b>(₱38,427,083)</b>	₱—		
<b>Condominium dues (see Note 26)</b>							
Parent Company	<b>₱958,053</b>	₱1,549,020	₱2,445,042	<b>(₱1,073,587)</b>	(₱2,192,588)	30-day; noninterest-bearing	Unsecured, no impairment
KSA	<b>6,021,729</b>	4,045,193	2,313,135	<b>(761,148)</b>	—	30-day; noninterest-bearing	Unsecured, no impairment
SPDI	<b>454,435</b>	454,435	454,435	—	—	30-day; noninterest-bearing	Unsecured, no impairment
SPRC	<b>501,572</b>	368,139	—	—	—	30-day; noninterest-bearing	Unsecured, no impairment
	<b>₱7,935,789</b>	₱6,416,787	₱5,212,612	<b>(₱1,834,735)</b>	(₱2,192,588)		

(Forward)



	Amount/Volume			Outstanding Receivable (Payable)		Terms	Conditions
	2016	2015	2014	2016	2015		
<b>Reimbursed expenses</b>							
ESHRI	<b>P10,679,072</b>	P10,067,328	P14,376,411	<b>P2,336,387</b>	P2,523,586	30-day; noninterest-bearing	Unsecured, no impairment
<b>Affiliates' share in Group's expenses</b>							
OSPCC	<b>P7,877,842</b>	P34,573,457	P629,854	<b>P17,540,516</b>	P18,789,747	30-day; noninterest-bearing	Unsecured, no impairment
TSGTCC	<b>2,677,806</b>	3,776,331	6,167,258	<b>11,736,378</b>	6,629,701	30-day; noninterest-bearing	Unsecured, no impairment
Makati Shangri-La Hotel	<b>2,168,258</b>	816,727	10,583,255	<b>9,687,569</b>	9,723,776	30-day; noninterest-bearing	Unsecured, no impairment
TSFSPCC	<b>10,766,605</b>	9,412,203	7,485,435	<b>7,354,695</b>	5,764,298	30-day; noninterest-bearing	Unsecured, no impairment
TECCC	<b>29,109,276</b>	42,736,164	33,583,858	<b>3,044,306</b>	11,179,965	30-day; noninterest-bearing	Unsecured, no impairment
Shangri-La Fijian Resort	—	—	—	<b>626,952</b>	626,952	Payable on demand; noninterest-bearing	Unsecured, no impairment
ESHRI	<b>1,166,183</b>	805,703	1,620,083	<b>435,113</b>	346,337	30-day; noninterest-bearing	Unsecured, no impairment
Mactan Shangri-La Hotel	<b>1,085,750</b>	778,912	652,065	<b>209,475</b>	269,907	30-day; noninterest-bearing	Unsecured, no impairment
Clavall Properties, Inc.	<b>925</b>	583	917	<b>12,824</b>	12,332	30-day; noninterest-bearing	Unsecured, no impairment
Mactan Beachfront Resources, Inc.	<b>1,419</b>	643	(6,525)	<b>(7,034)</b>	(7,793)	30-day; noninterest-bearing	Unsecured, no impairment
Others	<b>12,569,789</b>	14,251,075	4,724,217	<b>13,514,276</b>	7,173,422	30-day; noninterest-bearing	Unsecured, no impairment
	<b>P67,423,853</b>	P107,151,798	P65,440,417	<b>P64,155,070</b>	P60,508,644		
<b>Group's share in affiliates' expenses</b>							
TECCC	<b>P4,314,619</b>	P—	P634,940	<b>(P3,449,875)</b>	P—	30-day; noninterest-bearing	Unsecured, no impairment
TSFSPCC	<b>963,108</b>	—	560,096	<b>(5,055)</b>	—	30-day; noninterest-bearing	Unsecured, no impairment
Others	<b>48,296,845</b>	3,089,103	482,761	<b>(12,355,298)</b>	(872,714)	30-day; noninterest-bearing	Unsecured, no impairment
	<b>P53,574,572</b>	P3,089,103	P1,677,797	<b>(P15,810,228)</b>	(P872,714)		

*Transactions with associates*

- Sharing of expenses with associates.

	Amount/Volume			Outstanding Receivable (Payable)		Terms	Conditions
	2016	2015	2014	2016	2015		
<b>Associates' share in Group's expenses</b>							
ISPI	<b>P1,205,321</b>	P305,792	P703,105	<b>P5,105,311</b>	P3,899,990	30-day; noninterest-bearing	Unsecured, no impairment
FBSHI	—	—	9,493,210	—	—	30-day; noninterest-bearing	Unsecured, no impairment
	<b>P1,205,321</b>	P305,792	P10,196,315	<b>P5,105,311</b>	P3,899,990		





	Amount/Volume		Outstanding Receivable (Payable)		Terms	Conditions
	2016	2015	2014	2016	2015	
Group's share in an associate's expenses						
SLPI	P-	P-	P-	(P42,158,700)	(P42,158,700)	Payable on demand; Unsecured, noninterest-bearing no impairment

Outstanding balances from the above related party transactions as at December 31 follow:

	2016	2015
Receivables:		
Affiliates:		
Share in expenses	P64,155,070	P60,508,644
Management services	6,825,268	5,970,557
Reimbursed expenses	2,336,387	2,523,586
Associates	5,105,311	3,899,990
	P78,422,036	P72,902,777
Accounts payable and other current liabilities:		
Associate:		
Reimbursed expenses	P42,158,700	P42,158,700
Affiliates:		
Share in expenses	15,810,228	872,714
Marketing fees	16,125,769	-
Management fees	10,639,582	-
Condominium dues	1,834,735	2,192,588
Other service fees	11,661,732	-
	P98,230,746	P45,224,002

Compensation of key management personnel consist of the following:

	2016	2015	2014
Salaries and other short-term employee benefits	P51,319,475	P39,026,177	P37,603,264
Post-employment benefits	3,875,334	3,871,167	2,989,031
	P55,194,809	P42,897,344	P40,592,295

There are no stock option plans for officers and employees and no other long-term benefits aside from retirement benefits.

#### Related Party Transactions and Balances Eliminated During Consolidation

The terms, conditions, balances and the volume of related party transactions which were eliminated during consolidation are as follows:

##### a. Lease of Parent Company's land to SLPC

	2016	2015	2014
SLPC	P118,545,529	P116,175,733	P116,469,419

A portion of the Parent Company's land where the Shangri-La Plaza Mall is located is being leased to SLPC. The lease is for a period of 25 years from January 6, 1993. Rental revenue is based on



a certain percentage of SLPC's annual rental revenue from mall operations plus a certain percentage of the carpark's net income.

b. Usufruct agreement between the Parent Company, SLPC and SPSI

On January 16, 2002, the Parent Company entered into a usufruct agreement with SLPC and SPSI. SPSI will be granted limited usufructuary rights over the Parent Company's and SLPC's parking spaces for a consideration equivalent to a certain percentage of SPSI's gross income less direct and indirect expenses. The agreement is subject to renewal on a yearly basis. Rental income of the Parent Company and SLPC, and rental expenses of SPSI are as follows:

	2016	2015	2014
SLPC	<b>₱10,679,072</b>	₱9,333,842	₱11,754,610
Parent Company	<b>8,566,288</b>	7,834,678	5,811,469
	<b>₱19,245,360</b>	₱17,168,520	₱17,566,079

c. Lease of East Wing of the Shangri-La Plaza Mall by SPRC to SLPC

	2016	2015	2014
Rental income	<b>₱44,019,911</b>	₱50,843,417	₱55,894,923

SPRC and SLPC entered into a memorandum of agreement whereby SLPC will operate the mall establishment and constitute it as the East Wing of the Shangri-La. The lease is for a period of five years from October 1, 2013 and renewable upon mutual agreement by the parties. Rental revenue is based on a certain percentage of SLPC's annual rental revenue from that mall.

d. SPSI has an agreement with KSA, whereby SPSI is to manage and operate the parking slots of KSA, which commenced on January 1, 2009. The agreement is renewable upon mutual agreement by the parties. In consideration of the agreement, the parties agreed on the following revenue-sharing scheme: KSA shall receive the amount equivalent to 75% of the monthly gross parking revenue, less applicable VAT, while SPSI shall receive the amount equivalent to 25% of the monthly gross parking revenue, less applicable VAT. Income of KSA and expenses of SPSI, which are equivalent to KSA's share are as follows:

	2016	2015	2014
Rental income and expense	<b>₱29,876,788</b>	₱29,549,203	₱29,796,157

e. The Parent Company leases its office space and SPRC leases a unit on Level 1 in Shangri-La Plaza Mall from SLPC.

The Parent Company and SLPC agree mutually on the renewal of the lease agreement which commenced on May 17, 2013 to May 16, 2016 and May 17, 2016 to May 16, 2019. The Parent Company's rental expense is exclusive of VAT and subject to five percent escalation every year. In 2010, SPRC and SLPC entered into a lease agreement, whereby SPRC shall lease a unit on Level 1 in Shangri-La for the higher of: (a) a minimum guarantee rent, or (b) a certain percentage of gross sales, exclusive of VAT. The lease commenced on May 1, 2010 and the renewal agreement ended on July 30, 2016.





Rental expenses of the Parent Company and SPRC, and rental income of SLPC are as follows:

	2016	2015	2014
SPRC	<b>₱7,261,902</b>	₱7,540,682	₱7,319,287
Parent Company	<b>3,961,008</b>	4,047,397	3,592,934
	<b>₱11,222,910</b>	₱11,588,079	₱10,912,221

The Parent Company's and SPRC's refundable deposits from these transactions amounted to ₱425,424 as of December 31, 2016 and 2015.

- f. Management agreement between KSA and SPMSI:

	2016	2015	2014
Management fee	<b>₱3,392,856</b>	₱3,084,414	₱2,804,013

KSA entered into a management agreement with SPMSI for a monthly fee of ₱150,000 with 10% annual escalation for a period of five years starting March 2008. The parties agree mutually on the renewal of the agreement. SPMSI shall provide on-site property leasing management including Head Office support services and periodic audit to ensure compliance with international practices; perform staff recruitment, training and performance evaluation; and perform financial management, including billing and collection and budget provisioning.

- g. In 2011, SPD I obtained an unsecured, noninterest-bearing, payable on or before December 31, 2012 loan from SHIL amounting to ₱2,317,500,000. As of December 31, 2016 and 2015, this loan has not been settled.
- h. Parent Company's dividend income from declarations of the following subsidiaries:

	2016	2015	2014
SPRC	<b>₱800,000,000</b>	₱2,000,000,000	₱—
SLPC	<b>725,000,000</b>	725,000,000	725,000,000
KSA	<b>560,300,000</b>	317,400,000	423,200,000
SPDI	<b>200,000,000</b>	95,000,000	75,000,000
SPMSI	<b>9,000,000</b>	5,300,000	4,000,000
SPSI	<b>4,600,000</b>	4,400,000	4,200,000
	<b>₱2,298,900,000</b>	₱3,147,100,000	₱1,231,400,000

- i. Reimbursement of expenses paid for by a related party on behalf of a related party and vice-versa.
- j. Unsecured, noninterest-bearing receivables and payables between related parties.

Outstanding balances from the above related party transactions at December 31 which were eliminated during consolidation are as follows:

	2016	2015
Receivables of the Parent Company from:		
SGCHI	<b>₱1,010,072,061</b>	₱1,010,072,503
SFBHI	<b>690,928,539</b>	690,928,983
SPMSI	<b>43,785,322</b>	30,249,929
SLPC	<b>42,175,443</b>	35,944,768

(Forward)



	2016	2015
SPRC	<b>₱18,994,647</b>	₱707,416,648
SPSI	<b>5,704,148</b>	5,569,821
SPDI	<b>2,974,953</b>	1,672,843
KMSC	<b>1,088,845</b>	1,062,775
KSA	<b>250,979</b>	254,158
	<b>₱1,815,974,937</b>	₱2,483,172,428
Payables of the Parent Company to:		
SPDI	<b>₱311,192,615</b>	₱311,168,985
SLPC	<b>2,505,654</b>	3,266,635
SPRC	<b>1,316,844</b>	16,447,198
	<b>₱315,015,113</b>	₱330,882,818
Receivables of:		
SHIL from SPDI	<b>₱2,317,500,000</b>	₱2,317,500,000
SGCPI from Parent Company	<b>115,749,950</b>	—
Others	<b>2,664,612,336</b>	2,680,401,325
	<b>₱5,097,862,286</b>	₱4,997,901,325

The receivables and payables between related parties, except for those arising from reimbursement of expenses and those that are unsecured and noninterest-bearing which are payable on demand, have normal credit terms of 30 to 90 days, but may go beyond as agreed.

### 32. Contingencies

On July 14, 1993, a complaint was initially filed before the Regional Trial Court (RTC) - Pasig by the principal contractor of the Shangri-La Plaza Mall against the Parent Company and the Board for the recovery of the balance of alleged unpaid construction work, compensatory and moral damages, legal fees and litigation costs totaling about ₱122,000,000, exclusive of interest. In the answer *ex abundante ad cautelam*, as a counterclaim, the Parent Company is asking for approximately ₱182,000,000 in overpayment plus ₱7,000,000 in damages and litigation costs. Due to technical reasons, the principal contractor re-filed the case on or about June 23, 1998 with the Construction Industry Arbitration Commission (CIAC).

On October 27, 1998, the RTC-Pasig issued an order directing the parties to arbitrate their dispute under the Arbitration Law. A similar order was issued by the CIAC on February 3, 1999 dismissing the proceedings instituted before it by the plaintiff. The plaintiff, accordingly, served a demand for arbitration dated April 5, 1999 under the provisions of the Arbitration Law.

The arbitration hearing, during which both the Parent Company and the principal contractor were given the opportunity to present their witnesses, commenced in December 2006 and ended with the decision of the Arbitral Tribunal promulgated on July 31, 2007. In its decision, the Arbitral Tribunal awarded to the principal contractor the sum of ₱46,905,987, and to the Parent Company, the sum of ₱8,387,484 (net award to the principal contractor was ₱38,518,503).

The principal contractor has appealed the Arbitral Tribunal's decision to the Court of Appeals, praying for the award of the full amount of its claim. The Parent Company has partially appealed the said decision, praying for the reduction of the award to the plaintiff. The Court of Appeals, in its decision dated August 12, 2008 and resolution dated April 16, 2009, awarded to the principal contractor ₱24,497,556, unpaid progress billings based on the original scope of work, and denied the Parent Company of its motion for partial reconsideration.





On June 5, 2009, the Parent Company filed a Petition for Review on Certiorari to the Supreme Court praying to issue an order or decision: (a) declaring the Parent Company as not liable to the principal contractor for unpaid progress billings based on the original scope of work, (b) ordering the principal contractor to pay the Parent Company ₱7,590,000 as liquidated damages, and (c) setting aside or reversing the Court of Appeal's decision and resolution insofar as they are adverse to the Parent Company. On a Petition for Review on Certiorari dated June 11, 2009, the principal contractor prayed to the Supreme Court to modify the decision and resolution of the Court of Appeals, to award the principal contractor the full amount of its claim. Both petitions are pending resolution by the Supreme Court as of March 15, 2017.

The Parent Company and SLPC have other pending legal cases which are being contested by the Parent Company, SLPC and their legal counsels. Management and the legal counsels believe that the final resolution of these cases will not have a material effect on the Group's financial position and results of operations.

### 33. Lease Commitments

The Group entered into lease agreements with third parties covering the freehold buildings and their improvements. These leases generally provide for either (a) fixed monthly rent, or (b) minimum rent or a certain percentage of gross revenue, whichever is higher.

Rental income from percentage of gross revenue of lessee recognized in the profit or loss amounted to ₱119,147,394, ₱121,620,707 and ₱121,382,947 in 2016, 2015 and 2014, respectively.

The minimum future rental collections under non-cancellable operating leases follow:

	2016	2015	2014
Within one year	<b>₱2,199,215,514</b>	₱2,082,234,650	₱2,823,156,660
After one year but not more than five years	<b>2,228,336,404</b>	2,126,994,971	4,642,450,449
More than five years	<b>296,229,608</b>	278,481,289	267,882,864
	<b>₱4,723,781,526</b>	₱4,487,710,910	₱7,733,489,973

### 34. Fair Value Measurement and Financial Instruments

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities as of December 31, 2016:

	Fair Value Measurement Using			
	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
<b>Assets Measured at Fair Value</b>				
Financial assets at FVPL	<b>₱32,597,501</b>	<b>₱—</b>	<b>₱—</b>	<b>₱32,597,501</b>
Investment properties:				
Land	—	—	10,309,700,807	10,309,700,807
Buildings	—	—	18,669,797,822	18,669,797,822
AFS financial assets:				
Quoted	19,466,515	—	—	19,466,515
<b>Assets for which Fair Values are Disclosed</b>				
Loans and receivables				
Refundable deposits	—	100,397,830	—	100,397,830
<b>Liabilities for which Fair Values are Disclosed</b>				
Installment payable	—	734,854,056	—	734,854,056
Deposits from tenants	—	966,794,693	—	966,794,693



The following table provides the fair value measurement hierarchy of the Group's assets and liabilities as of December 31, 2015:

	Fair Value Measurement Using			Total
	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
<b>Assets Measured at Fair Value</b>				
Financial assets at FVPL	₱34,882,100	₱—	₱—	₱34,882,100
Investment properties:				
Land	—	—	9,580,662,060	9,580,662,060
Buildings	—	—	18,597,905,815	18,597,905,815
AFS financial assets:				
Quoted	16,046,515	—	—	16,046,515
<b>Assets for which Fair Values are Disclosed</b>				
Loans and receivables				
Refundable deposits	—	58,480,893	—	58,480,893
<b>Liabilities for which Fair Values are Disclosed</b>				
Installment payables	—	863,067,503	—	863,067,503
Deposits from tenants	—	856,506,294	—	856,506,294

The Group's policy is to recognize transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

There have been no assets and liabilities transferred between Level 1, Level 2 and Level 3 during 2016 and 2015.

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate such value:

#### *Financial Assets at FVPL*

The fair value of financial assets at FVPL is based on quoted market prices at the reporting date.

#### *Cash and Cash Equivalents, Receivables, Accounts Payable and Other Current Liabilities, and Dividends Payable*

Due to the short-term nature of cash and cash equivalents, receivables other than installment contracts receivable, accounts payable and other current liabilities, dividends payable and accrued employee benefits, their carrying values were assessed to approximate their fair values.

#### *Installment Contracts Receivable*

The fair value of installment contracts receivable are based on the discounted value of future cash flows using applicable rates for similar instruments.

#### *Refundable Deposits and Deposits from Tenants*

The fair value of deposits from tenants was based on the present value of estimated future cash flows using PDST-R2 rates at the reporting date. Discount ranges from 1.85% to 5.04% and 1.48% to 3.98% as of December 31, 2016 and 2015 respectively.

#### *AFS Financial Assets*

The fair value of quoted equity securities is based on quoted market prices as of the reporting date. The fair value of unquoted equity securities is not reasonably determinable.

#### *Bank Loans*

The carrying value of the bank loans with variable interest rates approximates their fair value because of recent and quarterly repricing based on market conditions.





### 35. Financial Risk Management Objective and Policies

The Group's principal financial instruments comprise of cash and cash equivalents, financial assets at FVPL, loans and receivables, AFS financial assets and other financial liabilities. These are held primarily to finance the Group's operations, capital expenditures and to provide guarantees to support its operations. The Group's financial instruments, such as cash and cash equivalents, trade receivables and trade payables, arise directly from the conduct of the Group's operations.

The main risks arising from the use of the financial instruments are interest rate risk, credit risk and liquidity risk. Risk management is carried out by the Group's management under policies approved by the Board. The Group's management identifies and evaluates financial risks in close cooperation with the Group's operating units.

The main objective of the Group's financial risk management is to minimize the potential adverse effects of the unpredictability of financial markets on the Group's financial performance. The Board provides principles for overall risk management, as follows:

#### *Interest Rate Risk*

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The cash flows of the Group's bank loans that are exposed to interest rate risk as of December 31, 2016 and 2015 are disclosed in Note 19.

Interest rates on bank loans of SLPC and SGCPI are based on the higher between the PDST-R2 rate and the BSP overnight borrowing rate.

The Group's interest rate risk management policy focuses on reducing the overall interest expense and exposure to change in interest rates. Changes in market interest rates relate primarily to the Group's long term loans with floating interest rates as it can cause a change in the amount of interest payments.

Interest on financial instruments with floating rates is repriced at intervals of less than one year. Interest on financial instruments with fixed rates is fixed until the maturity of the instrument. The other financial instruments of the Group are noninterest-bearing and are therefore not subject to interest rate risk. The Group invests excess funds in short-term placements in order to mitigate any increase in interest rate on borrowings.

The following table represents the impact on the Group's income before income tax brought about by reasonably possible change in interest rates, with all other variables held constant, as of December 31 until its next financial reporting date:

	Change in Interest Rate	Increase (Decrease) on Income before Income Tax
<b>2016</b>	<b>Increase by 0.50%</b>	<b>₱49,847,298</b>
	<b>Decrease by 0.50%</b>	<b>(49,847,298)</b>
<b>2015</b>	<b>Increase by 0.50%</b>	<b>₱62,321,647</b>
	<b>Decrease by 0.50%</b>	<b>(62,321,647)</b>

There is no other effect on the Group's equity other than those already affecting profit or loss.

#### *Credit Risk*

Credit risk is the risk that the Group will incur financial losses because its counterparties failed to discharge their contractual obligations. The Group is exposed to credit risk from its operating activities





(primarily trade receivables), including deposits with banks and other financial instruments. The Group has no significant concentration on credit risk.

#### *Trade Receivables*

Sales of residential condominium units that are on installment basis are supported by post-dated checks from the buyers. Titles to properties sold are not released unless full payment is received. In the case of leasing operation, tenants are subjected to credit evaluation and are required to put up security deposits and pay advance rentals, if necessary. Hotel guest who wish to avail of a credit line are subjected to the normal credit investigation and checking. References are required including review of the customer's financial position and earnings. Approval of a credit line is done by the Financial Controllers and the General Managers. A guest may not be given a line, but special ad hoc arrangements are allowed. It usually requires deposits, prepayments or credit card guarantees as collaterals. Existing credit lines are reviewed annually. The maximum exposure to credit risk at the reporting date is the expected cash flows from installment receivable and carrying value of rent receivable and receivable from hotel guests, as disclosed in Note 7.

#### *Financial Instruments and Cash Deposits*

Credit risk from balances with banks is managed by the Group's treasury department in accordance with the Group's policy. Investments of surplus funds are made only with approved counterparties to mitigate financial loss through counterparty's potential failure to make payments. The Group's maximum exposure to credit risk for the component of the statement of financial position at December 31, 2016 and 2015 is the carrying amounts as illustrated in Notes 5, 6, 7, and 17 except for financial guarantees.

The net maximum exposure to credit risk for cash in banks, after taking into account insurance on bank deposits, amounted to ₱869,385,886 in 2016 and ₱96,278,904 in 2015.

The following tables provide the aging analysis of receivables that are past due but not impaired under the Group's receivables account as of December 31:

	2016					Total
	< 30 Days	30 - 60 Days	61 - 90 Days	91 - 120 Days	> 120 Days	
Rent	₱27,414,908	₱4,435,873	₱3,734,661	₱5,810,774	₱54,702,561	₱96,098,777
Related parties	—	—	—	—	78,422,036	78,422,036

	2015					Total
	< 30 Days	30 - 60 Days	61 - 90 Days	91 - 120 Days	> 120 Days	
Rent	₱9,588,081	₱7,438,419	₱4,421,415	₱2,436,485	₱40,703,173	₱64,587,573
Related parties	—	—	—	—	72,902,777	72,902,777

Financial instruments classified under "neither past due nor impaired" include high grade credit quality instruments because there were few or no history of default on the agreed terms of the contract. "Past due and impaired" financial asset as disclosed in Note 7 pertains to those financial instruments that are long outstanding and have been provided with allowance for impairment losses.

The credit quality of the financial assets classified under neither past due nor impaired was determined as follows:

Cash and cash equivalents, financial assets at FVPL and AFS financial assets are based on the nature of the counterparties and the Group's internal rating system.

Receivables which are satisfactory pertains to receivables from existing and active tenants, customers, related parties and counter parties; while unsatisfactory pertains to receivables from tenants,





customers, related parties and counter parties that have already ceased their respective operations, and officers and employees that are no longer employed by the Group.

### Liquidity Risk

Liquidity risk is the risk that the Group will not be able to settle or meet its obligations on time or at reasonable prices. The Group maintains sufficient cash and cash equivalents in order to fund its operations. The Group monitors its cash flows and carefully matches the cash receipts from its condominium sales and leasing operations against cash requirements for its construction activities. The Group utilizes its borrowing capacity, if necessary, to further bolster its cash reserves.

The following tables summarize the maturity profile of financial assets compared with the contractual undiscounted payments of financial liabilities in order to provide a complete view of the Group's liquidity as of December 31.

	2016				Total
	Within 1 Year	Over 1 to 3 Years	Over 3 to 5 Years	Over 5 Years	
<b>Financial Assets</b>					
Financial assets at FVPL	₱32,597,501	₱-	₱-	₱-	₱32,597,501
Loans and receivables:					
Cash and cash equivalents*	4,207,785,262	-	-	-	4,207,785,262
Receivables:					
Installment contracts receivable**	3,660,978,019	3,170,673,944	236,845,352	-	7,068,497,315
Rent	265,274,554	-	-	-	265,274,554
Receivable from hotel guests	130,370,726	-	-	-	130,370,726
Related parties	78,422,036	-	-	-	78,422,036
Interest	2,533,340	-	-	-	2,533,340
Others	33,136,956	-	-	-	33,136,956
AFS financial assets	508,292,842	-	-	-	508,292,842
	₱8,919,391,236	₱3,170,673,944	₱236,845,352	₱-	₱12,326,910,532
<b>Other Financial Liabilities</b>					
Accounts payable and other current liabilities***	₱3,585,032,725	₱-	₱-	₱-	₱3,585,032,725
Installment payable	177,106,358	580,316,697	60,851,353	-	818,274,408
Bank loans	2,289,583,333	7,531,250,000	3,255,833,333	-	13,076,666,666
Deposits from tenants	45,472,954	209,893,685	633,371,911	235,580,698	1,124,319,248
Accrued employee benefits****	-	-	-	12,935,285	12,935,285
Dividends payable	33,035,177	-	-	-	33,035,177
	₱6,130,230,547	₱8,321,460,382	₱3,950,056,597	₱248,515,983	₱18,650,263,509

\*Excluding cash on hand of ₱33,345,750.

\*\*Expected cash flows from installment contract receivables as presented in Note 7.

\*\*\*Excluding advanced rental, customers' deposits, reservation payable, output VAT, deferred output VAT and withholding taxes.

\*\*\*\*Excluding accrued retirement benefits of ₱28,131,846.



	2015				Total
	Within 1 Year	Over 1 to 3 Years	Over 3 to 5 Years	Over 5 Years	
Financial Assets					
Financial assets at FVPL	₱34,882,100	₱—	₱—	₱—	₱34,882,100
Loans and receivables:					
Cash and cash equivalents*	3,804,416,047	—	—	—	3,804,416,047
Receivables:					
Installment contracts receivable**	3,767,852,227	1,539,869,897	1,344,248,187	—	6,651,970,311
Rent	194,320,946	—	—	—	194,320,946
Related parties	72,902,777	—	—	—	72,902,777
Interest	4,396,733	—	—	—	4,396,733
Others	51,129,262	—	—	—	51,129,262
AFS financial assets	504,872,842	—	—	—	504,872,842
	<b>₱8,434,772,934</b>	<b>₱1,539,869,897</b>	<b>₱1,344,248,187</b>	<b>₱—</b>	<b>₱11,318,891,018</b>
Other Financial Liabilities					
Accounts payable and other current liabilities***	₱3,462,487,081	₱—	₱—	₱—	₱3,462,487,081
Installment payable	1,448,222,777	3,950,798,052	2,909,638,392	—	8,308,659,221
Bank loans	884,166,667	4,157,500,000	4,170,000,000	3,298,333,333	12,510,000,000
Deposits from tenants	79,403,920	331,920,732	522,026,131	94,810,822	1,028,161,605
Accrued employee benefits****	—	—	—	10,170,813	10,170,813
Dividends payable	148,464,960	—	—	—	148,464,960
	<b>₱6,022,745,405</b>	<b>₱8,440,218,784</b>	<b>₱7,601,664,523</b>	<b>₱3,403,314,968</b>	<b>₱25,467,943,680</b>

\*Excluding cash on hand of ₱236,753,695

\*\*Expected cash flows from installment contract receivables as presented in Note 7.

\*\*\*Excluding advanced rental, customers' deposits, reservation payable, output VAT, deferred output VAT and withholding taxes.

\*\*\*\*Excluding accrued retirement benefits of ₱39,644,347.

### 36. Capital Management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating, comply with externally imposed capital requirements, and maintain healthy capital ratios in order to support its business and maximize stockholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to stockholders, return capital to stockholders or issue new shares. No changes were made in the objectives, policies or processes in 2016 and 2015.

The Group monitors capital using a gearing ratio, which is net debt divided by capital. The Group includes within net debt bank loans less cash and cash equivalents. Capital pertains to total equity less NCI.

	2016	2015
<b>Net Debt</b>		
Bank loans	<b>₱13,036,126,360</b>	₱12,464,329,487
Less cash and cash equivalents	<b>4,241,131,012</b>	4,041,169,742
	<b>8,794,995,348</b>	8,423,159,745
<b>Capital</b>		
Total equity	<b>33,338,468,233</b>	32,301,582,765
Less NCI	<b>5,421,977,200</b>	6,370,409,789
	<b>27,916,491,033</b>	25,931,172,976
<b>Gearing Ratio</b>	<b>31.50%</b>	32.48%

The Group was able to meet its capital management objectives.





### 37. Acronyms and Abbreviations

The following are the acronyms and abbreviations used in the consolidated financial statements with the meanings as specified below:

Acronyms/ Abbreviations	Meaning
AFS	– available-for-sale
ALM	– Asset-Liability Matching Study
APIC	– additional paid-in capital
BSP	– Bangko Sentral ng Pilipinas
BVI	– British Virgin Islands
CGU	– cash generating unit
CIAC	– Construction Industry Arbitration Commission
CWT	– Creditable withholding tax
DFFS	– Deposit for future stock subscription
EIR	– effective interest rate
ELHI	– EPHI Logistics Holdings, Inc.
ESHRI	– EDSA Shangri-La Hotel and Resort, Inc.
EUL	– estimated useful lives
FBSHI	– Fort Bonifacio Shangri-La Hotel, Inc.
FRSC	– Financial Reporting Standards Council
FVO	– fair value option
FVPL	– fair value through profit or loss
Gipsey	– Gipsey Ltd.
HK\$	– Hong Kong Dollar
HTM	– held to maturity
IFRIC	– International Financial Reporting Interpretations Committee
IPPI	– Ivory Post Properties, Inc.
ISPI	– Ideal Sites and Properties, Inc.
KMSC	– KPPI Management Services Corporation
KRC	– KPPI Realty Corporation
KSA	– KSA Realty Corporation
MBPI	– Martin B. Properties, Inc.
MCIT	– minimum corporate income tax
MOA	– memorandum of agreement
NCI	– non-controlling interests
NCRI	– New Contour Realty, Inc.
NOI	– Net operating income
NOLCO	– net operating loss carryover
NRV	– net realizable value
OCI	– other comprehensive income
OSD	– optional standard deduction
OSP	– One Shangri-La Place Project
OSPCC	– One Shangri-La Place Condominium Corporation
PAS	– Philippine Accounting Standard
PDST-R2	– Philippine Dealing System Treasury Reference Rates - 2
PFRS	– Philippine Financial Reporting Standards
PHIREF	– Philippine Interbank Reference Rate
POC	– percentage of completion
PSE	– Philippine Stock Exchange



Acronyms/ Abbreviations	Meaning
PSI	– Perfect Sites, Inc.
RA	– Republic Act
RCIT	– regular corporate income tax
RTC	– Regional Trial Court
SAL	– Shangri-La Asia Limited
SEC	– Securities and Exchange Commission
SFBHI	– Shang Fort Bonifacio Holdings, Inc.
SGCHI	– Shang Global City Holdings, Inc.
SGCPI	– Shang Global City Properties, Inc.
SHIL	– Silver Hero Investments Limited
SLIM	– Shangri-La International Hotel Management Limited
SLPC	– Shangri-La Plaza Corporation
SLPI	– Sky Leisure Properties, Inc.
SPDI	– Shang Property Developers, Inc.
SPMSI	– Shang Property Management Services, Inc.
SPRC	– Shang Properties Realty Corporation
SPSI	– SPI Parking Services, Inc.
SSP	– Shang Salcedo Place Project
SWWPI	– Shang Wack Wack Properties, Inc.
TCT	– transfer certificates of title
TEC	– The Enterprise Center
TECCC	– The Enterprise Center Condominium Corporation
TRDCI	– The Rise Development Company, Inc.
TSFSP	– The St. Francis Shangri-La Place Project
TSFSPCC	– The St. Francis Shangri-La Place Condominium Corporation
TSGT	– The Shang Grand Tower Project
TSGTCC	– The Shang Grand Tower Condominium Corporation
US\$	– United States Dollar
VAT	– value-added tax
WACC	– weighted average cost of capital





## **INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY SCHEDULES**

The Stockholders and the Board of Directors  
Shang Properties, Inc.  
Administration Office, Shangri-La Plaza Mall  
EDSA corner Shaw Boulevard,  
Mandaluyong City

We have audited in accordance with Philippine Standards on Auditing the consolidated financial statements of Shang Properties, Inc. and Subsidiaries as at December 31, 2016 and 2015 and for each of the three years in the period ended December 31, 2016, included in this Form 17-A and have issued our report thereon dated March 15, 2017. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the management of Shang Properties, Inc. and Subsidiaries. These schedules are presented for purposes of complying with Securities Regulation Code Rule 68, As Amended (2011), and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Adeline D. Lumbres  
Partner  
CPA Certificate No. 0107241  
SEC Accreditation No. 1555-A (Group A),  
April 14, 2016, valid until April 14, 2019  
Tax Identification No. 224-024-746  
BIR Accreditation No. 08-001998-118-2016,  
February 15, 2016, valid until February 14, 2019  
PTR No. 5908715, January 3, 2017, Makati City

March 15, 2017



**SHANG PROPERTIES, INC. AND SUBSIDIARIES****PARENT COMPANY RETAINED EARNINGS AVAILABLE FOR DIVIDEND  
DECLARATION****FOR THE YEAR ENDED DECEMBER 31, 2016**

	2016
<b>Unappropriated Parent Company retained earnings, beginning</b>	<b>₱11,062,642,064</b>
Adjustments (see adjustments in previous years reconciliations)	
Cumulative unrealized gain on fair value adjustments of:	
Investment properties - net of tax	(6,937,673,109)
Financial asset at FVPL	(1,143,197)
<b>Unappropriated Parent Company retained earnings, as adjusted, beginning</b>	<b>4,123,825,758</b>
Net income of the Parent Company closed to retained earnings	<b>₱2,543,438,589</b>
Fair value of financial asset at FVPL	<b>21,828</b>
Fair value adjustment of Investment property resulting to gain	<b>(316,768,900)</b>
<b>Net income actually earned during the period</b>	<b>2,226,691,517</b>
Dividend declaration during the period	(785,716,856)
<b>Total Parent Company retained earnings available for dividend declaration, end</b>	<b>₱5,564,800,419</b>



# SHANG PROPERTIES, INC. AND SUBSIDIARIES

## SCHEDULE OF THE EFFECTIVE STANDARDS AND INTERPRETATIONS DECEMBER 31, 2016

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
<b>Framework for the Preparation and Presentation of Financial Statements</b> Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
<b>PFRSs Practice Statement Management Commentary</b>				
<b>Philippine Financial Reporting Standards</b>				
<b>PFRS 1 (Revised)</b>	First-time Adoption of Philippine Financial Reporting Standards			✓
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	✓		
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
<b>PFRS 2</b>	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
<b>PFRS 3 (Revised)</b>	Business Combinations	✓		
<b>PFRS 4</b>	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
<b>PFRS 5</b>	Non-current Assets Held for Sale and Discontinued Operations			✓
<b>PFRS 6</b>	Exploration for and Evaluation of Mineral Resources			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
<b>PFRS 7</b>	Financial Instruments: Disclosures	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			✓
	Amendments to PFRS 7: Transition			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition			✓
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets			✓
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities			✓
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures			✓
<b>PFRS 8</b>	Operating Segments	✓		
<b>PFRS 9</b>	Financial Instruments: Classification and Measurement of Financial Assets	✓		
	Financial Instruments: Classification and Measurement of Financial Liabilities	✓		
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures	✓		
	Amendments to PFRS 9: Hedge Accounting			✓
<b>PFRS 10</b>	Consolidated Financial Statements	✓		
	Amendments to PFRS 10: Transition Guidance			✓
	Amendments to PFRS 10: Investment Entities			✓
	Amendments to PFRS 10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture			✓
	Amendments to PFRS 10: Investment Entities: Applying the Consolidation Exception			✓
<b>PFRS 11</b>	Joint Arrangements	✓		
	Amendments to PFRS 11: Transition Guidance			✓
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations			✓



PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
<b>PFRS 12</b>	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 12: Transition Guidance			✓
	Amendments to PFRS 12: Investment Entities			✓
	Amendments to PFRS 12: Investment Entities: Applying the Consolidation Exception			✓
<b>PFRS 13</b>	Fair Value Measurement	✓		
<b>Philippine Accounting Standards</b>				
<b>PAS 1 (Revised)</b>	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendments to PAS 1 (Revised): Disclosure Initiative	✓		
<b>PAS 2</b>	Inventories	✓		
<b>PAS 7</b>	Statement of Cash Flows	✓		
<b>PAS 8</b>	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
<b>PAS 10</b>	Events after the Reporting Date	✓		
<b>PAS 11</b>	Construction Contracts			✓
<b>PAS 12</b>	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
<b>PAS 16</b>	Property, Plant and Equipment	✓		
	Amendments to PAS 16: Bearer Plants			✓
	Amendments to PAS 16: Clarification of Acceptable Methods of Depreciation			✓
<b>PAS 17</b>	Leases	✓		
<b>PAS 18</b>	Revenue	✓		
<b>PAS 19</b>	Employee Benefits	✓		
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures	✓		
<b>PAS 19 (Revised)</b>	Employee Benefits	✓		
	Amendments to PAS 19 (Revised): Defined Benefit Plans: Employee Contributions	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Amended)	Separate Financial Statements	✓		
	Amendments to PAS 27 (Amended): Investment Entities			✓
	Amendments to PAS 27 (Amended): Equity Method in Separate Financial Statements			✓
PAS 28	Investments in Associates	✓		
PAS 28 (Amended)	Investments in Associates and Joint Ventures	✓		
	Amendments to PAS 28 (Amended): Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	✓		
	Amendments to PAS 28 (Amended): Investment Entities: Applying the Consolidation Exception			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 31	Interests in Joint Ventures	✓		
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities			✓
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting			✓
PAS 36	Impairment of Assets	✓		



PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets			✓
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities			✓
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives	✓		
	Amendment to PAS 39: Eligible Hedged Items			✓
	Amendments to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✓
	Amendments to PAS 39: Hedge Accounting			✓
PAS 40	Investment Property	✓		
PAS 41	Agriculture			✓
<b>Philippine Interpretations</b>				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	<i>Determining Whether an Arrangement Contains a Lease</i>	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓



PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
<b>IFRIC 6</b>	<i>Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment</i>			✓
<b>IFRIC 7</b>	<i>Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies</i>			✓
<b>IFRIC 8</b>	<i>Scope of PFRS 2</i>			✓
<b>IFRIC 9</b>	Reassessment of Embedded Derivatives	✓		
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives	✓		
<b>IFRIC 10</b>	<i>Interim Financial Reporting and Impairment</i>			✓
<b>IFRIC 11</b>	PFRS 2- Group and Treasury Share Transactions			✓
<b>IFRIC 12</b>	Service Concession Arrangements			✓
<b>IFRIC 13</b>	Customer Loyalty Programmes			✓
<b>IFRIC 14</b>	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	✓		
	Amendments to Philippine Interpretations IFRIC-14, Prepayments of a Minimum Funding Requirement			✓
<b>IFRIC 16</b>	Hedges of a Net Investment in a Foreign Operation			✓
<b>IFRIC 17</b>	Distributions of Non-cash Assets to Owners			✓
<b>IFRIC 18</b>	Transfers of Assets from Customers			✓
<b>IFRIC 19</b>	Extinguishing Financial Liabilities with Equity Instruments			✓
<b>IFRIC 20</b>	Stripping Costs in the Production Phase of a Surface Mine			✓
<b>IFRIC 21</b>	Levies			✓
<b>SIC-7</b>	Introduction of the Euro			✓
<b>SIC-10</b>	Government Assistance - No Specific Relation to Operating Activities			✓
<b>SIC-12</b>	Consolidation - Special Purpose Entities			✓
	Amendment to SIC - 12: Scope of SIC 12			✓
<b>SIC-13</b>	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
<b>SIC-15</b>	Operating Leases - Incentives			✓
<b>SIC-25</b>	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓



PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures.			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

**SHANG PROPERTIES, INC.**  
**INDEX TO FINANCIAL AND SUPPLEMENTARY**  
**AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2016**

Signed financial statements		<u>See Attached</u>
As of and for the year December 31, 2016		
Supplementary schedules		
Schedule A -	Financial Assets	<u>NA</u>
Schedule B -	Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)	<u>X</u>
Schedule C -	Amounts Receivable from Related Parties which are eliminated during the Consolidation of Financial Statements	<u>X</u>
Schedule D -	Intangible Assets - Other Assets	<u>NA</u>
Schedule E -	Long-Term Debt	<u>X</u>
Schedule F -	Indebtedness to Affiliates and Related Parties (Long-Term Loans from Related Companies)	<u>NA</u>
Schedule - G	Guarantees of Securities of Other Issuers	<u>X</u>
Schedule H -	Capital Stock	<u>X</u>
<hr/>		
X - Attached		



**SHANG PROPERTIES INC. AND SUBSIDIARIES**  
**SCHEDULE B - AMOUNTS RECEIVABLE FROM RELATED PARTIES**  
**DECEMBER 31, 2016**

Name of Related Party	Beginning Balance	Additions	Amounts collected	Amounts written off	Current	Not Current	Ending Balance
Clavall Properties Inc.	12,332	925	433	-	925	11,899	12,824
EDSA Shangri-la Hotel & Resorts, Inc.	2,536,086	11,845,255	11,609,841	-	1,268,582	1,502,918	2,771,500
Ideal Sites Property Inc.	3,899,990	1,205,321	-	-	1,205,321	3,899,990	5,105,311
Mactan Shangri-la Hotel	269,907	1,085,750	1,146,181	-	209,475	-	209,475
Mactan Beachfront Resources, Inc.	(7,793)	1,419	660	-	-	(7,034)	(7,034)
Makati Shangri-la Hotel	9,723,776	2,168,258	2,204,465	-	857,344	8,830,225	9,687,569
One Shangri-la Place Condominium Corp	18,789,748	13,368,913	14,093,148	-	2,530,936	15,534,576	18,065,513
Shangri-la Fijian Resort	626,952	-	-	-	-	626,952	626,952
The Enterprise Centre Condominium Corp.	12,738,939	38,156,891	46,004,491	-	4,872,307	19,032	4,891,339
The Shang Grand Tower Condominium Corp.	9,556,320	6,421,243	1,398,587	-	8,955,842	5,623,134	14,578,976
The St. Francis Shangri-la Place Condominium Corp.	7,249,262	14,510,042	13,376,137	-	5,240,782	3,142,385	8,383,167
Others	7,507,259	11,352,726	4,763,541	-	10,316,887	3,779,557	14,096,444
	72,902,778	100,116,742	94,597,484	-	35,458,402	42,963,634	78,422,036

**SHANG PROPERTIES INC. AND SUBSIDIARIES**  
**SCHEDULE C - AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED**  
**DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

Name of Related Party	Beginning Balance	Additions	Amounts collected	Amounts written off	Current	Not Current	Ending Balance
Shangri-la Plaza Corp.	89,173,123	289,845,108	300,480,719	-	78,172,287	365,226	78,537,512
Shang Property Management Services, Inc.	30,274,390	23,484,155	9,969,810	-	23,483,190	20,305,545	43,788,735
Shang Property Realty Corp.	713,750,765	111,990,929	798,113,846	4,475,347	20,893,349	2,259,153	23,152,501
SPI Parking Services, Inc.	8,912,618	44,602,191	43,835,483	-	9,423,438	255,887	9,679,326
KPPI Management Services, Inc.	1,062,775	26,070	-	-	26,070	1,062,775	1,088,845
Shang Global City Holdings Inc.	1,010,072,503	2,664	3,106	-	2,664	1,010,069,397	1,010,072,061
Shang Fort Bonifacio Holdings, Inc.	690,928,983	3,294	3,738	-	3,294	690,925,245	690,928,539
KSA Realty Corp.	839,027	8,266,860	7,785,880	-	1,319,807	201	1,320,008
Shang Property Developers Inc.	13,123,301	48,290,853	42,724,820	-	18,552,606	136,729	18,689,334
Silver Hero from SPDI	2,317,500,000	-	-	-	-	2,317,500,000	2,317,500,000
Others	2,936,319,088	1,272,128,135	1,174,351,748	-	114,736,832	2,919,358,643	3,034,095,475
<b>Total</b>	<b>7,811,956,571</b>	<b>1,798,640,261</b>	<b>2,377,269,149</b>	<b>4,475,347</b>	<b>266,613,536</b>	<b>6,962,238,801</b>	<b>7,228,852,336</b>



**SHANG PROPERTIES INC. AND SUBSIDIARIES**  
**SCHEDULE E - LONG-TERM DEBT**  
**DECEMBER 31, 2016**

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
Term Loan	16,400,000,000	2,276,643,585	10,759,482,775
Total	16,400,000,000	2,276,643,585	10,759,482,775

**SHANG PROPERTIES INC. AND SUBSIDIARIES**  
**SCHEDULE H - CAPITAL STOCK**  
**DECEMBER 31, 2016**

Title of issue	Number of Shares Authorized	Number of Shares Issue and Outstanding	Number of Shares Reserved for options, Warrants, Conversion, and other Rights	Number of Shares Held By		
				Affiliates	Directors, Officers and Employees	Others
Common	8,000,000,000	4,764,056,287		3,114,013,998	4,842,037	1,645,200,252
Total	8,000,000,000	4,764,056,287	-	3,114,013,998	4,842,037	1,645,200,252



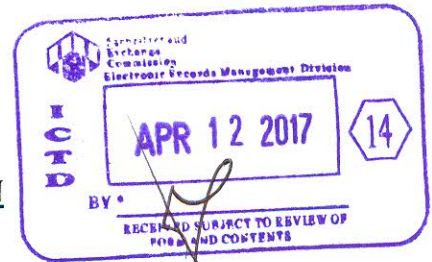
**SHANG PROPERTIES INC. AND SUBSIDIARIES**  
**SCHEDULE G - Guarantees of Securities of Other Issuers**  
**DECEMBER 31, 2016**

Name of issuing entity	Title of issue of each class of security	Total amount guaranteed and outstanding	Nature of guarantee
Shang Global City Properties, Inc.	Bank loan	50% of total outstanding balance	Guarantee of principal and interest

REPUBLIC OF THE PHILIPPINES)  
)S.S.

QUEZON CITY



**TREASURER'S CERTIFICATION**



I, Karlo Marco P. Estavillo, of legal age, Filipino, and with office address at the Level 5, Shangri-La Plaza Mall, EDSA corner Shaw Boulevard, Mandaluyong City, after being sworn in accordance with law, hereby certify that:

1. I am the Treasurer of **Shang Properties, Inc.** (the "Corporation"), a corporation duly organized and existing under and by virtue of the laws of the Republic of the Philippines under SEC Certificate of Registration No. A1998-1805, with principal office address at 5/Level, Shangri-La Plaza Mall, EDSA corner Shaw Boulevard, Mandaluyong City.
2. The Financial Statement ("F/S") CD submitted contains the exact data stated in the hard copies of the F/S of the Corporation.
3. I am executing this certification to attest to the truth of the foregoing and in compliance with the reportorial requirements of the SEC.


WITNESS MY HAND on this \_\_\_\_ day of April 2017 at Mandaluyong City.

  
Karlo Marco P. Estavillo  
Treasurer 

APR 07 2017

SUBSCRIBED AND SWORN to before me on this \_\_\_\_ day of \_\_\_\_\_ at QUEZON CITY, Affiant exhibited to me his Passport Number EC4018079 issued on 23 April 2015 and will expire on 22 April 2020.

Doc. No. 84 :  
Page No. 16  
Book No. 16A  
Series of 2017.

  
ATTY. BENJAMIN F. ALFONSO  
NOTARY PUBLIC  
UNTIL DECEMBER 31, 2017  
PTR. NO. 3806546 - 1/16/2017 QUEZON CITY  
IBP NO. 1038379 - 11/24/2016 QUEZON CITY  
ROLL NO. 13296  
ADM. MATTER NO. NP-046 (2017-2018)  
ADD.: NO.34 ASSET'S ST. GSIS VILL., PROJ. 4, Q.C.  
MCLE NO. II-0020278- OCT. 29, 2011



**SPECIAL FORM FOR FINANCIAL STATEMENTS OF PUBLICLY-HELD AND INVESTMENT COMPANIES**

NAME OF CORPORATION: SHANG PROPERTIES INC.  
CURRENT ADDRESS: 5TH FLOOR SHANGRI-LA PLAZA MALL, MANDALUYONG CITY  
TEL. NO.: 370-2700 FAX NO.: 370-2699  
COMPANY TYPE : DEVELOPER PSIC: 7012

If these are based on consolidated financial statements, please so indicate in the caption.

**Table 1. Balance Sheet**

FINANCIAL DATA	2016 ( in P'000 )	2015 ( in P'000 )
<b>A. ASSETS (A.1 + A.2 + A.3 + A.4 + A.5 + A.6 + A.7 + A.8 + A.9 + A.10)</b>	<b>25,212,800</b>	<b>23,415,526</b>
A.1 Current Assets (A.1.1 + A.1.2 + A.1.3 + A.1.4 + A.1.5)	1,294,313	2,237,736
A.1.1 Cash and cash equivalents (A.1.1.1 + A.1.1.2 + A.1.1.3)	895,148	1,211,800
A.1.1.1 On hand	55	50
A.1.1.2 In domestic banks/entities	895,093	1,211,750
A.1.1.3 In foreign banks/entities		
A.1.2 Trade and Other Receivables (A.1.2.1 + A.1.2.2)	180,916	831,252
A.1.2.1 Due from domestic entities (A.1.2.1.1 + A.1.2.1.2 + A.1.2.1.3 + A.1.2.1.4)	180,916	831,252
A.1.2.1.1 Due from customers (trade)	51,984	39,396
A.1.2.1.2 Due from related parties	128,379	790,217
A.1.2.1.3 Others, specify (A.1.2.1.3.1 + A.1.2.1.3.2)	3,667	4,753
A.1.2.1.3.1 Installment receivable	0	0
A.1.2.1.3.2 Others	3,667	4,753
A.1.2.1.4 Allowance for doubtful accounts (negative entry)	(3,114)	(3,114)
A.1.2.2 Due from foreign entities, specify (A.1.2.2.1 + A.1.2.2.2 + A.1.2.2.3 + A.1.2.2.4)	0	0
A.1.2.2.1		
A.1.2.2.2		
A.1.2.2.3		
A.1.2.2.4 Allowance for doubtful accounts (negative entry)		
A.1.3 Inventories (A.1.3.1 + A.1.3.2 + A.1.3.3 + A.1.3.4 + A.1.3.5 + A.1.3.6)	0	0
A.1.3.1 Raw materials and supplies		
A.1.3.2 Goods in process (including unfinished goods, growing crops, unfinished seeds)		
A.1.3.3 Finished goods		
A.1.3.4 Merchandise/Goods in transit		
A.1.3.5 Unbilled Services (in case of service providers)		
A.1.3.6 Others, specify (A.1.3.6.1 + A.1.3.6.2)	0	0
A.1.3.6.1		
A.1.3.6.2		
A.1.4 Financial Assets other than Cash/Receivables/Equity investments (A.1.4.1 + A.1.4.2 + A.1.4.3 + A.1.4.4 + A.1.4.5 + A.1.4.6)	4,221	4,243
A.1.4.1 Financial Assets at Fair Value through Profit or Loss - issued by domestic entities: (A.1.4.1.1 + A.1.4.1.2 + A.1.4.1.3 + A.1.4.1.4 + A.1.4.1.5)	4,221	4,243
A.1.4.1.1 National Government		
A.1.4.1.2 Public Financial Institutions		
A.1.4.1.3 Public Non-Financial Institutions		
A.1.4.1.4 Private Financial Institutions		
A.1.4.1.5 Private Non-Financial Institutions	4,221	4,243
A.1.4.2 Held to Maturity Investments - issued by domestic entities: (A.1.4.2.1 + A.1.4.2.2 + A.1.4.2.3 + A.1.4.2.4 + A.1.4.2.5)	0	0
A.1.4.2.1 National Government		
A.1.4.2.2 Public Financial Institutions		
A.1.4.2.3 Public Non-Financial Institutions		
A.1.4.2.4 Private Financial Institutions		
A.1.4.2.5 Private Non-Financial Institutions		

**NOTE:**

This special form is applicable to Investment Companies and Publicly-held Companies (enumerated in Section 17.2 of the Securities Regulation Code (SRC), except banks and insurance companies). As a supplemental form to PHFS, it shall be used for reporting Consolidated Financial Statements of Parent corporations and their subsidiaries.

Domestic corporations are those which are incorporated under Philippine laws or branches/subsidiaries of foreign corporations that are licensed to do business in the Philippines where the center of economic interest or activity is within the Philippines. On the other hand, foreign corporations are those that are incorporated abroad, including branches of Philippine corporations operating abroad.

Financial Institutions are corporations principally engaged in financial intermediation, facilitating financial intermediation, or auxiliary financial services. Non-Financial institutions refer to corporations that are primarily engaged in the production of market goods and non-financial services.



## SPECIAL FORM FOR FINANCIAL STATEMENTS OF PUBLICLY-HELD AND INVESTMENT COMPANIES

NAME OF CORPORATION: SHANG PROPERTIES INC.

CURRENT ADDRESS: 5TH FLOOR SHANGRI-LA PLAZA MALL, MANDALUYONG CITY

TEL. NO.: 370-2700

FAX NO.: 370-2699

COMPANY TYPE: DEVELOPER

PSIC: 7012

If these are based on consolidated financial statements, please so indicate in the caption.

Table 1. Balance Sheet

FINANCIAL DATA	2016 ( in P'000 )	2015 ( in P'000 )
A.1.4.3 Loans and Receivables - issued by domestic entities: (A.1.4.3.1 + A.1.4.3.2 + A.1.4.3.3 + A.1.4.3.4 + A.1.4.3.5)		
A.1.4.3.1 National Government		
A.1.4.3.2 Public Financial Institutions		
A.1.4.3.3 Public Non-Financial Institutions		
A.1.4.3.4 Private Financial Institutions		
A.1.4.3.5 Private Non-Financial Institutions		
A.1.4.4 Available-for-sale financial assets - issued by domestic entities: (A.1.4.4.1 + A.1.4.4.2 + A.1.4.4.3 + A.1.4.4.4 + A.1.4.4.5)		
A.1.4.4.1 National Government		
A.1.4.4.2 Public Financial Institutions		
A.1.4.4.3 Public Non-Financial Institutions		
A.1.4.4.4 Private Financial Institutions		
A.1.4.4.5 Private Non-Financial Institutions		
A.1.4.5 Financial Assets issued by foreign entities: (A.1.4.5.1+A.1.4.5.2+A.1.4.5.3+A.1.4.5.4)		
A.1.4.5.1 Financial Assets at fair value through profit or loss		
A.1.4.5.2 Held-to-maturity investments		
A.1.4.5.3 Loans and Receivables		
A.1.4.5.4 Available-for-sale financial assets		
A.1.4.6 Allowance for decline in market value (negative entry)		
A.1.5 Other Current Assets (state separately material items) (A.1.5.1 + A.1.5.2 + A.1.5.3)	214,029	190,442
A.1.5.1 Properties held for sale	49,235	49,785
A.1.5.2 Prepayment and other current assets	164,793	140,656
A.1.5.3		
A.2 Property, plant, and equipment (A.2.1 + A.2.2 + A.2.3 + A.2.4 + A.2.5 + A.2.6 + A.2.7 + A.2.8)	36,751	35,062
A.2.1 Land		
A.2.2 Building and improvements including leasehold improvement	51,801	51,706
A.2.3 Machinery and equipment (on hand and in transit)		
A.2.4 Transportation/motor vehicles, automotive equipment, autos and trucks, and delivery equipment	32,496	25,657
A.2.5 Others, specify (A.2.5.1 + A.2.5.2 + A.2.5.3 + A.2.5.4 + A.2.5.5)	34,433	30,461
A.2.5.1 Property or equipment used for education purposes		
A.2.5.2 Construction in progress		
A.2.5.3 Furnitures, fixtures and other equipment	34,433	30,461
A.2.5.4		
A.2.5.5		
A.2.6 Appraisal increase, specify (A.2.6.1 + A.2.6.2 + A.2.6.3 + A.2.6.4 + A.2.6.5)	0	0
A.2.6.1		
A.2.6.2		
A.2.6.3		
A.2.6.4		
A.2.6.5		
A.2.7 Accumulated Depreciation (negative entry)	(81,979)	(72,762)
A.2.8 Impairment Loss or Reversal (if loss, negative entry)		
A.3 Investments accounted for using the equity method (A.3.1 + A.3.2 + A.3.3 + A.3.4)	14,278,303	12,030,223
A.3.1 Equity in domestic subsidiaries/affiliates	14,278,303	12,030,223
A.3.2 Equity in foreign branches/subsidiaries/affiliates		
A.3.3 Others, specify (A.3.3.1 + A.3.3.2 + A.3.3.3 + A.3.3.4 + A.3.3.5)	0	0
A.3.3.1		
A.3.3.2		
A.3.3.3		
A.3.3.4		
A.3.3.5		
A.4 Investment Property	9,468,363	9,011,906
A.5 Biological Assets		
A.6 Intangible Assets	0	0
A.6.1 Major item/s, specify (A.6.1.1 + A.6.1.2)	0	0
A.6.1.1		
A.6.1.2		
A.6.2 Others, specify (A.6.2.1 + A.6.2.2)	0	0
A.6.2.1		
A.6.2.2		
A.7 Assets Classified as Held for Sale		
A.8 Assets included in Disposal Groups Classified as Held for Sale		



**SPECIAL FORM FOR CONSOLIDATED FINANCIAL STATEMENTS OF PUBLICLY-HELD AND INVESTMENT COMPANIES**

NAME OF CORPORATION: SHANG PROPERTIES INC.  
CURRENT ADDRESS: 5TH FLOOR SHANGRI-LA PLAZA MALL, MANDALUYONG CITY  
TEL. NO.: 370-2700 FAX NO.: 370-2699  
COMPANY TYPE : DEVELOPER PSIC: 7012

*If these are based on consolidated financial statements, please so indicate in the caption.*

**Table 1. Balance Sheet**

<b>FINANCIAL DATA</b>	<b>2016</b> ( in P'000 )	<b>2015</b> ( in P'000 )
A.9 Long-term receivables (net of current portion) (A.9.1 + A.9.2 + A.9.3)	0	0
A.9.1 From domestic entities, specify (A.9.1.1 + A.9.1.2 + A.9.1.3)	0	0
A.9.1.1		
A.9.1.2		
A.9.1.3		
A.9.2 From foreign entities, specify (A.9.2.1 + A.9.2.2 + A.9.2.3)	0	0
A.9.2.1		
A.9.2.2		
A.9.2.3		
A.9.3 Allowance for doubtful accounts, net of current portion (negative entry)		
A.10 Other Assets (A.10.1 + A.10.2 + A.10.3 + A.10.4 + A.10.5)	135,070	100,600
A.10.1 Deferred charges - net of amortization		
A.10.2 Advance/Miscellaneous deposits	0	0
A.10.3		
A.10.4 Others, specify (A.10.4.1 + A.10.4.2 + A.10.4.3 + A.10.4.4 + A.10.4.5)	135,070	100,600
A.10.4.1 Available-for-sale financial assets	98,741	95,321
A.10.4.2 Retirement benefit asset	4,227	4,854
A.10.4.3 Refundable deposit	32,103	425
A.10.4.4		
A.10.4.5		
A.10.5 Allowance for write-down of deferred charges/bad accounts (negative entry)		
<b>B. LIABILITIES (B.1 + B.2 + B.3 + B.4 + B.5)</b>	<b>6,429,327</b>	<b>6,391,448</b>
B.1 Current Liabilities (B.1.1 + B.1.2 + B.1.3 + B.1.4 + B.1.5 + B.1.6 + B.1.7)	1,033,195	590,590
B.1.1 Trade and Other Payables to Domestic Entities	1,000,160	562,125
(B.1.1.1 + B.1.1.2 + B.1.1.3 + B.1.1.4 + B.1.1.5 + B.1.1.6)		
B.1.1.1 Loans/Notes Payables	533,333	133,333
B.1.1.2 Trade Payables	61,387	60,672
B.1.1.3 Payables to Related Parties	355,088	321,059
B.1.1.4 Advances from Directors, Officers, Employees and Principal Stockholders		
B.1.1.5 Accruals, specify material items (B.1.1.5.1 + B.1.1.5.2 + B.1.1.5.3)	46,192	41,701
B.1.1.5.1 Accrued expenses	46,192	41,701
B.1.1.5.2 Advances from condominium unit buyers	0	0
B.1.1.5.3		
B.1.1.6 Others, specify (B.1.1.6.1 + B.1.1.6.2 + B.1.1.6.3)	4,159	5,360
B.1.1.6.1 Withholding and other taxes payable	3,343	1,851
B.1.1.6.2 Output tax payable	0	2,261
B.1.1.6.3 Others	816	1,248
B.1.2 Trade and Other Payables to Foreign Entities (specify) (B.1.2.1 + B.1.2.2 + B.1.2.3)	0	0
B.1.2.1		
B.1.2.2		
B.1.2.3		
B.1.3 Provisions		
B.1.4 Financial Liabilities (excluding Trade and Other Payables and Provisions)	0	0
(B.1.4.1 + B.1.4.2 + B.1.4.3 + B.1.4.4 + B.1.4.5)		
B.1.4.1		
B.1.4.2		
B.1.4.3		
B.1.4.4		
B.1.4.5		
B.1.5 Liabilities for Current Tax	0	0
B.1.6 Deferred Tax Liabilities		
B.1.7 Others, specify (If material, state separately; indicate if the item is payable to public/private or financial/non-financial institutions) (B.1.7.1 + B.1.7.2 + B.1.7.3 + B.1.7.4 + B.1.7.5 + B.1.7.6)	33,035	28,465
B.1.7.1 Dividends declared and not paid at balance sheet date	33,035	28,465
B.1.7.2 Acceptances Payable		
B.1.7.3 Liabilities under Trust Receipts		
B.1.7.4 Portion of Long-term Debt Due within one year		
B.1.7.5 Deferred Income		
B.1.7.6 Any other current liability in excess of 5% of Total Current Liabilities, specify:	0	0
B.1.7.6.1		
B.1.7.6.2		
B.1.7.6.3		



**SPECIAL FORM FOR FINANCIAL STATEMENTS OF PUBLICLY-HELD AND INVESTMENT COMPANIES**

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CURRENT ADDRESS: 5TH FLOOR SHANGRI-LA PLAZA MALL, MANDALUYONG CITY

TEL. NO.: 370-2700

FAX NO.: 370-2699

COMPANY TYPE: DEVELOPER

PSIC: 7012

*If these are based on consolidated financial statements, please so indicate in the caption.*

**Table 1. Balance Sheet**

<b>FINANCIAL DATA</b>		<b>2016</b> ( in P'000 )	<b>2015</b> ( in P'000 )
B.2 Long-term Debt - Non-current Interest-bearing Liabilities (B.2.1 + B.2.2 + B.2.3 + B.2.4 + B.2.5)		2,533,333	3,066,667
B.2.1 Domestic Public Financial Institutions			
B.2.2 Domestic Public Non-Financial Institutions			
B.2.3 Domestic Private Financial Institutions		2,533,333	3,066,667
B.2.4 Domestic Private Non-Financial Institutions			
B.2.5 Foreign Financial Institutions			
B.3 Indebtedness to Affiliates and Related Parties (Non-Current)			
B.4 Liabilities Included in the Disposal Groups Classified as Held for Sale			
B.5 Other Liabilities (B.5.1 + B.5.2)		2,862,799	2,734,192
B.5.1 Deferred income tax liabilities - net		2,861,529	2,733,106
B.5.2 Others, specify (B.5.2.1 + B.5.2.2 + B.5.2.3 + B.5.2.4 + B.5.2.5)		1,269	1,086
B.5.2.1 Accrued Retirement Benefits Cost		0	0
B.5.2.2 Deposits from tenants		1,269	1,086
B.5.2.3			
B.5.2.4			
B.5.2.5			
<b>C. EQUITY (C.3 + C.4 + C.5 + C.6 + C.7 + C.8 + C.9+C.10)</b>		<b>18,783,473</b>	<b>17,024,078</b>
C.1 Authorized Capital Stock (no. of shares, par value and total value; show details) (C.1.1+C.1.2+C.1.3)		8,000,000	8,000,000
C.1.1 Common shares	8,000,000,000 shares at P1 par value per share in 2016 and 2015	8,000,000	8,000,000
C.1.2 Preferred Shares			
C.1.3 Others			
C.2 Subscribed Capital Stock (no. of shares, par value and total value) (C.2.1 + C.2.2 + C.2.3)		4,764,059	4,764,059
C.2.1 Common shares	4,764,058,982 shares at P1 par value per share in 2016 and 2015	4,764,059	4,764,059
C.2.2 Preferred Shares			
C.2.3 Others			
C.3 Paid-up Capital Stock (C.3.1 + C.3.2)		4,764,059	4,764,059
C.3.1 Common shares		4,764,059	4,764,059
C.3.2 Preferred Shares			
C.4 Additional Paid-in Capital / Capital in excess of par value / Paid-in Surplus		1,210,074	1,210,074
C.5 Minority Interest			
C.6 Others, specify (C.6.1 + C.6.2 + C.6.3)		(11,024)	(12,697)
C.6.1 Treasury shares		(6,850)	(6,850)
C.6.2 Cumulative changes in fair values of AFS		10,345	4,848
C.6.3 Other Comprehensive Income (Loss)		(14,519)	(10,694)
C.7 Appraisal Surplus/Revaluation Increment in Property/Revaluation Surplus			
C.8 Retained Earnings (C.8.1 + C.8.2)		12,820,364	11,062,642
C.8.1 Appropriated			
C.8.2 Unappropriated		12,820,364	11,062,642
C.9 Head / Home Office Account (for Foreign Branches only)			
C.10 Cost of Stocks Held in Treasury (negative entry)			
<b>TOTAL LIABILITIES AND EQUITY (B + C)</b>		<b>25,212,800</b>	<b>23,415,526</b>



## SPECIAL FORM FOR FINANCIAL STATEMENTS OF PUBLICLY-HELD AND INVESTMENT COMPANIES

NAME OF CORPORATION: SHANG PROPERTIES INC.

CURRENT ADDRESS: LEVEL 5 SHANGRI-LA PLAZA MALL, MANDALUYONG CITY

TEL. NO.: 370-2700

FAX NO.: 370-2699

COMPANY TYPE: DEVELOPER

PSIC: 7012

If these are based on consolidated financial statements, please so indicate in the caption.

Table 2. Income Statement

FINANCIAL DATA	2016 ( in P'000 )	2015 ( in P'000 )	2014 ( in P'000 )
<b>A. REVENUE / INCOME (A.1 + A.2 + A.3)</b>	2,986,561	3,954,231	1,452,287
A.1 Net Sales or Revenue / Receipts from Operations (manufacturing, mining, utilities, trade, services, etc.) (from Primary Activity)			
A.2 Share in the Profit or Loss of Associates and Joint Ventures accounted for			
A.3 Other Revenue (A.3.1 + A.3.2 + A.3.3 + A.3.4 + A.3.5)	221,570	270,887	211,846
A.3.1 Rental Income from Land and Buildings	221,019	212,740	211,186
A.3.2 Receipts from Sale of Merchandise (trading) (from Secondary Activity)			
A.3.3 Sale of Real Estate or other Property and Equipment	550	58,147	660
A.3.4 Royalties, Franchise Fees, Copyrights (books, films, records, etc.)			
A.3.5 Others, specify (A.3.5.1 + A.3.5.2 + A.3.5.3 + A.3.5.4 + A.3.5.5 + A.3.5.6 + A.3.5.7 + A.3.5.8)	0	0	0
A.3.5.1 Rental Income, Equipment			
A.3.5.2 Management Fee			
A.3.5.3			
A.3.5.4			
A.3.5.5			
A.3.5.6			
A.3.5.7			
A.3.5.8			
A.4 Other Income (non-operating) (A.4.1 + A.4.2 + A.4.3 + A.4.4)	2,764,992	3,683,344	1,240,440
A.4.1 Interest Income	8,364	8,543	2,707
A.4.2 Dividend Income	2,302,262	3,150,415	1,234,919
A.4.3 Gain / (Loss) from selling of Assets, specify (A.4.3.1 + A.4.3.2 + A.4.3.3 + A.4.3.4)	0	0	0
A.4.3.1 Gain on sale of financial assets at fair value through profit or loss	0	0	0
A.4.3.2 Gain on sale of subsidiary	0	0	0
A.4.3.3			
A.4.3.4			
A.4.4 Others, specify (A.4.4.1 + A.4.4.2 + A.4.4.3 + A.4.4.4)	454,365	524,385	2,814
A.4.4.1 Increase in fair value of investment property	452,527	521,897	0
A.4.4.2 Others	1,838	2,488	2,814
A.4.4.3			
A.4.4.4			
<b>B. COST OF GOODS SOLD (B.1 + B.2 + B.3)</b>	0	0	0
B.1 Cost of Goods Manufactured (B.1.1 + B.1.2 + B.1.3 + B.1.4 + B.1.5)			
B.1.1 Direct Material Used			
B.1.2 Direct Labor			
B.1.3 Other Manufacturing Cost / Overhead			
B.1.4 Goods in Process, Beginning			
B.1.5 Goods in Process, End (negative entry)			
B.2 Finished Goods, Beginning			
B.3 Finished Goods, End (negative entry)			
<b>C. COST OF SALES (C.1 + C.2 + C.3)</b>	550	28,372	228
C.1 Purchases	550	28,372	228
C.2 Merchandise Inventory, Beginning			
C.3 Merchandise Inventory, End (negative entry)			
<b>D. GROSS PROFIT (A - B - C)</b>	2,986,011	3,925,859	1,452,059

NOTE: Pursuant to SRC Rule 68.1 (as amended in Nov. 2005), for fiscal years ending December 31, 2005 up to November 30, 2006, a comparative format of only two (2) years may be filed to give temporary relief for covered companies as the more complex PFRSs will be applied for the first time in these year end periods. After these first time applications, the requirement of three (3) year comparatives shall resume for year end reports beginning December 31, 2006 and onwards.



**SPECIAL FORM FOR FINANCIAL STATEMENTS OF PUBLICLY-HELD AND INVESTMENT COMPANIES**

NAME OF CORPORATION: SHANG PROPERTIES INC.  
CURRENT ADDRESS: LEVEL 5 SHANGRI-LA PLAZA MALL, MANDALUYONG CITY  
TEL. NO.: 370-2700 FAX NO.: 370-2699  
COMPANY TYPE: DEVELOPER PSIC: 7012

*If these are based on consolidated financial statements, please so indicate in the caption.*

**Table 2. Income Statement**

FINANCIAL DATA	2016 ( in P'000 )	2015 ( in P'000 )	2014 ( in P'000 )
<b>E. OPERATING EXPENSES (E.1 + E.2 + E.3 + E.4)</b>	<b>175,339</b>	<b>151,552</b>	<b>165,614</b>
E.1 Selling or Marketing Expenses			
E.2 Administrative Expenses	147,892	126,805	117,398
E.3 General Expenses	27,447	24,747	48,215
E.4 Other Expenses, specify (E.4.1 + E.4.2 + E.4.3 + E.4.4 + E.4.5 + E.4.6 + E.4.7 + E.4.8 + E.4.9 + E.4.10)	0	0	0
E.4.1 Provision for impairment of goodwill	0	0	0
E.4.2			
E.4.3			
E.4.4			
E.4.5			
E.4.6			
E.4.7			
E.4.8			
E.4.9			
E.4.10			
<b>F. FINANCE COSTS (F.1 + F.2 + F.3 + F.4 + F.5)</b>	<b>129,141</b>	<b>162,420</b>	<b>186,260</b>
F.1 Interest on Short-Term Promissory Notes			
F.2 Interest on Long-Term Promissory Notes	128,955	155,425	186,162
F.3 Interest on bonds, mortgages and other long-term loans			
F.4 Amortization			
F.5 Other interests, specify (F.5.1 + F.5.2 + F.5.3 + F.5.4 + F.5.5)	185	6,996	98
F.5.1 Bank charges	185	6,996	98
F.5.2 Loss on sale of land	0	0	0
F.5.3			
F.5.4			
F.5.5			
<b>G. NET INCOME (LOSS) BEFORE TAX (D - E - F)</b>	<b>2,681,531</b>	<b>3,611,887</b>	<b>1,100,185</b>
<b>H. INCOME TAX EXPENSE (negative entry)</b>	<b>(138,093)</b>	<b>(158,841)</b>	<b>3,419</b>
<b>I. INCOME(LOSS) AFTER TAX</b>	<b>2,543,439</b>	<b>3,453,045</b>	<b>1,103,604</b>
<b>J. Amount of (i) Post-Tax Profit or Loss of Discontinued Operations; and (ii) Post-Tax Gain or Loss Recognized on the Measurement of Fair Value less Cost to Sell or on the Disposal of the Assets or Disposal Group(s) constituting the Discontinued Operation (if any)</b>			
J.1			
J.2			
<b>K. PROFIT OR LOSS ATTRIBUTABLE TO MINORITY INTEREST</b>			
<b>L. PROFIT OR LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT</b>	<b>2,543,439</b>	<b>3,453,045</b>	<b>1,103,604</b>
<b>M. EARNINGS (LOSS) PER SHARE</b>			
M.1 Basic	0.534	0.725	0.232
M.2 Diluted			



**SPECIAL FORM FOR FINANCIAL STATEMENTS OF PUBLICLY-HELD AND INVESTMENT COMPANIES**

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TEL. NO.: 370-2700 FAX NO.: 370-2699  
COMPANY TYPE : DEVELOPER PSIC: 7012

If these are based on consolidated financial statements, please so indicate in the caption.

**Table 3. Cash Flow Statements**

FINANCIAL DATA	2016 ( in P'000 )	2015 ( in P'000 )	2014 ( in P'000 )
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net Income (Loss) Before Tax and Extraordinary Items	2,681,531	3,611,887	1,100,185
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities			
Depreciation	10,063	10,555	9,617
Amortization, specify:			
Others, specify: Interest expenses	128,955	155,425	186,162
Gain on fair value of investment properties	(452,527)	(521,897)	0
Dividend Income	(2,302,262)	(3,150,415)	(1,234,919)
Gain on sale of property and equipment	(254)	(601)	0
Others	(8,930)	(9,286)	(3,193)
Loss on sale of land	0	0	0
(Gain)/loss on sale of financial assets at fair value through profit or loss	22	(816)	(2,070)
Write-down of Property, Plant, and Equipment			
Changes in Assets and Liabilities:			
Decrease (Increase) in:			
Receivables	(54,825)	835,785	881,638
Properties held for sale	550	28,372	228
Other Current Assets	(24,137)	(25,445)	(6,578)
Others, specify:			
Increase (Decrease) in:			
Trade and Other Payables	38,700	(229,042)	25,828
Income and Other Taxes Payable	-	-	-
Others, specify: Accrued Retirement Benefit Cost	(4,836)	(14,596)	2,947
Interest Received	9,927	6,868	2,799
Deposits from tenants	0	0	0
Income Taxes Paid	(5,953)	(6,419)	(4,591)
<b>A. Net Cash Provided by (Used in) Operating Activities (sum of above rows)</b>	<b>16,025</b>	<b>690,376</b>	<b>958,052</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
(Increase) Decrease in Long-Term Receivables	(2,248,080)	456,717	(1,746,384)
(Increase) Decrease in Investment	(11,752)	(5,039)	(5,369)
Reductions/(Additions) to Property, Plant, and Equipment	3,005,860	2,441,918	1,235,219
Others, specify Dividends Received			
Refundable deposits	0	0	(68)
Others	(35,353)	(3,738)	(7,920)
<b>B. Net Cash Provided by (Used in) Investing Activities (sum of above rows)</b>	<b>710,675</b>	<b>2,889,857</b>	<b>(524,522)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from:			
Loans	0	0	900,000
Long-term Debt			
Issuance of Securities			
Others, specify: Interest paid	(129,621)	(165,183)	(181,133)
Deposit from Tenant	183	87	
Payments of:			
(Loans)	(133,333)	(1,895,833)	(583,333)
(Long-term Debt)			
(Stock Subscriptions)			
Others, specify (negative entry):			
Cash dividends paid to shareholders	(781,147)	(733,928)	(639,408)
Effect of exchange rate changes	565	744	486
<b>C. Net Cash Provided by (Used in) Financing Activities (sum of above rows)</b>	<b>(1,043,352)</b>	<b>(2,794,113)</b>	<b>(503,389)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS (A + B + C)</b>	<b>(316,652)</b>	<b>786,120</b>	<b>(69,858)</b>
Cash and Cash Equivalents			
Beginning of year	1,211,800	425,680	495,538
End of year	895,148	1,211,800	425,680

**NOTE:** Pursuant to SRC Rule 68.1 (as amended in Nov. 2005), for fiscal years ending December 31, 2005 up to November 30, 2006, a comparative format of only two (2) years may be filed to give temporary relief for covered companies as the more complex PFRSs will be applied for the first time in these year end periods. After these first time applications, the requirement of three (3) year comparatives shall resume for year end reports beginning December 31, 2006 and onwards.



**SPECIAL FORM FOR FINANCIAL STATEMENTS OF PUBLICLY-HELD AND INVESTMENT COMPANIES**

NAME OF CORPORATION: SHANG PROPERTIES INC.

CURRENT ADDRESS: 5TH LEVEL SHANGRI-LA PLAZA MALL, MANDALUYONG CITY

TEL. NO.: 370-2700

FAX NO.: 370-2699

COMPANY TYPE: DEVELOPER

PSIC: 7012

*If these are based on consolidated financial statements, please so indicate in the caption.*

**Table 4. Statement of Changes in Equity**

FINANCIAL DATA	(Amount in P'000)					
	Capital Stock	Additional Paid-in Capital	Treasury Shares	Cummulative Changes in Fair Value	Retained Earnings	TOTAL
<b>A. Balance, 2014</b>	4,764,059	1,210,074	(6,850)	(7,601)	8,347,694	14,307,376
A.1 Correction of Error(s)						0
A.2 Changes in Accounting Policy						0
<b>B. Restated Balance</b>	4,764,059	1,210,074	(6,850)	(7,601)	8,347,694	14,307,376
<b>C. Surplus</b>						0
C.1 Surplus (Deficit) on Revaluation of Properties						0
C.2 Surplus (Deficit) on Revaluation of Investments				1,435		1,435
C.3 Currency Translation Differences						0
C.4 Other Surplus (specify)						0
C.4.1 Remeasurement Gains (Losses) on defined benefit				319		319
C.4.2						0
C.4.3						0
C.4.4						0
C.4.5						0
<b>D. Net Income (Loss) for the Period</b>					3,453,045	3,453,045
<b>E. Dividends (negative entry)</b>					(738,098)	(738,098)
<b>F. Appropriation for (specify)</b>						0
F.1						0
F.2						0
F.3						0
F.4						0
F.5						0
<b>G. Issuance of Capital Stock</b>						0
G.1 Common Stock						0
G.2 Preferred Stock						0
G.3 Others						0
<b>H. Balance, 2015</b>	4,764,059	1,210,074	(6,850)	(5,847)	11,062,642	17,024,078
H.1 Correction of Error (s)						0
H.2 Changes in Accounting Policy						0
<b>I. Restated Balance</b>						0
<b>J. Surplus</b>						0
J.1 Surplus (Deficit) on Revaluation of Properties						0
J.2 Surplus (Deficit) on Revaluation of Investments				5,498		5,498
J.3 Currency Translation Differences						0
J.4 Other Surplus (specify)						0
J.4.1 Remeasurement Gains (Losses) on defined benefit				(3,824)		(3,824)
J.4.2						0
J.4.3						0
J.4.4						0
J.4.5						0
<b>K. Net Income (Loss) for the Period</b>					2,543,439	2,543,439
<b>L. Dividends (negative entry)</b>					(785,717)	(785,717)
<b>M. Appropriation for (specify)</b>						0
M.1						0
M.2						0
M.3						0
M.4						0
M.5						0
<b>N. Issuance of Capital Stock</b>						0
N.1 Common Stock						0
N.2 Preferred Stock						0
N.3 Others						0
<b>O. Balance, 2016</b>	4,764,059	1,210,074	(6,850)	(4,174)	12,820,364	18,783,473



**SPECIAL FORM FOR FINANCIAL STATEMENTS OF PUBLICLY-HELD AND INVESTMENT COMPANIES**

NAME OF CORPORATION: SHANG PROPERTIES INC.  
CURRENT ADDRESS: LEVEL 5 SHANGRI-LA PLAZA MALL, MANDALUYONG CITY  
TEL. NO.: 635-8300 FAX NO.: 633-4473  
COMPANY TYPE: DEVELOPER PSIC: 7012

*If these are based on consolidated financial statements, please so indicate in the caption.*

**Table 5. Details of Income and Expenses, by source**  
(applicable to corporations transacting with foreign corporations/entities)

FINANCIAL DATA	2016 ( in P'000 )	2015 ( in P'000 )	
<b>A. REVENUE / INCOME (A.1 + A.2)</b>			
A.1 Net Sales or Revenue / Receipts from Operations (manufacturing, mining, utilities, trade, services, etc.) (from Primary Activity) (A.1.1 + A.1.2)	n/a		
A.1.1 Domestic			
A.1.2 Foreign			
A.2 Other Revenue (A.2.1 + A.2.2)			
A.2.1 Domestic			
A.2.2 Foreign, specify (A.2.2.1+A.2.2.2+ A.2.2.3+ A.2.2.4+ A.2.2.5+ A.2.2.6+ A.2.2.7+ A.2.2.8+A.2.2.9+A.2.2.10)	n/a		
A.2.2.1			
A.2.2.2			
A.2.2.3			
A.2.2.4			
A.2.2.5			
A.2.2.6			
A.2.2.7			
A.2.2.8			
A.2.2.9			
A.2.2.10			
<b>B. EXPENSES (B.1 + B.2)</b>			
B.1 Domestic			
B.2 Foreign, specify (B.2.1+B.2.2+B.2.3+B.2.4+B.2.5+B.2.6+B.2.7+B.2.8+B.2.9+B.2.10)	n/a		
B.2.1			
B.2.2			
B.2.3			
B.2.4			
B.2.5			
B.2.6			
B.2.7			
B.2.8			
B.2.9			
B.2.10			

SECRETARY'S CERTIFICATE

I, **FEDERICO G. NOEL, JR.**, of legal age, Filipino and with office address at the 5<sup>th</sup> Level, Shangri-La Plaza, EDSA corner Shaw Boulevard, Mandaluyong City, being the duly elected and incumbent Corporate Secretary of **SHANG PROPERTIES, INC.**, a corporation duly organized and existing under and by virtue of the laws of the Philippines, with office address as aforestated (the "Corporation"), under oath, do hereby certify that at the Regular Meeting of the Board of Directors of the Corporation held on 15 March 2017, the following resolutions were unanimously approved and adopted:

"RESOLVED, that the Board of Directors (the 'Board') of **SHANG PROPERTIES, INC.**, (the 'Corporation') designate and authorize, as it hereby designates and authorizes, the following Executive Officers of the Corporation, as the authorized representatives and signatories of the Corporation for all reports and/or documents required to be submitted to the Bureau of Internal Revenue (BIR) including the Statement of Management's Responsibility for Annual Income Tax Return and to the Securities and Exchange Commission (SEC) including the Statement of Management's Responsibility for Financial Statements;

<u>Name</u>	<u>Designation</u>
KARLO MARCO P. ESTAVILLO	- Treasurer/Chief Finance Officer & Chief Operating Officer
KIN SUN ANDREW NG	- Vice President/ Group Financial Controller

RESOLVED FINALLY, that the Corporation ratify as it hereby ratifies, any and all acts and transactions that may have been or will be done or undertaken by the designated Officers pursuant to the authority herein granted."

IN WITNESS WHEREOF, I have signed this Secretary's Certificate this 29<sup>th</sup> day of March 2017 in Mandaluyong City.

  
**FEDERICO G. NOEL, JR.**  
Corporate Secretary

REPUBLIC OF THE PHILIPPINES)  
MANDALUYONG CITY METRO MANILA) S.S.

SUBSCRIBED AND SWORN to before me in the City of Mandaluyong, this 29 day of March 2017 by **FEDERICO G. NOEL, JR.**, having satisfactory proven to me his identity through his Philippine Passport No. EB7578429 issued by the Department of Foreign Affairs, Manila on 7 March 2013 and valid until 6 March 2018, and who personally appeared before me and signed the foregoing Secretary's Certificate, and acknowledge that he executed the same freely and voluntarily act and deed, that he is acting as the authorized representative of **SHANG PROPERTIES, INC.**, and that he has the authority to sign in such capacity.

Doc. No. 428 ;  
Page No. 57 ;  
Book No. 19 ;  
Series of 2017.

**JOVEN G. VILLANO**  
NOTARY PUBLIC FOR CITY OF MANDALUYONG  
COMMISSION NO. 0285-17 UNTIL DECEMBER 31, 2018  
ROLL NO. 53970  
IBP LIFETIME NO. 011302 RIZAL  
PTR NO. 3019108 ; 1-3-17; MANDALUYONG  
MCLE COMPLIANCE NO. IV - 0014673 14 APRIL 2019  
METRO MART COMPLEX, MANDALUYONG CITY